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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

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

SANTIAM MEMORIAL HOSPITAL

Doing Business As

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

1401 N 10TH AVENUE

Room/suite

City or town, state or country, and ZIP + 4

STAYTON, OR 973831311

F Name and address of principal officer

TERRY FLETCHALL
1401 N 10TH AVENUE
STAYTON,OR 973831311

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.SANTIAMHOSPITAL.ORG

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1950

M State of legal domicile

OR

Part I

Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities GENERAL ACUTE HEALTH CARE HOSPITAL SERVING SANTIAM COMMUNITIES		
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3	Number of voting members of the governing body (Part VI, line 1a)	3	9
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	9
Revenue	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	278
	6	Total number of volunteers (estimate if necessary)	6	0
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
	b	Net unrelated business taxable income from Form 990-T, line 34	7b	0
	8	Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9	Program service revenue (Part VIII, line 2g)	14,415	66,857
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	29,586,844	35,230,773
Expenses	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	55,803	24,316
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	246,509	164,450
	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	29,903,571	35,486,396
	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)	0	0
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	15,232,619	17,036,990
	b	Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0	0	0
Net Assets or Fund Balances	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	0	0
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	13,177,344	14,091,724
	19	Revenue less expenses Subtract line 18 from line 12	28,409,963	31,128,714
			1,493,608	4,357,682
			Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)	26,790,939	45,595,331
	21	Total liabilities (Part X, line 26)	4,519,000	18,993,495
	22	Net assets or fund balances Subtract line 21 from line 20	22,271,939	26,601,836

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

Signature of officer

2012-11-12

Date

TERRY FLETCHALL ADMINISTRATOR/CEO

Type or print name and title

Paid Preparer's Use Only

Preparer's signature

WESLEY B HANSEN

Date

Check if self-employed

☐

Preparer's taxpayer identification number (see instructions)

P00226581

Firm's name (or yours if self-employed), address, and ZIP + 4

DELAP LLP
5885 MEADOWS ROAD NO 200
LAKE OSWEGO, OR 97035

EIN

93-0418710

Phone no

(503) 697-4118

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

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

SANTIAM MEMORIAL HOSPITAL'S MISSION IS TO PROVIDE QUALITY HEALTH CARE TO PERSONS SUFFERING FROM ILLNESS, INJURIES, OR DISABILITIES AND TO PROMOTE THE GENERAL HEALTH AND WELFARE OF THE COMMUNITY THROUGH EDUCATION, SUPPORT, AND MEDICAL SERVICES

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

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?

If "Yes," describe these changes on Schedule O

4

Describe the organization's program service accomplishments for each of its three largest program services, as measured 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 \$ 26,739,286 including grants of \$) (Revenue \$)

ACUTE HOSPITAL CARE PATIENT DAYS 2,972, NURSERY DAYS 281, SWING BED DAYS 40, AMBULANCE TRIPS 1,574, OUTPATIENT DAYS 34,854, REFERENCE LABORATORY 120,535

4b

(Code) (Expenses \$ including grants of \$) (Revenue \$)

4c

(Code) (Expenses \$ including grants of \$) (Revenue \$)

4d

Other program services (Describe in Schedule O)


















(Expenses \$ including grants of \$) (Revenue \$)

4e

Total program service expenses \$ 26,739,286

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)? <i>If "Yes," complete Schedule A.</i> 	1	Yes
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? 	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? <i>If "Yes," complete Schedule C, Part I.</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? <i>If "Yes," complete Schedule C, Part II.</i>	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? <i>If "Yes," complete Schedule C, Part III.</i>	5	No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</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? <i>If "Yes," complete Schedule D, Part II.</i> 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	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? <i>If "Yes," complete Schedule D, Part IV.</i> 	9	No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	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, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	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? <i>If "Yes," complete Schedule D, Part VII.</i> 	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? <i>If "Yes," complete Schedule D, Part VIII.</i> 	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? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	11e	No
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)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	Yes
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	No
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	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, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i>	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 ? <i>If "Yes," complete Schedule F, Part II and IV.</i>	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 ? <i>If "Yes," complete Schedule F, Part III and IV.</i>	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? <i>If "Yes," complete Schedule G, Part I.</i>	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? <i>If "Yes," complete Schedule G, Part II.</i>	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements. 	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? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
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? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
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? <i>If "Yes," complete Schedule J</i>	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? <i>If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
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		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
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? <i>If "Yes," complete Schedule L, Part I</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? <i>If "Yes," complete Schedule L, Part I</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? <i>If "Yes," complete Schedule L, Part II</i>	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? <i>If "Yes," complete Schedule L, Part III</i>	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? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	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 owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	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? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a		No
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	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? <i>If "Yes," complete Schedule R, Part VI</i>	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 <input type="checkbox"/>					
		Yes	No		
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	85		
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			
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	278		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes		
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a			
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b			
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 or securities 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			No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			No
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. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a			
b	Enter the aggregate 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 aggregate 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	9		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	9
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	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	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	Did the organization have local chapters, branches, or affiliates?	10a	No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
b	Describe in Schedule O the process, if any, used by the organization to review the Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes
13	Did the organization have a written whistleblower policy?	13	Yes
14	Did 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	No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed <input checked="" type="checkbox"/> 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 made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization made 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. <input checked="" type="checkbox"/> TERRY FLETCHALL 1401 N TENTH AVENUE STAYTON, OR 97383 (503) 769-2175

