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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 10-01-2010 and ending 09-30-2011

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
SKY LAKES MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address)
2865 DAGGETT AVENUE

Room/suite

City or town, state or country, and ZIP + 4
KLAMATH FALLS, OR 97601

D Employer identification number
93-0508781

E Telephone number
(541) 274-6311

G Gross receipts $ 357,497,651

F Name and address of principal officer
PAUL STEWART
2865 DAGGETT AVENUE
KLAMATH FALLS,OR 97601

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW SKYLAKES ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1979

M State of legal domicile OR

Part I Summary

1 Briefly describe the organization's mission or most significant activities
SKY LAKES MEDICAL CENTER WILL CONTINUALLY STRIVE TO REDUCE THE BURDEN OF ILLNESS, INJURY AND DISABILITY, AND TO IMPROVE THE HEALTH, SELF-RELIANCE AND WELL-BEING OF THE PEOPLE WE SERVE WE WILL DEMONSTRATE THAT WE ARE COMPETENT AND CARING IN ALL WE DO WE SHALL ENDEAVOR TO BE SO SUCCESSFUL IN THIS EFFORT THAT WE WILL BECOME A PREEMINENT HEALTHCARE CENTER

2 Check this box ▶ ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	10
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	7
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	1,209
6	Total number of volunteers (estimate if necessary)	**6**	347
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	7,215
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	5,199

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	640,948	583,985
9	Program service revenue (Part VIII, line 2g)	321,053,289	354,932,861
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	609,910	634,469
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	461,533	352,404
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	322,765,680	356,503,719
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	327,147	334,466
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	65,459,152	72,952,593
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	239,866,341	268,370,292
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	305,652,640	341,657,351
19	Revenue less expenses Subtract line 18 from line 12	17,113,040	14,846,368

Revenue / Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	158,047,175	175,539,803
21	Total liabilities (Part X, line 26)	64,829,606	67,929,677
22	Net assets or fund balances Subtract line 21 from line 20	93,217,569	107,610,126

Net Assets or Fund Balances

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

****** 2012-08-13
Signature of officer Date

RICHARD RICO VP/CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed	PTIN
WENDY CAMPOS	WENDY CAMPOS		☐	

Firm's name ▶ MOSS ADAMS LLP — Firm's EIN ▶

Firm's address ▶ 805 SW BROADWAY 1200
PORTLAND, OR 97205

Phone no ▶ (503) 242-1447

May the IRS discuss this return with the preparer shown above? (see instructions) ☑ Yes ☐ No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III . . . . . ☑

1 Briefly describe the organization's mission

SKY LAKES MEDICAL CENTER WILL CONTINUALLY STRIVE TO REDUCE THE BURDEN OF ILLNESS, INJURY AND DISABILITY, AND TO IMPROVE THE HEALTH, SELF-RELIANCE AND WELL-BEING OF THE PEOPLE WE SERVE WE WILL DEMONSTRATE THAT WE ARE COMPETENT AND CARING IN ALL WE DO WE SHALL ENDEAVOR TO BE SO SUCCESSFUL IN THIS EFFORT THAT WE WILL BECOME A PREEMINENT HEALTHCARE CENTER

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 276,513,512 including grants of $ 10,329) (Revenue $ 351,368,851)

PATIENT CARE EXPENSES - ACUTE INPATIENT CARE FOR ADULT AND PEDIATRIC PATIENTS, A LEVEL III TRAUMA EMERGENCY DEPARTMENT, SERVICES RELATED TO CHILD ABUSE, HOME CARE, PHYSICAL, OCCUPATIONAL AND SPEECH THERAPIES, A CANCER TREATMENT CENTER WITH BOTH MEDICAL AND RADIATION ONCOLOGY, AND DIAGNOSTIC TESTING (LABORATORY AND DIAGNOSTIC IMAGING) AVAILABILITY IN SETTINGS AROUND THE COMMUNITY

4b (Code) (Expenses $ 23,564,681 including grants of $) (Revenue $)

UNCOMPENSATED CARE - DURING FISCAL YEAR 2011, SKY LAKES MEDICAL CENTER CONTINUED TO SEE AN INCREASE IN WRITE OFFS FOR BAD DEBT BY WAY OF COMPARISON, THE ECONOMY IN KLAMATH COUNTY IS POORER THAN THE STATE OF OREGON, INCLUDING HIGHER UNEMPLOYMENT RATES AND MEDICAL INDIGENCY CHARGES WRITTEN OFF AS BAD DEBT TOTALED $11,696,879 AS A PERCENTAGE OF CHARGES, THESE REPRESENT 3 3%

4c (Code) (Expenses $ 5,856,878 including grants of $ 267,187) (Revenue $ 1,859,777)

EDUCATIONAL SUPPORT - SKY LAKES MEDICAL CENTER COMMITS SIGNIFICANT DOLLARS AND MAN-HOURS TO BENEFIT EDUCATIONAL EFFORTS IN AND FOR THE COMMUNITY AMONG THOSE COMMITMENTS ARE THE FOLLOWING OREGON HEALTH SCIENCE UNIVERSITY AFFILIATED FAMILY PRACTICE RESIDENCY PROGRAM AND CLINIC, AN RN I TRAINING PROGRAM TO INCLUDE 6 MONTHS OF ONE-ON-ONE SUPERVISED ORIENTATION TO THE INPATIENT CARE AREAS, AWARDING OF SCHOLARSHIPS TO COMMUNITY MEMBERS AND/OR EMPLOYEES IN HEALTHCARE- RELATED PROGRAMS, A HOSPITAL DEPARTMENT, LEARNING RESOURCES, DEDICATED TO THE EDUCATION OF PHYSICIANS, EMPLOYEES AND COMMUNITY MEMBERS, COMMITTMENT TO EMPLOYEES ACTING, EITHER FULL-TIME OR PART-TIME, AS INSTRUCTORS IN ACCREDITED COURSES AT THE HIGH SCHOOL, COMMUNITY COLLEGE OR UNIVERSITY LEVEL, STIPEND PAYMENTS TO STUDENTS PERFORMING WORK AND/OR ON-THE-JOB TRAINING WITHIN THE HOSPITAL SETTING, TUITION REIMBURSEMENTS PAID TO EMPLOYEES ENROLLED IN COLLEGE-LEVEL COURSEWORK, JOINT PARTICIPATION IN A SIMULATION LABORATORY WITH OIT, FREE OR MINIMAL COST COMMUNITY EDUCATIONAL OPPORTUNITIES SUCH AS DIABETES EDUCATION, NUTRITION AND OTHER EDUCATION PROGRAMS IN OR FOR THE SCHOOLS, AND HEALTH FAIRS

4d Other program services (Describe in Schedule O) **See also Additional Data for Description**

(Expenses $ 11,269,093 including grants of $ 32,725) (Revenue $ 2,267,917)

4e **Total program service expenses** ▶ $ 317,204,164

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**	Yes	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	**35**	Yes	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* ☐ **Yes** ☑ **No**			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V . . . . . .

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	224		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	1,209		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			14b		

Part VI **Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI . . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	10		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	7		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Does the organization have members or stockholders?		6		No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		7a		No
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . .		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a		No
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes	
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		No

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶ OR

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you make these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

RICHARD RICO CFO
2865 DAGGETT AVENUE
KLAMATH FALLS, OR 97601
(541) 274-6150

Part VII Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII . . . . . .☐

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) JOHN BELL CHAIRMAN	3 00	X		X				0	0	0
(2) ROD WENDT VICE CHAIRMAN	1 00	X		X				0	0	0
(3) KERMIT HOUSER BOARD MEMBER	1 00	X						0	0	0
(4) CLARK PEDERSON BOARD MEMBER	1 00	X						0	0	0
(5) BERNARD SIMONSON BOARD MEMBER	1 00	X						0	0	0
(6) WENDY WARREN MD BOARD MEMBER	1 00	X						0	0	0
(7) DOUGLAS MCINNIS DVM BOARD MEMBER	1 00	X						0	0	0
(8) GREGORY SINDMACK MD BOARD MEMBER	1 00	X						26,000	0	0
(9) GRANT NISKANEN MD BOARD MEMBER	40 00	X						259,750	0	12,250
(10) PAUL R STEWART PRESIDENT/CEO/SECRETARY/TREASURER	50 00	X		X				492,525	0	26,074
(11) RICHARD RICO VP/CFO	50 00			X				248,409	0	31,066
(12) PATRICK MAVEETY MD MEDICAL PROVIDER	40 00					X		406,375	0	17,351
(13) TZANN T FANG MD MEDICAL PROVIDER	40 00					X		393,703	0	30,234
(14) NASSER G ABU-ERREISH MD MEDICAL PROVIDER	40 00					X		290,654	0	21,422
(15) KURT J SLATER DO MEDICAL PROVIDER	40 00					X		216,870	0	17,417
(16) W CLAY MCCORD MD MEDICAL PROVIDER	40 00					X		201,769	0	25,337

Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								2,536,055	0	181,151

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 51

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**3**		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	**4**	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	**5**		No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
HEALTH FUTURE 777 MURPHY ROAD MEDFORD, OR 97504	THIRD PARTY ADMIN SERVICES	1,173,348
SOUTHERN OREGON LINEN SERVICES INC 635 AVENUE C WHITE CITY, OR 97503	LINEN SERVICES	456,300
ASD HEALTHCARE PO BOX 848104 DALLAS, TX 75284	CONTRACT LABOR	384,302
REVENUE CYCLE PARTNERS LLC 1643 LEWIS AVENUE 203 BILLINGS, MT 59102	SELF PAY COLLECTION SERVICES	344,767
THE MANDALA AGENCY 2855 NW CROSSING DRIVE SUITE 201 BEND, OR 97701	MARKETING SERVICES	329,641

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 22

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . 1a					
	b Membership dues 1b					
	c Fundraising events 1c					
	d Related organizations . . . 1d	583,985				
	e Government grants (contributions) 1e					
	f All other contributions, gifts, grants, and similar amounts not included above 1f					
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		583,985			
Program Service Revenue		Business Code				
	2a PATIENT REVENUE	621990	351,368,851	351,368,851		
	b OTHER PROGRAM REVENUE	621990	3,564,010	3,564,010		
	c					
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		354,932,861			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		759,690			759,690
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					
		(i) Real / (ii) Personal				
	6a Gross Rents	801,250				
	b Less rental expenses	692,693				
	c Rental income or (loss)	108,557				
	d Net rental income or (loss) . . . . . ▶		108,557			108,557
		(i) Securities / (ii) Other				
	7a Gross amount from sales of assets other than inventory	3,990				
	b Less cost or other basis and sales expenses	129,211				
	c Gain or (loss)	-125,221				
	d Net gain or (loss) . . . . . ▶		-125,221			-125,221
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a					
	b Less direct expenses . . . b					
	c Net income or (loss) from fundraising events . . ▶					
	9a Gross income from gaming activities See Part IV, line 19 . a					
	b Less direct expenses . . . . . b					
	c Net income or (loss) from gaming activities . . ▶					
	10a Gross sales of inventory, less returns and allowances . a	119,729				
	b Less cost of goods sold . . b	172,028				
	c Net income or (loss) from sales of inventory . . ▶		-52,299			-52,299
	Miscellaneous Revenue	Business Code				
	11a SUB/PASSTHROUGH INCOME	621990	570,899	563,684	7,215	
	b OTHER INCOME	900099	-274,753			-274,753
	c					
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶		296,146			
	12 **Total revenue.** See Instructions . . . ▶		356,503,719	355,496,545	7,215	415,974