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, or 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 organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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) RON ETZEL DIRECTOR	2 00	X						0	0	0
(2) ELAINE HANSEN VICE PRESIDENT	2 00	X						0	0	0
(3) VICTOR KINTZ PRESIDENT	2 00	X						0	0	0
(4) MARYANN MEREDITH SECRETARY	2 00	X						0	0	0
(5) MIKE ODENTHAL DIRECTOR	2 00	X						0	0	0
(6) RANDY MICKEY DIRECTOR	2 00	X						0	0	0
(7) GEORGE LONG DIRECTOR	2 00	X						0	0	0
(8) LAWRENCE FISHER DIRECTOR	2 00	X						0	0	0
(9) FRANCIS HENDRICKS DIRECTOR	2 00	X						0	0	0
(10) TERRY FLETCHALL ADMINISTRATOR	60 00			X	X			223,762	0	49,753
(11) MAGGIE HUDSON DIR OF OPS/FIN	60 00			X				161,064	0	32,768
(12) GENNY BALDWIN DIR OF NURSING	60 00			X				154,439	0	33,203
(13) LORI BORELLA MD	32 00					X		275,065	0	12,728
(14) FREDRICK CARLOCK MD	32 00					X		256,364	0	22,429
(15) SUSAN TAYLOR MD	32 00					X		298,415	0	16,986
(16) JOHN HOFFMAN MD	32 00					X		272,051	0	10,857
(17) CLAIRE KING MD	32 00					X		257,667	0	9,100

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	1,898,827	0	187,824

2 Total number of individuals (including but not limited to those I
\$100,000 of reportable compensation from the organization) 8

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such person</i>	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. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
CHARLES H STRINGHAM MD 1401 N 10TH AVE STAYTON, OR 973831311	EMERGENCY ROOM PHYSICIAN	447,627
ROBERT L JACQUES MD 1401 N 10TH AVE STAYTON, OR 973831311	EMERGENCY ROOM PHYSICIAN	336,181
JEANNE L FITZPATRICK MD 1401 N 10TH AVE STAYTON, OR 973831311	EMERGENCY ROOM PHYSICIAN	171,173
MATTHEW G FAHEY MD 1401 N 10TH AVE STAYTON, OR 973831311	EMERGENCY ROOM PHYSICIAN	148,115
DANNY SPARKS MD 1401 N 10TH AVE STAYTON, OR 973831311	EMERGENCY ROOM PHYSICIAN	105,975

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►5

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					
	e	Government grants (contributions)	1e	21,223				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	45,634				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f		66,857				
Program Service Revenue			Business Code					
	2a	ACUTE HOSPITAL CARE	900099	37,201,021	37,201,021			
	b	MEDICARE/MEDICAID PMTS	900099	21,123,233	21,123,233			
	c	ELECTRONIC HLTH RECORD	990009	1,436,713	1,436,713			
	d	PROVISION FOR CHARITY	900099	-1,283,615	-1,283,615			
	e	CONTRACTUAL ALLOWANCES	900099	-23,246,579	-23,246,579			
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		35,230,773				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		17,443			17,443	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties						
	6a	Gross rents	(i) Real	(ii) Personal				
			94,800					
			87,553					
			7,247					
	b	Less rental expenses						
	c	Rental income or (loss)						
	d	Net rental income or (loss)		7,247	7,247			
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
			181,974					
			174,153	948				
			7,821	-948				
	b	Less cost or other basis and sales expenses						
	c	Gain or (loss)						
	d	Net gain or (loss)		6,873			6,873	
	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						
b	Less cost of goods sold	b						
c	Net income or (loss) from sales of inventory . .							
Miscellaneous Revenue		Business Code						
11a	CAFETERIA REVENUE	900099	144,548			144,548		
b	AIG RETRO PREMIUM	900099	12,655	12,655				
c								
d	All other revenue							
e	Total. Add lines 11a-11d		157,203					
12	Total revenue. See Instructions		35,486,396	35,250,675	0	168,864		

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)

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

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 United States See Part IV, line 21				
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	654,991		654,991	
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	12,216,441	10,990,409	1,226,032	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	352,333	304,163	48,170	
9	Other employee benefits	2,962,484	1,984,349	978,135	
10	Payroll taxes	850,741	672,355	178,386	
11	Fees for services (non-employees)				
a	Management				
b	Legal	86,495		86,495	
c	Accounting	114,230		114,230	
d	Lobbying				
e	Professional fundraising See Part IV, line 17				
f	Investment management fees				
g	Other	1,921,863	1,866,387	55,476	
12	Advertising and promotion	111,177		111,177	
13	Office expenses	71,383	53,537	17,846	
14	Information technology	135,584		135,584	
15	Royalties				
16	Occupancy	183,616	176,271	7,345	
17	Travel	732		732	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	5,223	5,223		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	1,365,752	1,236,468	129,284	
23	Insurance	279,199	243,451	35,748	
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	SUPPLIES	4,524,084	4,410,261	113,823	
b	BAD DEBTS	3,235,109	3,235,109		
c	CLINIC EXPENSE	601,616	601,616		
d	EQUIPMENT RENTAL & MAIN	453,419	379,845	73,574	
e					
f	All other expenses	1,002,242	579,842	422,400	
25	Total functional expenses. Add lines 1 through 24f	31,128,714	26,739,286	4,389,428	0
26	Joint costs. Check here <input type="checkbox"/> 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)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			240	1	240
	2	Savings and temporary cash investments			5,421,294	2	8,159,869
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			4,890,466	4	6,426,645
	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)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L				6	
	7	Notes and loans receivable, net			22,558	7	15,063
	8	Inventories for sale or use			1,170,123	8	1,103,455
	9	Prepaid expenses and deferred charges			648,421	9	574,610
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	39,366,972			
	b	Less: accumulated depreciation	10b	12,368,035	12,299,861	10c	26,998,937
	11	Investments—publicly traded securities			550,485	11	501,339
	12	Investments—other securities. See Part IV, line 11			525,910	12	531,172
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			1,261,581	15	1,284,001
	16	Total assets. Add lines 1 through 15 (must equal line 34)			26,790,939	16	45,595,331
Liabilities	17	Accounts payable and accrued expenses			4,519,000	17	8,658,762
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities				20	
	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				23	10,334,733
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D				25	
	26	Total liabilities. Add lines 17 through 25			4,519,000	26	18,993,495
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			22,271,939	27	26,601,836
	28	Temporarily restricted net assets				28	
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> 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			22,271,939	33	26,601,836
	34	Total liabilities and net assets/fund balances			26,790,939	34	45,595,331

Part XI Reconciliation 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	35,486,396
2	Total expenses (must equal Part IX, column (A), line 25)	2	31,128,714
3	Revenue less expenses Subtract line 2 from line 1	3	4,357,682
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	22,271,939
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-27,786
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	26,601,836

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 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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?		No
b	Were the organization's financial statements audited by an independent accountant?	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	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 <input checked="" type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> 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?	Yes	
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	Yes	

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

2011

Open to Public
Inspection

Name of the organization SANTIAM MEMORIAL HOSPITAL	Employer identification number 93-0415219
---	--

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 **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 Se**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?

(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?

(ii)

a family member of a person described in (i) above?

(iii)

a 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(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?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
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 2011 (line 6 column (f) divided by line 11 column (f))	14
15	Public Support Percentage for 2010 Schedule A, Part II, line 14	15
16a	33 1/3% support test—2011. 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—2010. 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—2011. 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—2010. 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 IIIPart III

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage			
15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15		
16 Public support percentage from 2010 Schedule A, Part III, line 15	16		

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17		
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2011. 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—2010. 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 explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

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, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
► Attach to Form 990. ► See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
SANTIAM MEMORIAL HOSPITAL

Employer identification number
93-0415219

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? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	
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 <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	

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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

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

► \$ _____

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2011

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
1c	
1d	
1e	
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

(i)

unrelated organizations

3a(i)

☐ Yes

☐ No

(ii)

related organizations

3a(ii)

☐ Yes

☐ No

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

3b

☐ Yes

☐ No

4

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

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	232,930	1,091,087		1,324,017
b Buildings	1,289,643	9,726,025	5,275,491	5,740,177
c Leasehold improvements		616,390	433,391	182,999
d Equipment		9,787,199	6,659,153	3,128,046
e Other		16,623,698		16,623,698
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				26,998,937

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	35,486,396
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	31,128,714
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	4,357,682
4	Net unrealized gains (losses) on investments	4	-27,786
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	-27,786
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	4,329,896

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	35,458,611
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	-27,786
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	-27,786
3	Subtract line 2e from line 1	3	35,486,397
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	0
5	Total Revenue Add lines 3 and 4c . (This should equal Form 990, Part I, line 12)	5	35,486,397

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

1	Total expenses and losses per audited financial statements	1	31,128,714
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	0
3	Subtract line 2e from line 1	3	31,128,714
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	0
5	Total expenses Add lines 3 and 4c . (This should equal Form 990, Part I, line 18)	5	31,128,714