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	56,950	56,950		
2	Grants and other assistance to individuals in the U S See Part IV, line 22	277,516	277,516		
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,182,415		1,182,415	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	55,385,441	51,090,350	4,295,091	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,181,807	1,990,306	191,501	
9	Other employee benefits	8,877,499	8,090,346	787,153	
10	Payroll taxes	5,325,431	3,603,825	1,721,606	
a	Fees for services (non-employees) Management				
b	Legal	234,558	33,895	200,663	
c	Accounting	150,289		150,289	
d	Lobbying				
e	Professional fundraising services *See Part IV, line 17*				
f	Investment management fees				
g	Other	6,316,982	5,867,636	449,346	
12	Advertising and promotion	706,661	86,713	619,948	
13	Office expenses	1,994,701	1,325,812	668,889	
14	Information technology	1,716,216	37,434	1,678,782	
15	Royalties				
16	Occupancy	2,400,587	2,115,654	284,933	
17	Travel	130,355	112,824	17,531	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	419,520	335,852	83,668	
20	Interest	3,026,796	2,005	3,024,791	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	7,505,469	2,476,791	5,028,678	
23	Insurance	2,620,761	576,714	2,044,047	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	CONTRACTUAL ALLOWANCE	178,497,907	178,497,907		
b	SUPPLIES	26,507,717	26,354,669	153,048	
c	CHARITY CARE	11,867,802	11,867,802		
d	BAD DEBT EXPENSE	11,696,879	11,696,879		
e	TAXES PAID ON UBI	650		650	
f	All other expenses	12,576,442	10,706,284	1,870,158	
25	**Total functional expenses.** Add lines 1 through 24f	341,657,351	317,204,164	24,453,187	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		467,564	1	388,095
	2	Savings and temporary cash investments		25,715,056	2	37,710,047
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		21,702,325	4	20,664,948
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		2,699,898	8	2,487,606
	9	Prepaid expenses and deferred charges		2,191,378	9	2,890,033
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 166,196,429			
	b	Less accumulated depreciation	10b 80,604,779	87,326,153	10c	85,591,650
	11	Investments—publicly traded securities		1,134,829	11	4,745,469
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		2,368,682	13	2,959,246
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		14,441,290	15	18,102,709
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		158,047,175	16	175,539,803
Liabilities	17	Accounts payable and accrued expenses		4,705,771	17	4,669,107
	18	Grants payable			18	
	19	Deferred revenue		2,622,197	19	2,608,182
	20	Tax-exempt bond liabilities		52,122,247	20	51,137,164
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties		1,247,993	23	1,171,848
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		4,131,398	25	8,343,376
	26	**Total liabilities.** Add lines 17 through 25		64,829,606	26	67,929,677
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		93,217,569	27	107,610,126
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		93,217,569	33	107,610,126
	34	Total liabilities and net assets/fund balances		158,047,175	34	175,539,803

Part XI Reconcilliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI . . . . . ☑

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	356,503,719
2	Total expenses (must equal Part IX, column (A), line 25)	2	341,657,351
3	Revenue less expenses Subtract line 2 from line 1	3	14,846,368
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	93,217,569
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-453,811
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	107,610,126

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII . . . . . ☐

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separated basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3 ☑ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state

_____

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

9 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10 ☐ An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other

e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

	Yes	No
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

h Provide the following information about the supported organization(s)

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support
Total									

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (See instructions) **12**

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶☐

Part III **Support Schedule for Organizations Described in Section 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(f)** Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(f)** Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	**15**	
16	Public support percentage from 2009 Schedule A, Part III, line 15	**16**	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f))	**17**	
18	Investment income percentage from **2009** Schedule A, Part III, line 17	**18**	

19a **33 1/3% support tests—2010.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2009.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶☐

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Additional Data

Software ID:
Software Version:
EIN: 93-0508781
Name: SKY LAKES MEDICAL CENTER

Form 990, Part III - 4 Program Service Accomplishments (See the Instructions)

4d. Other program services

(Code) (Expenses $ 11,269,093 including grants of $ 32,725) (Revenue $ 2,267,917)

EXPENSES RELATED TO MEDICAL CENTER SUPPORTING SERVICES SUCH AS ADMINISTRATION, INFORMATION SYSTEMS, FINANCIAL SERVICES, REVENUE CYCLE PROCESSES, HUMAN RESOURCES, ENGINEERING, ENVIRONMENTAL SERVICES, RISK MANAGEMENT, AND SAFETY AND SECURITY

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

2 Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Term endowment ▶

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

		Yes	No
(i) unrelated organizations	3a(i)		
(ii) related organizations	3a(ii)		
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,325,402		1,325,402
b Buildings		106,834,107	45,000,639	61,833,468
c Leasehold improvements		4,172,451	2,095,067	2,077,384
d Equipment		38,111,114	26,892,814	11,218,300
e Other		15,753,355	6,616,259	9,137,096
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				85,591,650

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) ASSETS LIMITED AS TO USE	4,910,133
(2) OTHER ASSETS	1,638,862
(3) RISK-POOL WITHHOLD RECEIVABLE	1,693,168
(4) DEFERRED FINANCING COSTS	1,575,692
(5) CONSTRUCTION IN PROCESS	2,224,839
(6) OTHER RECEIVABLES	6,060,015
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	18,102,709

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
CAPITAL LEASE OBLIGATIONS	5,857,035
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	2,486,341
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	8,343,376

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	FIN 48 (ASC 740) FOOTNOTE - THE MEDICAL CENTER HAD NO UNRECOGNIZED TAX BENEFITS AT SEPTEMBER 30, 2011 OR AT SEPTEMBER 30, 2010 THE MEDICAL CENTER RECOGNIZES INTEREST ACCRUED AND PENALTIES RELATED TO UNRECOGNIZED TAX BENEFITS AS AN ADMINISTRATIVE EXPENSE DURING THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010, THE MEDICAL CENTER RECOGNIZED NO INTEREST AND PENALTIES

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other ____ %	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other ____ %	3b	Yes	
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)		6,640	9,212,930		9,212,930	2 790 %
b Unreimbursed Medicaid (from Worksheet 3, column a)		37,542	26,075,924	24,642,775	1,433,149	0 430 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs		44,182	35,288,854	24,642,775	10,646,079	3 220 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	8	528,362	111,408	21,887	89,521	0 030 %
f Health professions education (from Worksheet 5)	2	5,855	4,796,732	1,617,322	3,179,410	0 960 %
g Subsidized health services (from Worksheet 6)	4	205,267	9,758,269	6,569,904	3,188,365	0 970 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)	3	260	1,031		1,031	0 %
j **Total** Other Benefits	17	739,744	14,667,440	8,209,113	6,458,327	1 960 %
k **Total.** Add lines 7d and 7j	17	783,926	49,956,294	32,851,888	17,104,406	5 180 %

Part II Community Building Activities during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support	12	258,081	863,706	457,006	406,700	0 120 %
4	Environmental improvements						
5	Leadership development and training for community members	2	2,077	7,022		7,022	0 %
6	Coalition building	3	229	3,688		3,688	0 %
7	Community health improvement advocacy	17	150,065	364,739		364,739	0 110 %
8	Workforce development	2	23	412,867		412,867	0 130 %
9	Other	1		100		100	0 %
10	**Total**	37	410,475	1,652,122	457,006	1,195,116	0 360 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1			No
2	Enter the amount of the organization's bad debt expense (at cost)	2	4,576,859		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	869,603		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	44,192,724		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	44,863,006		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-670,282		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes		
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b	Yes		

Part IV Management Companies and Joint Ventures

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	SKY LAKES MEDICAL CENTER 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601	X	X		X			X		

Part V **Facility Information** *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? **9**

	Name and address	Type of Facility (Describe)
1	CANCER TREATMENT CENTER 2610 URHMAN KLAMATH FALLS,OR 97601	MEDICAL CLINIC
2	CANCER TREATMENT CENTER 2610 URHMAN KLAMATH FALLS,OR 97601	MEDICAL CLINIC
3	CANCER TREATMENT CENTER 2610 URHMAN KLAMATH FALLS,OR 97601	MEDICAL CLINIC
4	CANCER TREATMENT CENTER 2610 URHMAN KLAMATH FALLS,OR 97601	MEDICAL CLINIC
5	CANCER TREATMENT CENTER 2610 URHMAN KLAMATH FALLS,OR 97601	MEDICAL CLINIC
6	CANCER TREATMENT CENTER 2610 URHMAN KLAMATH FALLS,OR 97601	MEDICAL CLINIC
7	CANCER TREATMENT CENTER 2610 URHMAN KLAMATH FALLS,OR 97601	MEDICAL CLINIC
8	CANCER TREATMENT CENTER 2610 URHMAN KLAMATH FALLS,OR 97601	MEDICAL CLINIC
9	CANCER TREATMENT CENTER 2610 URHMAN KLAMATH FALLS,OR 97601	MEDICAL CLINIC
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS $ 11696879

Identifier	ReturnReference	Explanation
		PART II COMMUNITY BUILDING ACTIVITIES COMMUNITY SUPPORT ACTIVITIES INCLUDE KLAMATH-LAKE CHILD ABUSE RESPONSE AND EVALUATION SERVICES (CARES) CARES IS DEDICATED TO PROVIDING SAFE, COMPREHENSIVE, OBJECTIVE MEDICAL ASSESSMENTS, AND TO RAISING AWARENESS ABOUT CHILD ABUSE THROUGH COORDINATED, COLLABORATIVE EDUCATIONAL PROGRAMS FOUR TIMES PER YEAR, DISCOUNTED AND FREE PRESCRIPTION DRUGS, ALONG WITH EDUCATIONAL SUPPORT BY LICENSED PHARMACISTS, ARE PROVIDED TO LOW INCOME ELDERLY THROUGH LOCAL SENIOR CENTERS THE NO ONE DIES ALONE PROGRAM IS A VOLUNTEER PROGRAM THAT PROVIDES THE REASSURING PRESENCE OF A VOLUNTEER COMPANION TO DYING PATIENTS WHO WOULD OTHERWISE BE ALONE IN ADDITION TO PARTICIPATION IN RELAY FOR LIFE, UNITED WAY AND OTHER LOCAL FUNDRAISING AND AWARENESS INITIATIVES, SKY LAKES BEGAN PARTICIPATION IN THE PERIOD OF PURPLE CRYING COMMUNITY EDUCATION CAMPAIGN THIS YEAR THERE ARE A NUMBER OF OTHER COMMUNITY SUPPORT ACTIVITIES THAT ARE PROVIDED, INCLUDING BUT NOT LIMITED TO SPONSORSHIP OF SUPPORT GROUPS FOR CANCER, ADOPTING FAMILIES AT CHRISTMAS, TRANSPORTATION ASSISTANCE TO INDIGENT PATIENTS, STAFF VOLUNTEER PARTICIPATION IN COMMUNITY EVENTS, AND ACCESS TO FREE MEETING ROOMS LEADERSHIP DEVELOPMENT AND TRAINING FOR COMMUNITY MEMBERS SKY LAKES AND SKY LAKES EMPLOYEES WORK IN CONJUNCTION WITH THE KLAMATH COUNTY HIGH SCHOOLS AND OREGON INSTITUTE OF TECHNOLOGY TO DEVELOP AN AWARENESS OF HEALTH CARE, HEALTH CARE CAREERS, AND SUPPORT FOR HEALTH PROFESSIONS EDUCATION SUPPORT AND TRAINING SENIORS IN THE OREGON HEALTH AND SCIENCES UNIVERSITY NURSING PROGRAM IN KLAMATH FALLS CONDUCT QUALITATIVE SURVEILLANCE OF THE PERCEIVED HEALTH STATUS OF PEOPLE IN NEARBY COMMUNITIES AND REPORT ON BARRIERS TO ACCESS TO HEALTHCARE IDENTIFIED BY THOSE COMMUNITIES THE STUDENTS USE TOOLS INCLUDING ONE-ON-ONE INTERVIEWS, FOCUS GROUPS, PUBLIC MEETINGS, AND PHONE SURVEYS THEIR DATA ARE SHARED WITH COMMUNITY LEADERS AND COMPARED WITH OTHER DATA TO DEVELOP COMPREHENSIVE IMPROVEMENT STRATEGIES COALITION BUILDING THE LOCAL HEALTH DEPARTMENT, IN CONJUNCTION WITH THE OREGON HEALTH DEPARTMENT, PERIODICALLY PERFORMS HEALTH ASSESSMENTS OF THE PEOPLE IN THE COMMUNITIES SERVED BY SKY LAKES THE MEDICAL CENTER WORKS WITH LOCAL HEALTH AUTHORITIES TO DETERMINE THE HEALTH INITIATIVES THAT CAN BE JOINTLY ADDRESSED BY COMMUNITY LEADERS, WITH SKY LAKES MEDICAL CENTER SERVING A SIGNIFICANT LEADERSHIP ROLE SKY LAKES MEDICAL CENTER ACTIVELY PARTNERS WITH AGENCIES SUCH AS THE KLAMATH COUNTY HEALTH DEPARTMENT, OREGON HEALTH & SCIENCES UNIVERSITY, AND THE UNITED WAY OF THE KLAMATH BASIN IN HEALTH-IMPROVEMENT INITIATIVES EMPLOYEES VOLUNTEER THEIR TIME FOR LEADERSHIP KLAMATH, KLAMATH HOSPICE AND MANY OTHER COMMUNITY SERVICE ORGANIZATIONS WHERE LEADERS COME TOGETHER COMMUNITY HEALTH IMPROVEMENT ADVOCACY SKY LAKES ALSO SUPPORTS COMMUNITY HEALTH IMPROVEMENT ADVOCACY VIA THE SOUTHERN OREGON METH PROJECT SOMP IS MADE UP OF COMMUNITY BUSINESSES THAT HOPE TO HAVE AN IMPACT ON THE 75% OF CHILDREN IN FOSTER CARE THAT ARE THERE BECAUSE OF METH AND ON THE 8 OUT OF 10 ARRESTS BEING RELATED TO METH OVERWHELMED COURTS AND JAILS IN OUR COMMUNITY HELP DRIVE THE SOMP PARTNERS TO COME TOGETHER TO STOP THE NEXT GENERATION FROM WORSENING THE PROBLEM OTHER HEALTH IMPROVEMENT ADVOCACY TAKES PLACE VIA AN ANNUAL HEALTH FAIR AND ONGOING EDUCATIONAL OFFERINGS FOR HEART DISEASE, CHOLESTEROL SCREENING, WEIGHT MANAGEMENT, NUTRITION, DUII, EATING ON A BUDGET, BREASTFEEDING, SMOKING CESSATION, CAR SEAT SAFETY, AIDS/HIV, AND DIABETES IN ADDITIONAL TO COMMUNITY MEMBERS, EDUCATIONAL OFFERINGS INCLUDE NURSING STUDENTS, ELEMENTARY, MIDDLE, HIGH SCHOOLS AND LOCAL COLLEGES EMPLOYEE SUPPORT - TIME AND MONETARY DONATIONS - OF LOCAL FOOD BANKS IS ALSO ENCOURAGED WORKFORCE DEVELOPMENT SKY LAKES UNDERWRITES THE WAGES AND BENEFITS OF SELECTED NEW GRADUATES FROM THE LOCAL BACCALAUREATE NURSING PROGRAM THESE NURSES SPEND 6 MONTHS ORIENTING TO VARIOUS INPATIENT UNITS BY SHADOWING EXPERIENCED REGISTERED NURSES IN ORDER TO DETERMINE THE BEST EMPLOYMENT "FIT" FOR THEM AND FOR SKY LAKES OTHER EMPLOYEE SUPPORT FOR FUTURE FARMERS OF AMERICA (FFA) AND 4-H PROGRAMS