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
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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

2011

Open to Public Inspection

Name of the organization
SANTIAM MEMORIAL HOSPITAL

Employer identification number
93-0415219

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100% <input checked="" type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____%</div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____%</div> c If the organization did 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 policy provide free or discounted care to the "medically indigent"?	3a	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 charity care expenses exceed the budgeted amount?	5b	Yes	
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 eligible for free or discounted care?	5c		No
6a	Did 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

Charity Care and Certain Other Community Benefits at Cost

Charity Care 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 Charity care at cost (from Worksheet 1)	1		684,167		684,167	2 200 %
b Medicaid (from Worksheet 3, column a)	1	120,422	4,796,860	3,622,776	1,174,084	3 770 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs	2	120,422	5,481,027	3,622,776	1,858,251	5 970 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	3	640	27,852	6,373	14,192	0 050 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			4,147		4,147	0 010 %
j Total Other Benefits	3	640	31,999	6,373	18,339	0 060 %
k Total. Add lines 7d and 7j	5	121,062	5,513,026	3,629,149	1,876,590	6 030 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

	(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
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total						

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	Yes	
2Enter the amount of the organization's bad debt expense	2	1,736,428	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	1,389,142	
4Provide 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

5Enter total revenue received from Medicare (including DSH and IME)	5	3,422,806	
6Enter Medicare allowable costs of care relating to payments on line 5	6	3,913,267	
7Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-490,461	
8Describe 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: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
9bIf "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9b	Yes	

Part IVManagement Companies and Joint Ventures (see instructions)

(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				

Section A. Hospital Facilities

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

Name and address

[illegible]

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

SANTIAM MEMORIAL HOSPITAL

Name of Hospital Facility: _____

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility b <input checked="" type="checkbox"/> Demographics of the community c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input checked="" type="checkbox"/> How data was obtained e <input checked="" type="checkbox"/> The health needs of the community f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1 Yes	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	No
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input checked="" type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5 Yes	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	No
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8 Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 150 0000000000000000% If "No," explain in Part VI the criteria the hospital facility used	9 Yes	

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>250 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input checked="" type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input checked="" type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b	<input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	<input type="checkbox"/> Other (describe in Part VI)			
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI	20		No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI	21	Yes	

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 from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 5

Name and address		Type of Facility (Describe)
1	SUBLIMITY MEDICAL CLINIC 114 SE CHURCH ST SUBLIMITY, OR 97325	PHYSICIAN CLINIC
2	AUMSVILLE MEDICAL CLINIC 205 MAIN ST AUMSVILLE, OR 97325	PHYSICIAN CLINIC
3	CASCADE MEDICAL CLINIC 1375 N 10TH AVENUE STE B STAYTON, OR 97383	PHYSICIAN CLINIC
4	SANTIAM MEDICAL CLINIC 280 S FIRST AVENUE MILL CITY, OR 97360	PHYSICIAN CLINIC
5	SANTIAM WOMEN'S CLINIC 1373 N 10TH AVENUE STAYTON, OR 97383	PHYSICIAN CLINIC
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions 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, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health 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 III, LINE 4 THE COSTING METHODOLOGY USED TO DETERMINE THE AMOUNT ON LINE 2 THE GROSS BAD DEBT CHARGES, \$1,736,428, WERE APPLIED TO THE PATIENT CARE COST TO CHARGES RATIO ESTABLISHED IN WORKSHEET 2 BAD DEBTS ARE DETERMINED AFTER THE PATIENT RECEIVED 4 STATEMENTS AFTER DATE OF SERVICE OR DATE OF PAYMENT BY INSURANCE AFTER THE 4TH STATEMENT, THE PATIENT RECEIVES A LETTER EXPLAINING THAT THEIR ACCOUNT WILL BE TURNED OVER TO A COLLECTION AGENCY IF PAYMENT IS NOT RECEIVED BY THE END OF THE MONTH THE COSTING METHODOLOGY USED TO DETERMINE THE AMOUNT ON LINE 3 THROUGH OBSERVATION OF CHARITY CARE COORDINATOR, 80% OF BAD DEBTS MAY HAVE QUALIFIED FOR CHARITY CARE BECAUSE OF 1) INCORRECT CONTRACT INFORMATION GIVEN TO HOSPITAL, 2) UNABLE OR UNWILLINGNESS TO FILL OUT AND COMPLETE CHARITY CARE FORMS AND SUPPORTING DOCUMENTATION AND 3) THE STIGMA ASSOCIATED WITH THE ACCEPTANCE OF CHARITY CARE

Identifier	ReturnReference	Explanation
		PART III, LINE 9B FINANCIAL ASSISTANCE IS GRANTED ON A SLIDING SCALE IF AMOUNT DEEMED TO BE PAYABLE BY THE PATIENT IS DELINQUENT, THE PATIENT IS SENT TO COLLECTION AGENCY FOR THE PORTION OUTSTANDING