Identifier	ReturnReference	Explanation
		PART III, LINE 4 IN THE NORMAL COURSE OF BUSINESS, THE MEDICAL CENTER PROVIDES CREDIT TERMS TO ITS PATIENTS, INCLUDING BILLING TO THIRD-PARTY INSURANCE CARRIERS, MOST OF WHOM ARE LOCAL RESIDENTS AND ARE INSURED UNDER THIRD-PARTY PAYOR AGREEMENTS THE MEDICAL CENTER PERFORMS ONGOING CREDIT EVALUATIONS OF ITS PATIENTS, BUT TYPICALLY DOES NOT REQUIRE COLLATERAL THE MEDICAL CENTER PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS THROUGH A CHARGE TO CURRENT EARNINGS FOR SPECIFIC RECEIVABLES JUDGED UNLIKELY TO BE COLLECTED BASED ON THE AGE OF THE RECEIVABLE, THE MEDICAL CENTER'S EXPERIENCE WITH THE DEBTOR, POTENTIAL OFFSETS TO THE AMOUNT OWED, AND ECONOMIC CONDITIONS THE MEDICAL CENTER'S ALLOWANCE FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBT TOTALED $45,513,505 AND $41,023,358 AT SEPTEMBER 30, 2011 AND 2010, RESPECTIVELY THE MIX OF GROSS RECEIVABLES FROM PATIENTS AND THIRD-PARTY PAYORS WAS A FOLLOWS AT SEPTEMBER 30 2011 MEDICARE 32%, MEDICAID 15%, OTHER GOVERNMENTAL 3%, OTHER THIRD-PARTY PAYORS 32%, SELF PAY 18% 2010 MEDICARE 33%, MEDICAID 19%, OTHER GOVERNMENTAL 4%, OTHER THIRD-PARTY PAYORS 24%, SELF PAY 20%

Identifier	ReturnReference	Explanation
		PART III, LINE 8 MEDICARE REIMBURSEMENTS DO NOT COVER THE COSTS OF DELIVERING CARE TO THE COMMUNITY IN ADDITION, SKY LAKES IS A TEACHING HOSPITAL THAT PROVIDES ACCESS TO PRIMARY CARE IN A RURAL COMMUNITY THAT HAS A PHYSICIAN SHORTAGE SERVICES PROVIDED AND PAID ON THE MEDICARE FEE SCHEDULE (E G OP LAB TESTS, OP THERAPY SERVICES, OR PROVIDER BASED PHYSICIAN SERVICES) ARE NOT INCLUDED IN THE MEDICARE AMOUNTS INCLUDED IN PART III, SECTION B SKY LAKES DOES NOT UTILIZE A COST ACCOUNTING SYSTEM VENDORS AND SURVEYING AGENCIES (GOVERNMENTAL AND NON-GOVERNMENTAL) ARE PROVIDED WITH THE MEDICARE COST REPORT COST-TO-CHARGE RATIO WHEN THEY REQUEST IT COSTS OF ROUTINE AND ICU NURSING SERVICES ARE CALCULATED ON A PER DIEM ANCILLARY SERVICE COSTS ARE CALCULATED BASED ON TOTAL COSTS INCLUDING OVERHEAD TO TOTAL CHARGES BY ANCILLARY SERVICE TO DEVELOP AN RCC, WITH MEDICARE'S APPORTIONMENT CALCULATED BY TAKING MEDICARE CHARGES MULTIPLIED BY THE RCC DEVELOPED ON THE COST REPORT

Identifier	ReturnReference	Explanation
		PART III, LINE 9B SKY LAKES PLACES ALL ACCOUNTS IDENTIFIED AS ELIGIBLE FOR FINANCIAL ASSISTANCE ON HOLD AND THEN MAKES ANY NECESSARY ADJUSTMENTS BEFORE STATEMENTS ARE SENT MANY OF THESE ACCOUNTS ARE ADJUSTED OFF COMPLETELY AND NO STATEMENTS ARE SENT SKY LAKES ALSO CALLS PAST DUE ACCOUNTS (THIRD STATEMENT) AND REVIEWS TO SEE IF FINANCIAL ASSISTANCE IS AVAILABLE LARGER ACCOUNTS ARE REVIEWED BY FINANCIAL COUNSELORS AND CHAMBERLIN EDMONDS FOR FINANCIAL ASSISTANCE ELIGIBILITY OR MEDICAID ELIGIBILITY BOTH GROUPS MAKE PROACTIVE CALLS AND FOLLOW UP WITH PATIENTS TO GET THE NECESSARY INFORMATION TURNED IN

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 BESIDES FORMAL CONVERSATIONS WITH COMMUNITY PARTNERS AND MEDICAL COLLABORATORS, SKY LAKES MEDICAL CENTER ACTIVELY PARTNERS WITH AGENCIES SUCH AS THE KLAMATH COUNTY HEALTH DEPARTMENT AND THE UNITED WAY OF THE KLAMATH BASIN IN HEALTH-IMPROVEMENT INITIATIVES THE HEALTH DEPARTMENT, IN CONJUNCTION WITH THE OREGON HEALTH DEPARTMENT, PERIODICALLY PERFORMS HEALTH ASSESSMENTS OF THE PEOPLE IN THE COMMUNITIES SERVED BY SKY LAKES THE MEDICAL CENTER WORKS WITH LOCAL HEALTH AUTHORITIES TO DETERMINE THE HEALTH INITIATIVES THAT CAN BE JOINTLY ADDRESSED BY COMMUNITY LEADERS, WITH SKY LAKES MEDICAL CENTER SERVING A SIGNIFICANT LEADERSHIP ROLE FURTHER, MEDICAL CENTER LEADERS USE INFORMATION AND DATA TRENDING FROM THE ROBERT WOOD JOHNSON FOUNDATION-SPONSORED UNIVERSITY OF WISCONSIN "COUNTY HEALTH RANKINGS" STUDY TO IDENTIFY SPECIFIC OPPORTUNITIES FOR IMPROVEMENT COMMUNITY MEMBERS' PERCEPTIONS REGARDING HEALTH NEEDS ARE CAPTURED IN NON-SCIENTIFIC SURVEYS CONDUCTED AT THE CONCLUSION OF FREE HEALTH- AND WELLNESS-RELATED SEMINARS AND SIMILAR COMMUNITY EVENTS HOSTED BY THE MEDICAL CENTER

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 SKY LAKES MEDICAL CENTER'S FINANCIAL ASSISTANCE POLICY AND APPLICATION FOR ASSISTANCE IS LOCATED ON THE HOSPITAL'S WEB SITE, IS REFERENCED IN THE ONLINE BILL-MANAGEMENT SECTION OF THE SITE, AND IS FEATURED IN THE MEDICAL CENTER'S ANNUAL REPORT AND PUBLISHED IN THE ANNUAL LIVE HEALTHY MAGAZINE THE ANNUAL REPORT IS MAILED TO SOME 2,300 HOUSEHOLDS IN THE AREA AND THE MAGAZINE IS DISTRIBUTED TO ROUGHLY 17,000 HOUSEHOLDS IN THE MEDICAL CENTER'S CATCHMENT AREA USING THE LOCAL NEWSPAPER'S DISTRIBUTION NETWORK, BOTH ARE AVAILABLE ONLINE AND THE MAGAZINE IS PROMOTED VIA THE NEWSPAPER THE FINANCIAL ASSISTANCE POLICY ALSO IS AVAILABLE WHEN SERVICES ARE PERFORMED IN ADDITION, UNINSURED PATIENTS ARE PROVIDED PATIENT ADVOCACY BASED ELIGIBILITY AND ENROLLMENT SERVICES FOR MEDICAID AND OTHER BENEFIT PROGRAMS THE MEDICAL CENTER ENSURES INFORMATION ABOUT FINANCIAL ASSISTANCE AND APPLICATIONS FOR ASSISTANCE IS AT ALL PATIENT REGISTRATION AREAS AND OUR SPECIALLY TRAINED FINANCIAL COUNSELORS HELP APPLICANTS COMPLETE THE FORM ADDITIONALLY, FINANCIAL COUNSELORS TELEPHONE UNINSURED PATIENTS WITH LARGE BALANCES TO PROACTIVELY OFFER ASSISTANCE OUR ABILITY TO OFFER FINANCIAL ASSISTANCE IS CLEARLY LISTED ON EVERY STATEMENT AND MOST FORM LETTERS WE MAIL IT ALSO IS COVERED DURING COURTESY PHONE CALLS IF THERE IS MENTION OF DIFFICULTY IN PAYING MADE THE ASSISTANCE ALSO IS DISCUSSED IF DIFFICULTY IN PAYING IS MENTIONED DURING INCOMING PHONE CALLS IN ADDITION, SKY LAKES PROVIDES INFORMATION ABOUT FEDERAL, STATE OR LOCAL GOVERNMENT PROGRAMS WE HAVE ENGAGED THE SERVICES OF CHAMBERLIN EDMONDS, A COMPANY THAT SPEAKS WITH ALL UNINSURED INPATIENTS WHO MEET CLEARLY DEFINED CRITERIA CHAMBERLIN EDMONDS STAFF ALSO REVIEW ALL QUALIFYING OUTPATIENT ACCOUNTS AND CONTACT PATIENTS TO DISCUSS THEIR ELIGIBILITY THOSE STAFF FURTHER ASSIST PATIENTS IN COMPLETING FINANCIAL ASSISTANCE APPLICATIONS IF THEY ARE UNSUCCESSFUL GETTING ON A GOVERNMENT PROGRAM BESIDES THE MAIN MEDICAL CENTER, THE SKY LAKES CANCER TREATMENT CENTER ALSO HAS FINANCIAL COUNSELORS WHO ASSIST WITH PHARMACEUTICAL CO-PAY RELIEF THROUGH THE DRUG MANUFACTURERS, RELIEVING PATIENTS OF SOME OF THAT FINANCIAL OBLIGATION THE MEDICAL CENTER, THROUGH A THIRD-PARTY RELATIONSHIP, ROUTINELY PROVIDES NO-CHARGE MEDICATIONS TO INDIGENT PATIENTS THROUGH MAJOR PHARMACEUTICAL COMPANIES

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 COMMUNITIES IN A 10,000-SQUARE MILE AREA ENCOMPASSING SOUTH-CENTRAL OREGON AND NORTH-CENTRAL CALIFORNIA COMPRISE THE SKY LAKES MEDICAL CENTER SERVICE AREA WHILE KLAMATH COUNTY IS THE LARGEST POLITICAL UNIT IN THE SERVICE AREA, A TOTAL OF ROUGHLY 80,000 TO 100,000 PEOPLE IN TWO OREGON COUNTIES AND TWO CALIFORNIA COUNTIES RELY ON SKY LAKES FOR THEIR ACUTE HEALTHCARE NEEDS CENSUS DATA FROM 2010 SHOW KLAMATH COUNTY'S POPULATION AT 66,380, A 4 1 PERCENT INCREASE SINCE 2000, WITH 17 1 PERCENT 65 OR OLDER AND 23 1 PERCENT YOUNGER THAN 18 THE POPULATION'S GENDER SPLIT IS ALMOST EVEN WITH 50 1 PERCENT FEMALE THE MEDIAN HOUSEHOLD INCOME IN THE COUNTY IS REPORTED AT $39,057, ALMOST $10,000 LESS THAN THE STATEWIDE MEDIAN, AND 20 2 PERCENT OF THE COUNTY'S POPULATION IS BELOW THE POVERTY LEVEL THAT COMPARES WITH 14 3 PERCENT STATEWIDE THE POPULATION SERVED BY THE MEDICAL CENTER IS FURTHER DESCRIBED BY THE RELATIVE RANKINGS FROM THE UNIVERSITY OF WISCONSIN STUDY THE 2011 REPORT NOTES KLAMATH COUNTY IS RANKED 31ST OUT OF 33 RANKED OREGON COUNTIES (UP FROM 32ND A YEAR EARLIER) ON SUCH FACTORS AS - POOR OR FAIR HEALTH (18 PERCENT VS THE NATIONAL BENCHMARK OF 10 PERCENT AND THE OREGON BENCHMARK OF 14 PERCENT),- ADULT SMOKING (24 PERCENT VS 14 PERCENT NATIONALLY AND 18 PERCENT IN OREGON),- UNINSURED ADULTS (23 PERCENT VS 11 PERCENT NATIONALLY AND 19 PERCENT IN OREGON), - PRIMARY CARE PROVIDERS (489 1 VS 631 1 NATIONALLY AND 739 1 IN OREGON),- UNEMPLOYMENT (13 4 PERCENT VS 5 4 PERCENT NATIONALLY AND 10 8 IN OREGON), - CHILDREN IN POVERTY (26 PERCENT VS 13 PERCENT NATIONALLY AND 16 PERCENT IN OREGON), AND- VIOLENT CRIME RATE (265 VS 73 NATIONALLY AND 271 IN OREGON DURING 2011, APPROXIMATELY 28 PERCENT OF THE NEARLY 20,000 VISITS TO SKY LAKES MEDICAL CENTER'S EMERGENCY DEPARTMENT RESULTED IN AN INPATIENT STAY ABOUT TWO-THIRDS OF THE INPATIENTS AT SKY LAKES CAME IN VIA THE ER, VERSUS THE STATE AVERAGE OF ABOUT HALF

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 BESIDES PROVIDING HIGH-QUALITY HEALTHCARE, SKY LAKES MEDICAL CENTER FURTH ERS ITS TAX-EXEMPT PURPOSE AND FULFILLS ITS MEDICAL MISSION TO THE COMMUNITY BY PROVIDING OR SUBSIDIZING NUMEROUS CLASSES, SUPPORT GROUPS, SCREENINGS AND SELF-HELP PROGRAMS, A FREE GENERAL COMMUNITY HEALTH FAIR ATTENDED BY MORE THAN 1,500 PEOPLE A YEAR, AND A SEPARATE F REE FAIR FOCUSED ON INFORMATION FOR PEOPLE WITH DIABETES, A VARIETY OF LECTURES AIMED AT E NCOURAGING GREATER FITNESS AND CULMINATING IN A SERIES OF COMPETITIONS, AND OTHER AGE-SPEC IFIC PROGRAMS FOCUSING ON STRETCHING, TAI CHI AND LOW-IMPACT DANCE MOST OF THESE EVENTS A RE EITHER FREE, OR LOW COST AND SCHOLARSHIPS ARE FREQUENTLY AVAILABLE SKY LAKES MEDICAL C ENTER ROUTINELY PARTNERS WITH OSU EXTENSION TO PROMOTE HEALTHIER NUTRITION CHOICES COUPLED WITH HANDS-ON COOKING CLASSES THE MEDICAL CENTER, OSU, THE KLAMATH COUNTY HEALTH DEPARTME NT, KLAMATH TRIBAL HEALTH AND FAMILY SERVICES, AND CASCADES EAST FAMILY MEDICINE WORKED TO GETHER ON THE BETTER HEALTH PARTNERSHIP TO PROMOTE INCREASED PHYSICAL ACTIVITY AND IMPROVE D NUTRITION WITH PARTICIPANTS RECEIVING ONE-ON-ONE MENTORING TO ENCOURAGE PEOPLE TO BE MO RE ACTIVE, SKY LAKES GAVE AWAY PEDOMETERS TO SOME 3,000 PEOPLE INTERESTED IN KEEPING TRACK OF THEIR STEPS EN ROUTE TO A DAILY GOAL OF 10,000 STEPS MANY OF THOSE PEOPLE ALSO PARTICI PATED IN THE FREE 'COUCH TO 5K' SERIES, WHICH DEMONSTRATED WAYS TO BE MORE ACTIVE THE CLI MAX OF THE SIX-SESSION SERIES IS THE ANNUAL 15-KILOMETER RUN, A 5K RUN/WALK FOR ADULTS, AN D TWO SHORTER EVENTS - ONE-HALF AND ONE-MILE - EVENTS FOR CHILDREN THE EVENTS DRAW NEARLY 500 ENTRANTS FROM AROUND THE WEST WHO CROWD THE FIELD FOR THE RACES SPONSORED AND ORGANIZ ED BY THE MEDICAL CENTER STAFF AND VOLUNTEERS SKY LAKES FAMILY BIRTH CENTER NURSES SPECIAL LY TRAINED TO CHECK TO BE SURE INFANT CAR SEATS ARE APPROPRIATE AND PROPERLY INSTALLED INS PECT DOZENS OF SEATS A YEAR AT ONCE-A-MONTH FREE CHECKS THE NURSES, IN COLLABORATION WITH KLAMATH COUNTY FIRE DISTRICT NO 1, KLAMATH TRIBAL HEALTH AND FAMILY SERVICES, AND THE LO CAL HEAD START PROGRAM LAUNCHED THE CHECKS TWO YEARS AGO THEY ALSO PROVIDE SEATS AT NO CH ARGE TO QUALIFYING PARENTS THE FAMILY BIRTH CENTER ALSO HOSTS FREE CLASSES TO HELP SOON-TO - BE SIBLINGS AND NO-CHARGE SESSIONS TO ENSURE THE EMOTIONAL HEALTH OF MOMS DURING AND AFTE R PREGNANCY SKY LAKES MEDICAL CENTER IS THE PRINCIPAL UNDERWRITER FOR CASCADES EAST FAMILY MEDICINE, A CLINIC AND A FAMILY PRACTICE RESIDENCY PROGRAM OPERATED IN PARTNERSHIP WITH O REGON HEALTH & SCIENCES UNIVERSITY SKY LAKES FINANCIAL SUPPORT FOR 2010 WAS $3 18 MILLION ALSO, THE MEDICAL CENTER CARRIES THE VAST MAJORITY OF COSTS INCURRED IN THE RUNNING OF T HE CHILD ABUSE RESOURCE AND EDUCATIONAL SERVICES AGENCY THAT SERVES KLAMATH AND LAKE COUNT IES CASCADES EAST ALSO OPERATES A MOBILE CLINIC THAT PROVIDES NO-CHARGE HEALTHCARE SERVIC ES TO UN- AND UNDERINSURED POPULATIONS IN THE REGION THE 15 CASCADES EAST MEDICAL STAFF L OG MORE THAN 1,000 MILES IN THE RV EACH YEAR AND PERFORM MORE THAN 200 PATIENT EXAMS BESI DES REGULAR CLINICS AT KLAMATH FALLS LOCATIONS, THE RV VISITS THE RURAL COMMUNITIES OF GIL CHRIST AND SPRAGUE RIVER THE FUEL, MAINTENANCE, AND SUPPLIES ARE ALL A PAID FOR BY SKY LA KES MEDICAL CENTER, THE SUM EXCEEDS $6,000 A YEAR SKY LAKES CONTRIBUTES $10,000 A YEAR AND PROVIDES STAFF TO HELP COORDINATE AND PROVIDE COLLATERAL SUPPORT IN THE WAY OF ADDITIONAL MULTI-MEDIA ADVERTISING TO FURTHER THE MESSAGE OF THE LOCAL 'STOP THE HURT' AND 'PERIODS OF PURPLE CRYING' CAMPAIGNS THE PROGRAMS ARE AIMED AT STOPPING INCIDENTS OF INFANT AND CH ILD ABUSE AT THE HANDS OF ADULTS SIMILARLY, SKY LAKES IS AMONG THE COMMUNITY PARTNERS INVE STING IN THE 'SOUTHERN OREGON METH PROJECT,' WHICH TARGETS DRUG USE BY TEENS THE MEDICAL CENTER ANNUALLY CONTRIBUTES $9,000 TO THE PUBLIC AWARENESS CAMPAIGN IN ADDITION, KLAMATH C OUNTY IS A PHYSICIAN-SHORTAGE AREA SO PHYSICIAN RECRUITMENT EFFORTS ARE ALSO UNDERWRITTEN BY THE MEDICAL CENTER RATHER THAN LOCAL MEDICAL PRACTICES INCURRING THAT EXPENSE THE MEDI CAL CENTER INVESTS UPWARDS OF $1 MILLION A YEAR IN RECRUITING ACTIVITIES SKY LAKES PROVID ES FREE EDUCATION IN OR FOR THE SCHOOLS THROUGH ITS PARTNERSHIP WITH OREGON STATE UNIVERSI TY EXTENSION'S NUTRITION EDUCATION PROGRAM THE MEDICAL CENTER ALSO PARTNERS WITH OSU EXTE NSION FOR THE EDUCATION SERIES FOR PEOPLE WITH DIABETES, AND THE THREE-CLASS 'MASTERY OF A GING WELL' SERIES AND A NUMBER OF SKY LAKES MEDICAL CENTER EMPLOYEES PROVIDE VOLUNTEER ED UCATIONAL SUPPORT IN THE FORM OF TEACHING, MENTORING, PROGRAM DEVELOPMENT, AND TOURS AND D EMONSTRATIONS FOR LOCAL SCHOOLS AND COLLEGES OTHER PARTNERSHIPS HELP ENSURE THE SUCCESS OF PROGRAMS SUCH AS - THE KLAMATH CRISIS CENTER BY PROVIDING A NO-RENT VENUE FOR TWICE-A-MON TH EDUCATION AND TRAINING PROGRAMS, - THE LOCAL KLAMATH AND LAKE COMMUNITY ACTION SERVICES PROGRAM BY DONATING MATERIAL FOR ITS PROGRAM TO PROVIDE QUALIFYING INDIVIDUALS AND FAMILI ES ACCESS TO MEDICAL AND DENTAL CARE, HYGIENE RESO