Identifier	ReturnReference	Explanation
SANTIAM MEMORIAL HOSPITAL		PART V, SECTION B, LINE 4 SALEM HEALTH SYSTEM, SILVERTON HOSPITAL NETWORK

Identifier	ReturnReference	Explanation
SANTIAM MEMORIAL HOSPITAL		PART V, SECTION B, LINE 7 CHIP PLANNING BEGAN IN 2011 AND WILL BE IMPLEMENTED IN 2012

Identifier	ReturnReference	Explanation
SANTIAM MEMORIAL HOSPITAL		PART V, SECTION B, LINE 19D ALL PATIENTS ARE CHARGED AT THE SAME GROSS CHARGES

Identifier	ReturnReference	Explanation
SANTIAM MEMORIAL HOSPITAL		PART V, SECTION B, LINE 21 ALL PATIENTS ARE BILLED THE SAME GROSS CHARGES REGARDLESS OF INSURANCE STATUS ALL PATIENTS ARE GIVEN A 10% DISCOUNT FOR PAYMENT OVER \$ 500

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

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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.

Name of the organization
SANTIAM MEMORIAL HOSPITAL

Employer identification number
93-0415219

Part I

Questions Regarding Compensation

	Yes	No
<div>1a</div> <div>Check the appropriate 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</div> <div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div>		
<div>1b</div> <div>If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain</div>		
<div>2</div> <div>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?</div>		
<div>3</div> <div>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</div> <div><div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div>		
<div>4</div> <div>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</div>		
<div>4a</div> <div>Receive a severance payment or change-of-control payment?</div>		No
<div>4b</div> <div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div>	Yes	
<div>4c</div> <div>Participate in, or receive payment from, an equity-based compensation arrangement?</div>		No
<div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>		
<div></div> <div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div>		
<div>5</div> <div>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</div>		
<div>a</div> <div>The organization?</div>	Yes	
<div>b</div> <div>Any related organization?</div>		No
<div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>		
<div>6</div> <div>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</div>		
<div>a</div> <div>The organization?</div>		No
<div>b</div> <div>Any related organization?</div>		No
<div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>		
<div>7</div> <div>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</div>		No
<div>8</div> <div>Were any amounts reported in Form 990, Part VII, paid or accrued 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</div>		No
<div>9</div> <div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div>		

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space 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) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(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) TERRY FLETCHALL	(i)	163,442	48,000	12,320	35,521	14,232	273,515	0
	(ii)	0	0	0	0	0	0	0
(2) MAGGIE HUDSON	(i)	129,830	24,000	7,234	13,899	18,869	193,832	0
	(ii)	0	0	0	0	0	0	0
(3) GENNY BALDWIN	(i)	130,439	24,000	0	21,133	12,070	187,642	0
	(ii)	0	0	0	0	0	0	0
(4) LORI BORELLA	(i)	274,008	1,057	0	7,350	5,378	287,793	0
	(ii)	0	0	0	0	0	0	0
(5) FREDRICK CARLOCK	(i)	255,307	1,057	0	7,350	15,079	278,793	0
	(ii)	0	0	0	0	0	0	0
(6) SUSAN TAYLOR	(i)	297,358	1,057	0	1,907	15,079	315,401	0
	(ii)	0	0	0	0	0	0	0
(7) JOHN HOFFMAN	(i)	271,299	752	0	0	10,857	282,908	0
	(ii)	0	0	0	0	0	0	0
(8) CLAIRE KING	(i)	256,610	1,057	0	7,350	1,750	266,767	0
	(ii)	0	0	0	0	0	0	0
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

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
------------	------------------	-------------