Identifier	ReturnReference	Explanation
		URCES AND THE LIKE,- THE KLAMATH COUNTY RELAY FOR LIFE BY CONTRIBUTING $1,000 TOWARD CANCE R RESEARCH AND PROVIDING SOME 700 SERVINGS OF HOME-MADE SOUP TO THOSE AT THE EVENT,- THE R ED CROSS BY GIVING AT NO-CHARGE SPACE IN SKY LAKES FACILITIES FOR COMMUNITY BLOOD DRIVES,- THE LOCAL CHAPTERS OF THE MARCH OF DIMES, MUSCULAR SCLEROSIS ORGANIZATIONS, AND LOCAL EAR LY CANCER DETECTION CAMPAIGNS BY CONTRIBUTING HUNDREDS OF DOLLARS EACH TO THEIR MISSIONS - THE 'BASIN HEALTHY CHOICES' INITIATIVE COORDINATED BY THE KLAMATH COUNTY HEALTH DEPARTME NT AND THE HEALTHY ACTIVE KLAMATH COALITION, WHICH INCLUDES SKY LAKES MEDICAL CENTER SKY LAKES CONTRIBUTES COUNTLESS HOURS OF STAFF TIME AND TALENT, AS WELL AS FACILITY AND OTHER RESOURCES, IN THE CAMPAIGN AIMED AT IMPROVING THE HEALTH OF PEOPLE IN THE REGION BY PROMOT ING WORKPLACE WELLNESS, BETTER NUTRITION THROUGH FOOD CHOICES, AND INCREASED PHYSICAL ACTI VITY HERE IS A LIST OF SOME OTHER SKY LAKES COMMUNITY PARTNERSHIPS - AMERICAN ASSOCIATION OF UNIVERSITY WOMEN- AMERICAN CANCER SOCIETY- GOSPEL MISSION- HEALTHY ACTIVE KLAMATH- ARE A PUBLIC SCHOOLS AND STUDENTS- INVEST IN YOUTH CONFERENCE - KLAMATH COMMUNITY COLLEGE AND STUDENTS- KLAMATH COUNTY CASA- KLAMATH COUNTY CHAMBER OF COMMERCE- KLAMATH CRISIS CENTER- KLAMATH FIRE PREVENTION COOPERATIVE- KLAMATH HOSPICE- KLAMATH-LAKE FOOD BANK- KLAMATH TRIB AL HEALTH AND FAMILY SERVICES- MULTIPLE SCLEROSIS SOCIETY- 'OPERATION PROM NIGHT' TO PREVE NT DISTRACTED DRIVING - OREGON AIR NATIONAL GUARD AT KINGSLEY FIELD- OREGON INSTITUTE OF T ECHNOLOGY AND STUDENTS (CLINICAL PRECEPTING, ETC)- PREGNANCY HOPE CENTER- SANFORD HEALTH FOUNDATION- UNITED WAY OF THE KLAMATH BASIN- AREA 4-H PROGRAMS

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	OR

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

Grants and Other Assistance to Organizations, Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☑ Yes ☐ No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Part II can be duplicated if additional space is needed. . . . . ▶ ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) KLAMATH COUNTY SCHOOL DISTRICT10501 WASHBURN WAY KLAMATH FALLS, OR 97603	93-6000543	GOVERNMENT ENTITY	22,000				HEALTH OCCUPATIONS PROGRAM ASSISTANCE
(2) SKY LAKES MEDICAL CENTER FOUNDATION 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601	93-0946020	501(C)(3)	34,950				INFECTIOUS DISEASE CONFERENCE, STOP THE HURT CAMPAIGN, AND CHILD ABUSE RESPONSE AND EVALUATION SERVICES (CARES) AWARENESS & PREVENTION EDUCATION PROGRAM

2 Enter total number of section 501(c)(3) and government organizations . . . . . ▶ 1

3 Enter total number of other organizations . . . . . ▶ 1

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Use Schedule I-1 (Form 990) if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
(1) EMPLOYEE STUDENT LOAN FORGIVENESS	24	104,684			
(2) EXTERNSHIP STIPENDS	5	13,600			
(3) EMPLOYEE TUITION REIMBURSEMENT - FORGIVEN	8	83,423			
(4) STUDENT LOAN ASSISTANCE TO EMPLOYEES	19	65,480			
(5) PATIENT ASSISTANCE	242	10,329			

Part IV **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 THE BOARD OF DIRECTORS MAKES DECISIONS ON LARGE GRANT AWARDS SCHOLARSHIP AWARDS ARE BASED ON A WRITTEN POLICY OTHER STIPENDS AND EDUCATIONAL SUPPORT REQUIRE, RESPECTIVELY, WORKED HOURS OR MINIMUM GRADING CRITERIA PATIENT ASSISTANCE GRANTS ARE BASED ON ASSESSMENT OF NEED BY ASSIGNED PERSONNEL

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply ☑ Compensation committee ☐ Written employment contract ☐ Independent compensation consultant ☑ Compensation survey or study ☐ Form 990 of other organizations ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) GRANT NISKANEN MD	(i)	259,750	0	0	12,250	0	272,000	0
	(ii)	0	0	0	0	0	0	0
(2) PAUL R STEWART	(i)	317,525	0	175,000	12,250	13,824	518,599	0
	(ii)	0	0	0	0	0	0	0
(3) RICHARD RICO	(i)	248,409	0	0	12,250	18,816	279,475	0
	(ii)	0	0	0	0	0	0	0
(4) PATRICK MAVEETY MD	(i)	406,375	0	0	12,116	5,235	423,726	0
	(ii)	0	0	0	0	0	0	0
(5) TZANN T FANG MD	(i)	393,703	0	0	12,250	17,984	423,937	0
	(ii)	0	0	0	0	0	0	0
(6) NASSER G ABU-ERREISH MD	(i)	290,654	0	0	8,750	12,672	312,076	0
	(ii)	0	0	0	0	0	0	0
(7) KURT J SLATER DO	(i)	216,870	0	0	4,973	12,444	234,287	0
	(ii)	0	0	0	0	0	0	0
(8) W CLAY MCCORD MD	(i)	201,769	0	0	11,513	13,824	227,106	0
	(ii)	0	0	0	0	0	0	0
(9)								
(10)								
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8 Also complete this part for any additional information

Identifier	Return Reference	Explanation

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	KLAMATH FALLS INTERCOMMUNITY HOSPITAL AUTHORITY	93-1061020	498413DQ3	08-31-2006	39,329,258	REVENUE AND REFUNDING, MERLE WEST MEDICAL CENTER PROJECT		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	39,329,258			
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	558,445			
8	Credit enhancement from proceeds	1,170,952			
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	15,000,000			
11	Other spent proceeds	22,599,861			
12	Other unspent proceeds				
13	Year of substantial completion	2007			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X						
15	Were the bonds issued as part of an advance refunding issue?	X							
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X						
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X						

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X						
b	Are there any research agreements that may result in private business use of bond-financed property?		X						
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2	Is the bond issue a variable rate issue?		X						
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X						
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X						
6	Did the bond issue qualify for an exception to rebate?		X						

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (see instructions)

Identifier	Return Reference	Explanation

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1 (a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	(c) Corrected? No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . . ▶ $

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ $

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) No	(f) Approved by board or committee? Yes	(f) No	(g) Written agreement? Yes	(g) No
Total . . . . . ▶ $										

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

Part IV **Business Transactions Involving Interested Persons.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) SOUTH VALLEY BANK & TRUST (SVBT)	PAUL STEWART IS THE CEO OF SLMC AND IS A VOTING BOARD MEMBER AT SVBT	134,101	SLMC PAYS FEES AND INTEREST TO SVBT		No
(2)					No

Part V **Supplemental Information**

Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		FORM 990 IS REVIEWED BY THE CONTROLLER AND OTHER STAFF BEFORE FILING

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	ANNUALLY EACH MEMBER OF THE BOARD SIGNS THE CONFLICT OF INTEREST DISCLOSURE STATEMENT ANY ONE WHO DOES NOT COMPLETE IT IS REMINDED UNTIL ALL STATEMENTS ARE RECEIVED

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS REVIEWS COMPARATIVE DATA FOR CEO AND ALL VP POSITIONS FOR THE CEO POSITION, THE COMPENSATION COMMITTEE COMPLETES A PERSONNEL ACTION FORM, WHICH IS SIGNED BY THE BOARD CHAIR FOR ALL VP POSITIONS, THE COMMITTEE ACTS ON THE RECOMMENDATIONS MADE BY THE CEO

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE ALL MADE AVIALABLE TO THE PUBLIC UPON REQUEST

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -392,015 BOOK/TAX DIFFERENCE ON PASSTHROUGH INCOME -61,861 MISC CONSOLIDATION ADJUSTMENT 65 TOTAL TO FORM 990, PART XI, LINE 5 -453,811

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) SOUTHERN OREGON EMERGENCY CARE LLC 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601 61-1595709	PHYSICIAN SERVICES	OR	0	583,909	SKY LAKES MEDICAL CENTER

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) SKY LAKES MEDICAL CENTER FOUNDATION 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601 93-0946020	FUNDRAISING AND STEWARDSHIP, SUPPORT MED CENTER	OR	501(C)(3)	11C	SKY LAKES MEDICAL CENTER		No
(2) KLAMATH CARE SERVICES INC 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601 93-0946018	SUPPORT MED CENTER (INACTIVE)	OR	501(C)(3)	11C	SKY LAKES MEDICAL CENTER		No

Part III **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) KLAMATH MEDICAL BUSINESS CENTER LLC 2865 DAGGETT AVENUE KLAMATH FALLS, OR97601 02-0731372	REAL AND PERSONAL PROPERTY RENTAL	OR	N/A	INVESTMENT	71,567	534,630		No	7,215	Yes		50 000 %

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) WEST PHYSICIAN SERVICES LLC 2865 DAGGETT AVENUE KLAMATH FALLS, OR97601 87-0696029	PHYSICIAN SERVICES	OR	SKY LAKES MEDICAL CENTER	C	-95,848	2,794,723	100 000 %
(2) PREFERRED HEALTH PLAN INC 2865 DAGGETT AVENUE KLAMATH FALLS, OR97601 93-1304315	HEALTH INSURANCE	OR	SKY LAKES MEDICAL CENTER	C	-107,568	471,184	87 000 %

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III or IV			
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to other organization(s)	1b		No
c Gift, grant, or capital contribution from other organization(s)	1c	Yes	
d Loans or loan guarantees to or for other organization(s)	1d	Yes	
e Loans or loan guarantees by other organization(s)	1e		No
f Sale of assets to other organization(s)	1f		No
g Purchase of assets from other organization(s)	1g		No
h Exchange of assets	1h		No
i Lease of facilities, equipment, or other assets to other organization(s)	1i		No
j Lease of facilities, equipment, or other assets from other organization(s)	1j	Yes	
k Performance of services or membership or fundraising solicitations for other organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by other organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets	1m	Yes	
n Sharing of paid employees	1n	Yes	
o Reimbursement paid to other organization for expenses	1o		No
p Reimbursement paid by other organization for expenses	1p	Yes	
q Other transfer of cash or property to other organization(s)	1q		No
r Other transfer of cash or property from other organization(s)	1r		No

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) KLAMATH MEDICAL BUSINESS CENTER LLC	J	104,517	CASH TRANSFERRED
(2) WEST PHYSICIAN SERVICES LLC	D	284,477	CASH TRANSFERRED
(3)			
(4)			
(5)			
(6)			

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization See instructions regarding exclusion for certain investment partnerships

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation

Report of Independent Auditors and
Consolidated Financial Statements for

Sky Lakes Medical Center and Affiliates

September 30, 2011 and 2010

MOSS-ADAMS LLP

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Sky Lakes Medical Center and Affiliates

We have audited the accompanying consolidated balance sheets of Sky Lakes Medical Center and Affiliates (the Medical Center) as of September 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sky Lakes Medical Center and Affiliates as of September 30, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information for the year ended September 30, 2011 shown on pages 28 through 36 is presented for the purpose of additional analysis of the consolidated financial statements and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we express no opinion on it.

Moss Adams LLP

Portland, Oregon
January 6, 2012

ASSETS

	September 30, 2011	September 30, 2010
CURRENT ASSETS		
Cash and cash equivalents	$ 21,892,455	$ 15,858,393
Certificates of deposit	18,356,140	12,354,899
Patient accounts receivable, net	22,050,314	23,404,048
Other receivables	4,691,542	3,879,388
Risk pool withhold receivable	1,693,168	623,189
Estimated third-party payor settlements	-	28,783
Supplies inventories	2,487,606	2,699,898
Prepaid expenses	2,890,033	2,191,378
Promises to give, current portion	797,048	816,840
Total current assets	74,858,306	61,856,816
ASSETS LIMITED AS TO USE	4,910,133	4,955,968
PROPERTY AND EQUIPMENT, net	88,833,480	88,972,231
OTHER ASSETS		
Deferred financing costs, net of amortization	1,575,692	1,641,347
Promises to give, net of current portion	1,154,018	1,155,744
Investments	19,763,521	16,098,398
Other	1,724,935	2,023,417
Total other assets	24,218,166	20,918,906
TOTAL ASSETS	$ 192,820,085	$ 176,703,921

See accompanying notes.

LIABILITIES AND NET ASSETS

	September 30, 2011	September 30, 2010
CURRENT LIABILITIES		
Accounts payable	$ 4,989,900	$ 4,581,867
Accrued payroll	4,543,716	5,429,208
Accrued compensated absences	3,269,527	2,459,202
Accrued interest payable	229,516	226,722
Other accrued expenses	7,726,337	6,606,171
Estimated third-party payor settlements	2,486,341	-
Current portion of capital lease obligations	674,482	721,821
Current portion of long-term debt	1,108,603	1,056,063
Total current liabilities	25,028,422	21,081,054
LONG-TERM LIABILITIES		
Capital lease obligations, net of current portion	5,182,553	3,409,577
Long-term debt, net of current portion	51,200,409	52,314,177
Other long-term liabilities	4,734,583	4,883,238
Total long-term liabilities	61,117,545	60,606,992
Total liabilities	86,145,967	81,688,046
NET ASSETS		
Unrestricted	101,221,226	89,536,869
Temporarily restricted	4,888,860	4,916,761
Total net assets	106,110,086	94,453,630
NON-CONTROLLING INTEREST	564,032	562,245
TOTAL LIABILITIES AND NET ASSETS	$ 192,820,085	$ 176,703,921

SKY LAKES MEDICAL CENTER AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended September 30,	
	2011	2010
REVENUES		
Net patient service revenue	$ 166,677,792	$ 162,917,522
Contributions	43,105	23,654
Other revenue	3,577,342	4,723,723
Net assets released from restrictions	706,773	529,257
Total revenues	171,005,012	168,194,156
EXPENSES		
Salaries and benefits	77,768,085	72,155,435
Supplies	17,496,985	16,609,887
Bad debts	11,696,879	15,958,330
Purchased services	6,760,952	6,187,691
Depreciation and amortization	8,212,819	8,039,243
Drugs	9,202,021	8,047,853
Professional fees	6,634,413	7,411,000
Building and maintenance	6,467,174	5,778,592
Insurance	2,908,970	3,457,349
Interest expense	3,262,027	3,312,686
Provider tax	4,571,051	3,706,055
Rentals and lease expense	1,160,265	1,489,975
Other	4,054,302	3,274,179
Total expenses	160,195,943	155,428,275
OPERATING INCOME	10,809,069	12,765,881
OTHER INCOME		
Investment income	2,007,837	806,613
Other non-operating income	376,237	860,133
Total other income	2,384,074	1,666,746
EXCESS OF REVENUES OVER EXPENSES	$ 13,193,143	$ 14,432,627

See accompanying notes.

	Year Ended September 30,	
	2011	2010
UNRESTRICTED NET ASSETS		
Excess of revenues over expenses	$ 13,193,143	$ 14,432,627
Distributions and other	(90,706)	(62,803)
Net change in unrealized gains and losses on other-than-trading securities	(1,308,725)	598,262
Minority interest in KMBC's (income) loss	(1,787)	1,638
Increase in unrestricted net assets before discontinued operations	11,791,925	14,969,724
(Loss) gain from discontinued operations	(107,568)	1,609,140
Increase in unrestricted net assets	11,684,357	16,578,864
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	720,660	530,852
Investment (loss) income	(108,661)	227,822
Other revenue	66,873	28,852
Net assets released from restrictions	(706,773)	(529,257)
(Decrease) increase in temporarily restricted net assets	(27,901)	258,269
CHANGE IN NET ASSETS	11,656,456	16,837,133
NET ASSETS, beginning of year	94,453,630	77,616,497
NET ASSETS, end of year	$ 106,110,086	$ 94,453,630

See accompanying notes.

SKY LAKES MEDICAL CENTER AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended September 30,	
	2011	2010
CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES		
Changes in net assets from continuing operations	$ 11,764,024	$ 15,227,993
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	8,212,819	8,039,243
Net change in unrealized gains and losses on other-than-trading securities	1,308,725	(709,769)
Allowance for bad debts	2,112,235	5,114,967
Loss on sale of fixed assets	70,322	118,219
Increase (decrease) in non-controlling interest	1,787	(1,638)
(Increase) decrease in:		
Patient accounts receivable, net	(758,501)	(6,450,750)
Supplies inventories	212,292	(282,691)
Prepaid expenses	(698,655)	1,301,227
Other receivables	(812,154)	(1,358,897)
Risk pool withhold receivable	(1,069,979)	547,582
Estimated third-party payor settlements	28,783	(28,783)
Promises to give	21,518	32,228
Deferred financing costs, net	65,655	65,653
Other assets	298,482	229,150
Increase (decrease) in:		
Accounts payable	408,033	868,668
Accrued payroll	(885,492)	622,110
Accrued compensated absences	810,325	245,211
Accrued interest payable	2,794	2,648
Other accrued expenses	1,120,166	831,864
Estimated third-party payor settlements	2,486,341	(369,494)
Other long-term liabilities	(148,655)	(550,764)
Net cash from continuing operations	24,550,865	23,493,977

See accompanying notes.

	Year Ended September 30,	
	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	$ 817,538	$ 234,320
Purchase of investments	(5,745,551)	(2,452,234)
Purchase of certificates of deposit	(6,001,241)	(12,354,899)
Purchase of property and equipment	(5,817,992)	(3,655,970)
Net cash flows from investing activities	(16,747,246)	(18,228,783)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(1,061,228)	(776,728)
Payment on capital lease obligations	(600,761)	(895,249)
Net cash flows from financing activities	(1,661,989)	(1,671,977)
CASH FLOWS FROM DISCONTINUED OPERATIONS	(107,568)	(478,551)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,034,062	3,114,666
CASH AND CASH EQUIVALENTS, beginning of year	15,858,393	12,743,727
CASH AND CASH EQUIVALENTS, end of year	$ 21,892,455	$ 15,858,393
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Forgiveness of note payable	$ -	$ 2,087,691

The Medical Center entered into capital lease obligations in the amount $1,633,177 for new property and equipment in 2010.

Cash paid for interest in 2011 and 2010 was $3,259,232 and $3,983,535, respectively.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Sky Lakes Medical Center (the Medical Center) is a not-for-profit hospital located in south-central Oregon. The Medical Center provides inpatient, outpatient, and emergency care services to the residents of Southern Oregon and Northern California. The Medical Center was incorporated in Oregon in 1963.

Principles of consolidation – The consolidated financial statements include the accounts of the Medical Center and all of its wholly-owned and majority-owned subsidiaries. There are four other entities included in these consolidated financial statements:

West Physician Services, LLC (WPS)
West Physician Services, LLC was established by the Medical Center in 2003 to provide specialty care to patients. The Medical Center is the sole member of WPS.

Sky Lakes Medical Center Foundation, Inc (the Foundation)
Sky Lakes Medical Center Foundation is a nonprofit corporation formed to advance the work of Sky Lakes Medical Center through philanthropy. The foundation is led by a 16-member board of directors who serve voluntarily and are elected by Sky Lakes Medical Center.

Klamath Medical Business Center, LLC (KMBC)
In 2004, the Medical Center, together with Cascade Comprehensive Care (CCC), formed Klamath Medical Business Center, LLC. The Medical Center directly owns 50% of KMBC. In addition, they indirectly own approximately 16% through their ownership in CCC (see Note 5). In addition, the Medical Center performs management functions for KMBC. KMBC exists for the purpose of leasing building facilities to the Medical Center and CCC.

Preferred Health Plan, Inc (PHP)
Preferred Health Plan, Inc. is a Klamath Falls-based insurance company which offered several medical plans. PHP discontinued operations during 2009 (Note 18). The corporation is authorized to issue 5 million shares of common stock, of which a majority (87%) is issued to Sky Lakes Medical Center.

The Medical Center loaned PHP $1,315,000 in four separate notes between September 30, 2003 and December 23, 2003, and $1,005,675 in three separate notes between October 31, 2008 and December 31, 2008. The notes are payable on demand and bear interest at 6%. The notes are subordinate to all other claims incurred by PHP in the normal course of business and may not be repaid if such payment would cause PHP's statutory capital to fall below the threshold set by state law.

All significant intercompany transactions have been eliminated.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Use of estimates – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value measurements – Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Market participants are buyers and sellers, who are independent, knowledgeable, and willing and able to transact in the principal (or most advantageous) market for the asset or liability being measured.

Fair value is based on quoted market prices, when available, for identical or similar assets or liabilities. In the absence of quoted market prices, management determines the fair value of the Medical Center's assets and liabilities using valuation models or third-party pricing services, both of which rely on market-based parameters when available, such as interest rate yield curves, option volatilities and credit spreads. The valuation techniques used are based on observable and unobservable inputs.

The following methods and assumptions were used by the Medical Center in estimating fair values of each class of financial instruments for which it is practicable to estimate that value

Cash and cash equivalents – The carrying amount approximates the fair value because of the short maturity of those instruments.

Accounts receivable, accounts payable and accrued expenses – The carrying amounts are at historical costs; their respective estimated fair values approximate carrying values due to their current nature.

Long-term debt – The Medical Center is not able to estimate the fair value of its long-term debt because there is little or no trading of its bonds in secondary markets to establish a current fair value.

Cash and cash equivalents – Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. Financial instruments potentially subjecting the Medical Center to concentrations of credit risk consist primarily of bank demand deposits in excess of FDIC insured limits.

Certificates of deposit – Certificates of deposit are held at various financial institutions and range in maturity from 90 days to 3 years and have interest rates ranging from .25% to 1.5%. Certificates of deposit are not subject to withdrawal limitations and are classified as current assets. Early withdrawal may result in a forfeiture of interest earned.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses unless the investments are trading securities.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

The Medical Center also has various investments in health-related organizations. Generally, when the ownership interest in health-related activities is more than 50%, the activities are consolidated, and a minority interest is recorded if appropriate. When the ownership interest is at least 20%, but not more than 50%, it is typically accounted for on the equity method, and the income or loss is reflected in net revenue. Activities with less than 20% ownership are carried at the lower of cost or estimated net realizable value.

Patient accounts receivable – In the normal course of business, the Medical Center provides credit terms to its patients, including billing to third-party insurance carriers, most of whom are local residents and are insured under third-party payor agreements. The Medical Center performs ongoing credit evaluations of its patients, but typically does not require collateral. The Medical Center provides an allowance for doubtful accounts through a charge to current earnings for specific receivables judged unlikely to be collected based on the age of the receivable, the Medical Center's experience with the debtor, potential offsets to the amount owed, and economic conditions. The Medical Center's allowance for contractual adjustments and bad debt totaled $45,513,505 and $41,023,358 at September 30, 2011 and 2010, respectively. The mix of gross receivables from patients and third-party payors was as follows at September 30:

	2011	2010
Medicare	32%	33%
Medicaid	15%	19%
Other governmental	3%	4%
Other third-party payors	32%	24%
Self-pay	18%	20%
Total	100%	100%

Promises to give – Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

Assets limited as to use – Assets limited as to use include assets held by trustees under indenture agreements (see Note 12).

Supplies inventories – Supplies inventories consist mainly of patient supplies and pharmaceuticals and are carried at the lower of cost (primarily average cost) or market.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Property and equipment – Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses (expenses over revenues), unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Deferred financing costs – Deferred financing costs incurred and bond premium received in connection with the issuance of the refunding gross revenue bonds are being amortized over the term of the bond issue by the straight line method, which approximates the effective interest rate method.

Health insurance – The Medical Center offers health insurance (the Employee Benefit Plan) to its active employees and families. The Medical Center pays approximately 80% of the premium and employees contribute the remaining 20% through bi-weekly payroll deductions. The Employee Benefit Plan provides medical, dental, vision and prescription coverage. The Employee Benefit Plan is self-funded, but is reinsured through HM Life Insurance Company with a specific attachment point of $250,000 per covered individual annually plus a $60,000 aggregating specific with a $1.75 million lifetime maximum per individual. The Medical Center has established reserve amounts based upon information as to the status of claims plus development factors for incurred but not yet reported claims and anticipated future changes in underlying case reserves. Such reserve amounts are only estimates and there can be no assurance that the Medical Center's future Employee Benefit Plan obligations will not exceed the amount of its reserves. The Medical Center's reserve for health insurance was $1,435,000 and $1,034,000 at September 30, 2011 and 2010, respectively, and is included in accrued payroll on the consolidated balance sheet.