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

2011

Open to Public Inspection

Name of the organization
SANTIAM MEMORIAL HOSPITAL

Employer identification number
93-0415219

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	THE HOSPITAL HAS APPROXIMATELY 400 MEMBERS WHO VOTE ON SELECTING BROAD OF DIRECTORS
	FORM 990, PART VI, SECTION A, LINE 7A	THE HOSPITAL HAS APPROXIMATELY 400 MEMBERS WHO VOTE ON SELECTING BROAD OF DIRECTORS
	FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 IS REVIEWED BY THE DIRECTORS AND OFFICERS
	FORM 990, PART VI, SECTION B, LINE 12C	THE BOARD OF DIRECTORS, KEY EMPLOYEES AND CHIEF OF STAFF IS REQUIRED TO SIGN AN ANNUAL CONFLICT OF INTEREST STATEMENT ATTESTING TO THEIR COMPLIANCE
	FORM 990, PART VI, SECTION B, LINE 15	SMH USES A THIRD PARTY COMPENSATION AND BENEFIT SERVICE OLNEY & ASSOCIATES THE SURVEY PROVIDES DATA ON HOSPITAL KEY EMPLOYEE COMPENSATION AND BENEFITS BASED ON BED SIZE, GEOGRAPHIC REGION, ADMISSIONS AND GROSS REVENUE THE BOARD OF DIRECTORS REVIEW COMPENSATION AND BENEFITS FOR ADMINISTRATOR (TERRY FLETCHALL), DIRECTOR OF OPERATIONS & FINANCE (MAGGIE HUDSON) AND DIRECTOR OF NURSING (GENNY BALDWIN) THE ADMINISTRATOR'S CONTRACT IS THROUGH THE HOSPITAL APPROVED BY THE BOARD AND DIRECTOR OF NURSING AND DIRECTOR OF OPERATIONS & FINANCE CONTRACTS ARE WITH THE HOSPITAL APPROVED BY THE ADMINISTRATOR
	FORM 990, PART VI, SECTION C, LINE 19	SANTIAM MEMORIAL HOSPITAL MAKES COPIES OF ITS GOVERNING DOCUMENTS AND AUDITED FINANCIAL STATEMENTS AVAILABLE UPON REQUEST THE AUDITED FINANCIAL STATEMENTS ARE ALSO AVAILABLE BY CONTACTING THE STATE OF OREGON DEPARTMENT OF JUSTICE THE CONFLICT OF INTEREST POLICY IS NOT AVAILABLE TO THE PUBLIC
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -27,786

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

2011

Open to Public Inspection

Name of the organization
SANTIAM MEMORIAL HOSPITAL

Employer identification number
93-0415219

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

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) SANTIAM MEMORIAL HOSPITAL AUXILIARY 1401 N 10TH AVENUE STAYTON, OR 97383 23-7399406	OPERATION OF GIFT SHOP AT THE HOSPITAL	OR	501(C)(3)	LINE 3			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?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

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

Part V

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

Note. Complete line 1 if any entity is listed in Parts II, III or IV

1

During the tax year, did the organization 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

b

Gift, grant, or capital contribution to related organization(s)

c

Gift, grant, or capital contribution from related organization(s)

d

Loans or loan guarantees to or for related organization(s)

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

Lease of facilities, equipment, or other assets to related organization(s)

j

Lease of facilities, equipment, or other assets from related organization(s)

k

Performance of services or membership or fundraising solicitations for related organization(s)

l

Performance of services or membership or fundraising solicitations by related organization(s)

m

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

Other transfer of cash or property to related organization(s)

r

Other transfer of cash or property from related organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

No

No

No

No

No

Yes

No

No

No

No

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) SANTIAM MEMORIAL HOSPITAL AUXILIARY	M		
(2)			
(3)			
(4)			
(5)			
(6)			

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.

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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Additional Data

Software ID:
Software Version:
EIN: 93-0415219
Name: SANTIAM MEMORIAL HOSPITAL

Form 990, Special Condition Description:

Special Condition Description



**Financial Statements and
Supplementary Information
and Single Audit Reports**

**Years Ended
December 31, 2011
and 2010**

Santiam Memorial Hospital

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Independent Auditors' Report

To the Board of Directors of
Santiam Memorial Hospital

We have audited the accompanying balance sheets of Santiam Memorial Hospital (the Hospital) (an Oregon nonprofit corporation) as of December 31, 2011 and 2010, and the related statements of operations and changes in unrestricted net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Hospital'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 financial statements referred to above present fairly, in all material respects, the financial position of Santiam Memorial Hospital as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2012, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters as of and for the year ended December 31, 2011. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2011 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

DE LAP LLP

April 10, 2012

Santiam Memorial Hospital

Balance Sheets

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 7,113,816	\$ 4,376,452
Short-term investments	103,141	102,960
Patient accounts receivable - net of allowance for doubtful accounts of \$1,218,000 in 2011 (\$956,000 in 2010)	5,389,769	4,433,676
Supplies inventory	1,103,455	1,170,123
Prepaid expenses and other current assets	<u>1,256,226</u>	<u>1,038,954</u>
Total current assets	14,966,407	11,122,165
Assets limited as to use	1,474,324	1,468,033
Long-term investments	501,339	550,485
Property and equipment - net	26,045,656	11,580,792
Rental property - professional buildings and property held for future development - net of accumulated depreciation of \$569,293 in 2011 (\$510,134 in 2010)	953,280	719,069
Other assets - net	<u>1,654,325</u>	<u>1,350,396</u>
Total Assets	<u>\$ 45,595,331</u>	<u>\$ 26,790,940</u>

Santiam Memorial Hospital

Balance Sheets (Continued)