Worker's compensation – The Medical Center is self-funded for worker's compensation insurance, but is reinsured through Safety National Casualty Corporation with a specific attachment point of $500,000 per claim. The Medical Center has contracted with Empire Pacific Risk Management to act as the third party administrator to process and pay claims. The Medical Center has established reserve amounts based upon information as to the status of claims plus development factors for incurred but not yet reported claims and anticipated future changes in underlying case reserves. Such reserve amounts are only estimates and there can be no assurance that the Medical Center's future workers' compensation obligations will not exceed the amount of its reserves. The Medical Center's reserve for worker's compensation was $953,130 and $810,642 at September 30, 2011 and 2010, respectively, and is included in accrued payroll on the consolidated balance sheet.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Net patient service revenue – The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity care – The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Donated restricted gifts – Unconditional promises to give cash and other assets to the Medical Center are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Temporarily and permanently restricted net assets – Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Medical Center in perpetuity. The Medical Center does not have any permanently restricted net assets at September 30, 2011 and 2010.

Excess of revenues over expenses – The statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, gain (loss) from discontinued operations, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Estimated malpractice costs – The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. Estimated malpractice costs are included in other accrued expenses on the consolidated balance sheet.

Volunteers – A significant portion of the Medical Center's gift shop operations and patient relations functions are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Income taxes – The Medical Center and Foundation are tax-exempt organizations and are not subject to state or federal income taxes, except on unrelated business income, in accordance with Section 501(c)(3) of the Internal Revenue Code.

The Medical Center had no unrecognized tax benefits at September 30, 2011, or at September 30, 2010. The Medical Center recognizes interest accrued and penalties related to unrecognized tax benefits as an administrative expense. During the years ended September 30, 2011 and 2010, the Medical Center recognized no interest and penalties.

The Medical Center files an exempt organization informational and unrelated business income tax return in the U.S. federal jurisdiction and a copy with the state charities division and Oregon Department of Revenue.

PHP and WPS, the Medical Center's for-profit corporate subsidiaries, account for income taxes in accordance with Accounting Standards Codification (ASC) 740-10. Whereby, income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The deferred tax assets and liabilities represent future tax return consequences of those differences, which will either be deductible or taxable when those assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses and tax credits that are available to offset future taxable income.

SOEC and KMBC have elected to be taxed under the provisions of the Oregon Limited Liability Company Act. Under those provisions, the LLC does not pay federal income tax on its taxable income. Instead, the members are liable for income taxes on the LLC's taxable income.

The Klamath Falls Intercommunity Hospital Authority (the Authority) is a municipal corporation under Oregon state law and is not subject to federal income tax.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The Medical Center recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Medical Center's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are issued.

The Medical Center has evaluated subsequent events through January 6, 2012, which is the date the financial statements were issued.

NOTE 2 – NET PATIENT SERVICE REVENUE

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- *Medicare* – Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Medical education costs and uncollected bad debts on patient accounts related to Medicare beneficiaries are paid based on a modified cost reimbursement methodology. Additional payments for the Medicare disproportionate share are made to the Medical Center based on the ratio of Title XIX inpatient recipients to total inpatients. The Medical Center is reimbursed for outpatient cost reimbursable items at a tentative rate with final settlement determined after submission of the annual cost report by the Medical Center and audit thereof by the Medicare fiscal intermediary.

- *Medicaid* – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Medical Center is reimbursed at a tentative rate with final settlement determined after submission of the annual cost report by the Medical Center and finalization of the cost report by the Oregon Division of Medical Assistance Programs (DMAP).

- Cascade Comprehensive Care, Inc. is a local Medicaid claims administrator of which the Medical Center owns 33% (see Note 5). The Medical Center is paid on an interim basis based upon prospectively determined rates. The Medical Center also participates in a risk pool arrangement that encourages cost containment. The Medical Center received $11,847,608 and $8,971,698 in Medicaid reimbursements from Cascade Comprehensive Care in 2011 and 2010, respectively.

Revenue from the Medicare program accounted for approximately 40% of the Medical Center's net patient revenue for the years ended 2011 and 2010, respectively. Revenue from the Medicaid program accounted for approximately 15% and 14% of the Medical Center's net patient revenue for the years ended 2011 and 2010, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Medical Center has also entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts and established charges, and prospectively determined daily rates.

NOTE 2 – NET PATIENT SERVICE REVENUE – (continued)

Net patient revenue is composed of the following for the years ended September 30:

	2011	2010
Gross inpatient service revenue	$ 171,548,760	$ 162,443,099
Gross outpatient service revenue	194,357,358	171,446,290
Total gross patient service revenue	365,906,118	333,889,389
Less charity care (at gross charges)	11,867,802	12,743,463
Total gross patient service revenue, net of charity care	354,038,316	321,145,926
Less contractual adjustments	187,360,524	158,228,404
Net patient service revenue	$ 166,677,792	$ 162,917,522

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give, which are discounted 3%, at September 30 are as follows:

	2011	2010
Receivable in less than one year, net	$ 797,048	$ 816,840
Receivable in one to five years, net	1,154,018	1,143,569
Receivable in greater than five years, net	-	12,175
	$ 1,951,066	$ 1,972,584

At September 30, 2011 and 2010, substantially all promises to give were from two donors.

NOTE 4 – ASSETS LIMITED AS TO USE

Assets limited as to use at September 30 include:

	2011	2010
Interest receivable	$ 23,647	$ 23,647
Mutual funds	93,022	138,857
Guaranteed investment contracts	4,793,464	4,793,464
	$ 4,910,133	$ 4,955,968

NOTE 5 – INVESTMENTS

Investments at September 30 include:

	2011	2010
Common stocks	$ 10,448,849	$ 11,812,123
Certificates of deposit	3,979,533	-
Mutual funds	1,418,151	1,194,864
Corporate bonds	304,924	308,831
U.S. government securities	238,693	212,970
Other investments	916,990	698,247
Cascade Comprehensive Care, Inc. – common stock	2,083,891	1,621,792
Southern Oregon Linen Services, Inc. – common stock	189,390	190,383
Mt. States Healthcare RRG – common stock	183,100	59,188
	$ 19,763,521	$ 16,098,398

Debt and equity securities held by the Medical Center are classified as available-for-sale.

Southern Oregon Linen Service, Inc
The Medical Center owns 22.4% of the common stock in Southern Oregon Linen Service (SOLS). SOLS was established in 1996 as a central cooperative laundry to service several regional hospitals. The Medical Center concluded that it could not exert influence over SOLS' operations and financial activities; therefore, the Medical Center is accounting for the investment on the cost method.

Mountain States Healthcare Reciprocal Risk Retention Group
The Medical Center owns 5% of the common stock in Mountain States Healthcare Reciprocal Risk Retention Group (Mt. States). Mt. States was formed in 2003 and provides hospital professional liability and general liability insurance to its subscribers. The Medical Center concluded that it could not exert influence over Mt. States' operations and financial activities; therefore, the Medical Center is accounting for the investment on the cost method.

Cascade Comprehensive Care, Inc
The Medical Center owns 33% of the common stock in Cascade Comprehensive Care Inc. (CCC), which is accounted for using the equity method. CCC is a managed health care company that currently manages a Medicaid contract under the Oregon Health Plan. CCC handles quality assurance, utilization management, claims adjudication, pharmacy management, encounter reporting, financial and solvency reporting, physician and provider contracting, reinsurance/stoploss issues, risk model management etc. for the local community.

NOTE 5 – INVESTMENTS – (continued)

The following represents the unaudited summary financial information for Cascade Comprehensive Care, Inc. for the years ended September 30:

	2011 (unaudited)	2010 (unaudited)
Current assets	$ 9,085,800	$ 7,070,294
Noncurrent assets	5,081,424	4,791,372
Total assets	$ 14,167,224	$ 11,861,666
Current liabilities	$ 8,402,015	$ 6,837,455
Noncurrent liabilities	178,371	226,011
Equity	5,586,838	4,798,200
Total liabilities and equity	$ 14,167,224	$ 11,861,666
Operating revenue	$ 33,385,257	$ 25,369,167
Operating expenses	32,118,814	24,599,545
Operating income	$ 1,266,443	$ 769,622

NOTE 6 – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Basis of fair value measurement –

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Medical Center has the ability to access.

Level 2 Inputs to the valuation methodology are quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 6 – FAIR VALUE MEASUREMENTS – (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2011 and 2010.

Common stocks – Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds and US government securities – Valued at the closing price reported on the major market on which the individual securities are traded or have reported broker trades which may be considered indicative of an active market. Where quoted prices are available in an active market, the investments are classified within level 1 of the valuation hierarchy. If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, discounted cash flows and other observable inputs. Such securities are classified within level 2 of the valuation hierarchy.

Mutual funds – Valued at the net asset value (NAV) of shares held by the Medical Center at year end using prices quoted by the relevant pricing agent.

Guaranteed investment contracts – Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Certificates of deposit – Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

NOTE 6 – FAIR VALUE MEASUREMENTS – (continued)

The following tables disclose by level, the fair value hierarchy, of the Medical Center's assets at fair value as of September 30, 2011 and 2010:

	Fair Value Measurements at September 30, 2011			
	Total Fair Value	Level One	Level Two	Level Three
Common stock				
Financial	$ 2,762,320	$ 1,996,384	$ 765,936	$ -
Technology	1,564,975	1,564,975	-	-
Services	1,050,322	1,050,322	-	-
Healthcare	983,721	983,721	-	-
Energy	812,118	812,118	-	-
Utilities	583,423	583,423	-	-
Basic materials	511,455	511,455	-	-
Consumer non-cyclical	475,965	475,965	-	-
Transportation	321,969	321,969	-	-
Capital goods	286,562	286,562	-	-
Consumer cyclical	113,323	113,323	-	-
Other	68,653	68,653	-	-
Guaranteed investment contracts				
Wachovia GIC	3,035,000	-	3,035,000	-
Morgan Staley GIC	1,758,464	-	1,758,464	-
Mutual funds				
Value funds	1,026,012	1,026,012	-	-
Growth funds	898,773	898,773	-	-
Bond funds	525,560	525,560	-	-
Blend funds	451,349	451,349	-	-
Money market funds	233,803	233,803	-	-
Other funds	104,639	104,639	-	-
Certificates of deposit	3,979,533	-	3,979,533	-
Corporate bonds	344,012	-	344,012	-
U.S. government securities	238,693	238,693	-	-
Other investments	62,980	-	62,980	-
	$ 22,193,624	$ 12,247,699	$ 9,945,925	$ -

NOTE 6 – FAIR VALUE MEASUREMENTS – (continued)

	Fair Value Measurements at September 30, 2010			
	Total Fair Value	Level One	Level Two	Level Three
Common stock	$ 11,812,123	$ 11,812,123	$ -	$ -
Guaranteed investment contracts	4,793,464	-	4,793,464	-
Mutual funds	1,333,721	1,333,721	-	-
Other investments	698,247	-	698,247	-
Corporate bonds	308,831	-	308,831	-
U.S. government securities	212,970	212,970	-	-
	$ 19,159,356	$ 13,358,814	$ 5,800,542	$ -

NOTE 7 – PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30 follows:

	2011	2010
Land	$ 1,634,678	$ 1,634,678
Land improvements	4,070,746	4,070,746
Leasehold improvements	107,205	132,978
Buildings and fixed equipment	111,551,000	111,302,730
Moveable equipment	38,111,114	34,685,997
Equipment under capital lease obligations	12,055,483	9,717,837
	167,530,226	161,544,966
Less: Accumulated depreciation and amortization	(80,921,585)	(73,163,154)
	86,608,641	88,381,812
Construction in progress	2,224,839	590,419
	$ 88,833,480	$ 88,972,231

Depreciation expense from operations for the years ended September 30, 2011 and 2010 amounted to approximately $7,692,203 and $7,399,707, respectively, while depreciation expense from discontinued operations amounted to $1,898 and $3,314 for the years ended September 30, 2011 and 2010, respectively. Accumulated amortization for equipment under capital lease obligations was $6,616,259 and $5,784,113 at September 30, 2011 and 2010, respectively.

NOTE 8 – PLUM RIDGE CARE CENTER

Lease value of Plum Ridge Care Center – In 2001, Klamath County, Oregon deeded the Plum Ridge Care Center to the Authority. The Medical Center entered into a long-term lease agreement for a period of 89 years for the sum of $1 per year. In addition, the Medical Center has the option of purchasing the property at anytime for the sum of $1. The Medical Center recognized the fair value of the lease at the time the agreement with the Authority was entered into. The Medical Center is amortizing the lease value over the life of the lease. The lease value of Plum Ridge Care Center at September 30, 2011 and 2010, was $1,628,862 and $1,917,630, respectively, and is included in other assets in the consolidated balance sheet.