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Liabilities and Unrestricted Net Assets		
Current liabilities		
Accounts payable	\$ 756,041	\$ 759,699
Accrued liabilities		
Payroll, payroll taxes, and withholdings	613,540	551,952
Vacation	424,910	369,228
Other	387,160	396,201
Estimated third-party payor settlements payable	534,015	473,672
Mortgage note payable due within one year	<u>120,092</u>	<u>-</u>
Total current liabilities	2,835,758	2,550,752
Retainage and construction accounts payable	4,770,334	139,323
Mortgage note payable - net of current portion	10,334,733	1,315,762
Other liabilities	<u>1,052,670</u>	<u>513,164</u>
Total liabilities	18,993,495	4,519,001
Unrestricted net assets	<u>26,601,836</u>	<u>22,271,939</u>
Total Liabilities and Unrestricted Net Assets	<u>\$ 45,595,331</u>	<u>\$ 26,790,940</u>

The accompanying notes are an integral part of the financial statements

Santiam Memorial Hospital

Statements of Operations and Changes in Unrestricted Net Assets

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue		
Net patient service revenue	\$ 33,734,275	\$ 29,538,276
Electronic health record incentive payments	1,436,713	-
Other revenue	<u>224,448</u>	<u>260,795</u>
Total revenue	<u>35,395,436</u>	<u>29,799,071</u>
Expenses		
Operating departments	19,699,097	17,725,913
Service departments	2,396,910	2,262,812
Administrative and general	4,431,846	3,808,022
Provision for bad debts	3,235,109	3,444,404
Depreciation related to health care operations	<u>1,365,752</u>	<u>1,168,812</u>
Total expenses	<u>31,128,714</u>	<u>28,409,963</u>
Operating Income	<u>4,266,722</u>	<u>1,389,108</u>
Other income (loss)		
Investment income (loss) - net	(2,522)	65,776
Other - net	<u>65,697</u>	<u>37,867</u>
Total other income - net	<u>63,175</u>	<u>103,643</u>
Excess of Revenue Over Expenses	4,329,897	1,492,751
Unrestricted net assets - beginning of year	<u>22,271,939</u>	<u>20,779,188</u>
Unrestricted Net Assets - End of Year	<u><u>\$ 26,601,836</u></u>	<u><u>\$ 22,271,939</u></u>

The accompanying notes are an integral part of the financial statements

Santiam Memorial Hospital

Statements of Cash Flows

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Excess of revenue over expenses	\$ 4,329,897	\$ 1,492,751
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities		
Provision for bad debts	3,235,109	3,444,404
Depreciation and amortization	1,405,742	1,205,424
Net realized and unrealized losses (gains) on investments	19,965	(47,833)
Changes in certain operating assets and liabilities		
Investments	29,000	(87,077)
Patient accounts receivable	(4,191,202)	(3,544,134)
Supplies inventory	66,668	(128,114)
Prepaid expenses and other current assets	(217,272)	(490,855)
Other assets	(300,132)	114,766
Accounts payable	(3,658)	(151,939)
Accrued liabilities	108,229	166,590
Estimated third-party payor settlements payable	60,343	73,675
Other liabilities	539,506	25,503
Net cash provided by operating activities	<u>5,082,195</u>	<u>2,073,161</u>
Cash Flows From Investing Activities		
Increase in assets limited as to use - net	(6,291)	(430,256)
Purchases of property and equipment and rental and other property - net	(2,334,743)	(904,345)
Net cash used by investing activities	<u>(2,341,034)</u>	<u>(1,334,601)</u>
Cash Flows From Financing Activities		
Payment of debt issuance costs	(3,797)	(928,906)
Net cash used by financing activities	<u>(3,797)</u>	<u>(928,906)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,737,364	(190,346)
Cash and cash equivalents - beginning of year	4,376,452	4,566,798
Cash and Cash Equivalents - End of Year	<u>\$ 7,113,816</u>	<u>\$ 4,376,452</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Property and equipment purchased with proceeds of mortgage note payable	<u>\$ 9,139,063</u>	<u>\$ 1,315,762</u>

The accompanying notes are an integral part of the financial statements

Santiam Memorial Hospital

Notes to Financial Statements

Years Ended December 31, 2011 and 2010

1. Business, Organization, and Summary of Significant Accounting Policies

Business and organization

Santiam Memorial Hospital (the Hospital) is an Oregon nonprofit corporation located in Stayton, Oregon. The Hospital provides inpatient, outpatient, and emergency health care services primarily to residents in the local geographic area.

Method of accounting

The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U S) (GAAP) using the accrual method of accounting which recognizes revenue and income when earned and expenses and losses when incurred. The preparation of financial statements in conformity with GAAP requires management of the Hospital (Management) to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, income, expenses, and losses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with remaining maturities of three months or less at the time of purchase by the Hospital, excluding assets limited as to use.