Deferred rental revenue – In 2001, the Medical Center subleased the Plum Ridge Care Center to Plum Ridge Care Community, LLC, an unrelated third party, on equivalent lease terms as to the Medical Center's lease with the Authority, except the Medical Center did not grant the right to purchase the property to Plum Ridge Care Community, LLC. The Medical Center recognized a liability to Plum Ridge Care Community, LLC, for the lease value of the remaining term of the lease. The revenue is being amortized over the lease term. The deferred rental revenue of Plum Ridge Care Center was $2,608,182 and $2,622,197 at September 30, 2011 and 2010, respectively, and is included in other long-term liabilities in the consolidated balance sheet.

NOTE 9 – LINE OF CREDIT

The Medical Center has a revolving line of credit with South Valley Bank and Trust in the amount of $8,500,000. Borrowings carry an interest rate of prime plus 0.25%. Interest only payments are required to be made monthly. Bank advances on the line of credit are payable on demand. Outstanding borrowings under the line of credit are due and payable on July 5, 2012. The line of credit is unsecured. There was no balance outstanding on the line of credit at September 30, 2011 and 2010.

The prime rate at September 30, 2011 was 3.25%.

NOTE 10 – CAPITAL LEASES

	2011	2010
Facility lease with a private party with monthly payments of $31,240 through September 2017 and $36,274 from October 2017 through September 2037.	$ 4,269,441	$ 1,966,637
Equipment lease-purchase agreement with Phillips Medical Capital, LLC with monthly payments of $17,668 over four years at 4.79%.	755,741	927,059
Equipment lease-purchase agreement with Provident Equipment Leasing with monthly payments of $12,729 over five years at 4.3%.	499,846	628,076
Equipment lease-purchase agreement with Citicorp with monthly payments of $25,444 over four years at 5.73%.	332,007	609,626
Total capital lease obligations	5,857,035	4,131,398
Less current portion	(674,482)	(721,821)
Capital lease obligations, net of current portion	$ 5,182,553	$ 3,409,577

Scheduled payments on capital lease obligations for the years ending September 30 are as follows:

2012	$ 1,083,000
2013	739,600
2014	739,600
2015	650,700
2016	374,900
Thereafter	9,080,700
Total minimum lease payments	12,668,500
Less: Amount representing interest	(6,811,465)
Present value of net minimum lease payments	$ 5,857,035

NOTE 11 – LONG-TERM DEBT

	2011	2010
Series 2006 Bonds with interest rates from 4% to 5% and mature in varying amounts through 2036, net of premiums of $306,689 and $318,998 at September 30, 2011 and 2010, respectively.	$ 39,026,689	$ 39,278,998
Series 2002 Bonds with interest rates from 3.25% to 6.25% and mature in varying amounts through 2031, net of discounts of $144,525 and $151,751 at September 30, 2011 and 2010, respectively.	12,110,475	12,843,249
Note payable with South Valley Bank & Trust maturing April 2014, payable in monthly installments of $9,281 and one final payment of $947,783 with a rate of 0.50% below prime.	1,171,848	1,247,993
Total long-term debt	52,309,012	53,370,240
Less current portion	(1,108,603)	(1,056,063)
Long-term debt, net of current portion	$ 51,200,409	$ 52,314,177

2002 Bonds

In 2002, the Authority issued Series 2002 Bonds to defease the Refunded 1991 Bonds, the Refunded 1994 Bonds, and to finance certain capital improvements on behalf of the Medical Center. The issuance was structured as a legal defeasance. Adequate amounts of the 2002 Bond issuance were used to purchase U.S. Treasury Securities to fully pay the debt service requirements of the 1991 and 1994 Bonds. The Securities have been placed into an escrow account and the Escrow Agent for the account will pay the debt service requirements as they become due. As the debt for the 1991 and 1994 Series has been legally defeased, the Medical Center is no longer required to report the liability in the consolidated balance sheet.

The 2002 Bonds are secured by a Deed of Trust on the Medical Center Facility portion of the Medical Center's real property. They are further secured by a Reserve Fund, created by the terms of the Bonds Indenture to be held by the Bond Trustee (see Note 5) to prevent a payment default on the Bonds. The Reserve Fund is required to maintain a balance equal to the lesser of the maximum annual debt service, 125% of the average annual debt service, or 10% of the bond proceeds.

NOTE 11 – LONG-TERM DEBT – (continued)

2006 Bonds

In 2006, the Authority issued Series 2006 Bonds to defease $19,265,000 of the 2002 Bonds, to finance costs of improving, expanding, and equipping the existing hospital and related facilities, and to fund a Reserve Fund on behalf of the Medical Center. The issuance was structured as a legal defeasance. Adequate amounts of the 2006 Bond issuance were used to purchase U.S. Treasury Securities to fully pay the debt service requirements of $19,265,000 of the 2002 Bonds. The securities have been placed in an escrow account and the Escrow Agent for the account will pay the debt service requirements as they become due. Because it is legally defeased, the Medical Center is no longer required to report the $19,265,000 in the consolidated balance sheet.

The 2006 Bonds are secured by a Deed of Trust on a portion of the Medical Center campus, including the main hospital facility. They are further secured by a Reserve Fund, created by the terms of the Bond Indenture to be held by the Bond Trustee (see Note 5) to prevent a payment default on the Bonds. The Reserve Fund is required to maintain a balance equal to the lesser of the maximum annual debt service, 125% of the average annual debt service, or 10% of the bond proceeds. They are also secured by a pledge of the gross revenues.

The Medical Center must satisfy certain covenants as long as the 2006 Bonds are outstanding. At September 30, 2011, management is not aware of any violation of the covenants.

Scheduled principal repayments for all long-term debt for the years ending September 30 are as follows:

2012	$ 1,108,603
2013	1,165,994
2014	2,142,251
2015	1,190,000
2016	1,245,000
Thereafter	45,457,164
	$ 52,309,012

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30:

	2011	2010
Capital Campaign	$ 1,371,285	$ 1,370,580
Cancer Endowment Fund	1,898,094	1,953,062
Cancer Discretionary Fund	469,010	600,673
Other Funds	1,150,471	992,446
Total temporarily restricted net assets	$ 4,888,860	$ 4,916,761

NOTE 13 – INCOME TAXES

PHP has $6,620,000 available of unused operating loss carry forwards available at September 30, 2011, that may be applied against future taxable income, which expire in years 2026 through 2031.

WPS has $4,580,000 available of unused operating loss carry forwards available at September 30, 2011, that may be applied against future taxable income, which expire in years 2024 through 2031.

Utilization of any deferred tax assets for the operating loss carry forwards disclosed above is dependent on future taxable profits. Because PHP and WPS have no history of sustained profitability and the asset will not be realized within one year of the balance sheet date, the deferred tax assets and the unused operating loss carry forwards have been fully reserved for at September 30, 2011 and 2010. The deferred tax asset, net of reserve, is $0 at September 30, 2011 and 2010.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Operating Leases

Lessee Leases
The Medical Center leases equipment and facilities under operating leases. Total rental expense in 2011 and 2010 for all operating leases was approximately $729,800 and $512,700, respectively.

Minimum future payments on non-cancelable leases as of September 30 are:

2012	$ 641,600
2013	235,200
2014	58,600
	$ 935,400

Lessor Leases
The Medical Center is the lessor of the office space to various physicians under operating leases expiring in various years through 2057.

Following is a summary of property on or held for lease at September 30:

	2011	2010
Buildings and improvements	$ 7,209,295	$ 7,319,151
Less accumulated depreciation	(3,500,649)	(3,633,844)
	$ 3,708,646	$ 3,685,307

NOTE 14 – COMMITMENTS AND CONTINGENCIES – (continued)

Minimum future rentals to be received on non-cancelable leases as of September 30, 2011, for each of the next five years and in the aggregate are:

2012	$ 624,500
2013	466,400
2014	438,300
2015	409,400
2016	372,300
Thereafter	1,802,400
	$ 4,113,300

Litigation
The Medical Center is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Medical Center's future financial position or results from operations.

NOTE 15 – RELATED-PARTY TRANSACTIONS

The following is a summary of transactions between the Medical Center and related parties:

The Medical Center has common board members with South Valley Bank & Trust, including the Medical Center CEO. The Medical Center maintains bank accounts, lines of credit, and notes payable with South Valley Bank & Trust.

Atrio Health Plans
CCC owns a one-third interest in Atrio Health Plans, Inc. Atrio Health Plans, Inc. is a for-profit Oregon health care service contractor providing Medicare Advantage Plans to residents primarily of Douglas and Klamath Counties. The Medical Center received $6,677,252 and $4,206,114 in Medicare reimbursement from Atrio Health Plans, Inc. in fiscal year 2011 and 2010, respectively.

Southern Oregon Linen Services
The Medical Center purchased laundry services of $436,441 and $416,608 from Southern Oregon Linen Services in fiscal years 2011 and 2010, respectively.

NOTE 16 – FUNCTIONAL EXPENSES

The Medical Center provides general health care services to residents within its geographic location. Expenses related to providing these services for the Medical Center are as follows:

	2011	2010
Health care services	$ 134,690,456	$ 129,622,986
General and administrative	25,505,487	25,805,289
Total	$ 160,195,943	$ 155,428,275

NOTE 17 – RETIREMENT PLANS

403(b) – Elective Deferral Plan
The Medical Center has established a 403(b) retirement plan covering substantially all employees under the guidelines of Internal Revenue Code (IRC) 403(b) Tax Deferred Annuity Plan. The employees may elect to contribute, according to a salary reduction agreement, a percentage of their annual compensation and are eligible for the plan on the first day of employment with the Medical Center. The Plan is a 'Custodial Account Plan' invested in mutual funds.

401(a) – Money Purchase Pension Plan
The Medical Center has established a defined contribution retirement plan for all employees who have at least one year of service, are age twenty-one or older, and have completed 1,000 hours of service in the plan year. The Medical Center is required to contribute 5% of an employee's compensation to the plan each plan year. The Medical Center accrued $2,458,968 and $2,375,430 to the plan on behalf of employees for fiscal years ended September 30, 2011 and 2010, respectively.

401(k) Plan
WPS established the West Physician Services 401(k) Retirement Plan, which is a qualified retirement plan under Section 401(k) of the Internal Revenue Code. All employees over 21 years of age are eligible to participate in the plan. There are no employer contributions made to the plan.

409(a) – Deferred Compensation Plan
WPS established the West Physician Services, LLC Deferred Compensation Plan. The Plan is a 409(a) nonqualified deferred compensation plan that permits eligible employees to defer a portion of their compensation. The participant balances are distributable in cash after retirement or termination of employment. There are no employer contributions made to the plan. This plan was terminated effective July 29, 2011, due to lack of utilization.

409(a) – Retirement Plan
WPS established the West Physician Services Nonqualified Retirement Plan, for the purposes of providing nonqualified retirement benefits to a select group of its employees. The Medical Center is required to contribute 15% of an employee's compensation to the plan each plan year. In addition, the plan permits eligible employees to defer a portion of their compensation. The participant balances are distributable in cash after retirement or termination of employment. The Medical Center contributed $284,477 and $356,627 to the plan on behalf of employees for fiscal years ended September 30, 2011 and 2010, respectively.

NOTE 18 – DISCONTINUED OPERATIONS

On March 31, 2009, the Board of Directors of Preferred Health Plan, Inc. (PHP) announced the Company was withdrawing from the Oregon insurance market. This is consistent with the Medical Center's long-term strategy to focus its activities on providing inpatient, outpatient, and emergency care services to the residents of Southern Oregon and Northern California, and to divest unrelated activities.

At September 30, 2011, the amounts on the consolidated balance sheet pertaining to PHP represent $471,184 of assets and $73,269 of liabilities. During 2011, PHP earned revenue of $53,381, incurred expenses of $160,949, and incurred an operating loss of $107,568.

At September 30, 2010, the amounts on the consolidated balance sheet pertaining to PHP represent $853,900 of assets and $298,454 of liabilities. During 2010, PHP earned revenue of $106,506, incurred expenses of $585,148, recorded non-operating income of $2,087,691, and produced a net income of $1,609,049.

NOTE 19 – HEALTH CARE REFORM

As a result of recently enacted federal health care reform legislation, substantial changes are anticipated in the United States health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over approximately the next decade. This federal health care reform legislation does not affect the 2011 financial statements.