The Hospital maintains its bank accounts at several financial institutions. The Hospital's non-interest bearing accounts are protected by unlimited insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC) through December 31, 2012. The Hospital's interest bearing accounts are insured by the FDIC up to \$250,000 at each financial institution. Periodically, the Hospital's bank balances may exceed FDIC coverage, however, Management believes that the Hospital's credit risk with respect to these accounts is minimal due to the financial strength of the financial institutions.

Investments and assets limited as to use

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying balance sheets (see Note 9). Investment income or loss (including interest, dividends, and realized and unrealized gains and losses on sales of investments) is included in the excess of revenue over expenses unless the income or loss is restricted by donor or law. As of December 31, 2011 and 2010, all of the Hospital's investment securities are classified as trading securities which are debt and equity securities that the Hospital buys and holds principally to sell in the near-term. For cash flow reporting purposes, purchases, sales, and maturities of assets limited as to use are classified as investing activities, and purchases, sales, and maturities of other investments are classified as cash flows from operating activities.

Assets limited as to use consist of assets (money market accounts and certificates of deposit) designated by the Hospital's Board of Directors (the Board) for future capital acquisitions, over which the Board retains control and may, at its discretion, subsequently use for other purposes (internally designated assets), and cash held in an escrow account restricted for certain off-site improvements under a mortgage note payable agreement (the Mortgage Note) (see Notes 2 and 4).

Santiam Memorial Hospital

Notes to Financial Statements

Years Ended December 31, 2011 and 2010

1. Business, Organization, and Summary of Significant Accounting Policies (Continued)

Investments and assets limited as to use (continued)

Investments consist of mutual funds, a certificate of deposit, and equity securities (see Note 2). Management believes that the Hospital's credit risk with respect to investments and assets limited as to use is minimal due to the diversity of the individual instruments, FDIC insurance coverage, and the financial strength of the entities which have issued the securities or instruments. However, due to changes in economic conditions, interest rates, and common stock prices, the fair value of the Hospital's investments and assets limited as to use can be volatile, and, consequently, the fair value can significantly change in the near-term as a result of such volatility.

Patient accounts receivable and allowance for doubtful accounts

The collection of receivables from third-party payors and patients is the Hospital's primary source of cash and is critical to its operating performance. When the Hospital provides care to patients, it does not require collateral, however, it maintains an estimated allowance for doubtful accounts. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but the patient is responsible for the remaining amount outstanding (generally deductibles and co-payments). The allowance for doubtful accounts is estimated based primarily upon the Hospital's historical collection experience, the age of patients' accounts, Management's estimate of the patient's economic ability to pay, and the effectiveness of collection efforts. Patient accounts receivable balances are routinely reviewed in conjunction with historical collection rates and other economic conditions which might ultimately affect the collectibility of patient accounts when considering the adequacy of the amounts recorded in the allowance for doubtful accounts. Actual write-offs have historically been within Management's expectations. Significant changes in payor mix, business office operations, economic conditions, or trends in federal and state governmental health care coverage could affect the Hospital's collection of patient accounts receivable, cash flows, and results of operations.

Significant concentrations of gross patient accounts receivable as of December 31, 2011 and 2010 were approximately as follows:

	2011	2010
Medicare	37%	31%
Oregon Health Plan (OHP) and Medicaid	20	14
Commercial insurance and other third-party payors	23	26
Self-pay	20	29
	100%	100%

During the year ended December 31, 2011, the Hospital refined its approach to estimating the allowances for doubtful accounts and certain contractual adjustments. This refinement in estimate had the effect of decreasing net patient accounts receivable and increasing the provision for bad debts and deductions from patient service revenue by approximately \$560,000 as of and for the year ended December 31, 2011.

Supplies inventory

Supplies inventory is recorded at the lower of cost (first-in, first-out method) or market.

Santiam Memorial Hospital

Notes to Financial Statements

Years Ended December 31, 2011 and 2010

1. Business, Organization, and Summary of Significant Accounting Policies (Continued)

Property and equipment

Property and equipment acquisitions (including acquisitions of rental property - professional buildings and property held for future development) are recorded at cost. Donated property and equipment items are recorded on the basis of estimated fair value at the date of their donation. Improvements and replacements of property and equipment are capitalized. Routine maintenance and repairs are charged to expense as incurred.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Management reviews property and equipment for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. If there is an indication of impairment, Management would prepare an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows were less than the carrying amount of the asset, an impairment loss would be recognized to write down the asset to its estimated fair value.

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

Other assets

Other assets as of December 31, 2011 and 2010 include deferred financing costs of approximately \$1,016,000 and \$1,012,000, respectively, incurred in connection with the mortgage note payable (see Note 4). Deferred financing costs are amortized to interest expense over the term of the mortgage note payable using the interest method.

Net patient service revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements primarily include prospectively determined rates per discharge, reimbursed costs, and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered and includes estimates for potential retroactive revenue adjustments under reimbursement agreements with third-party payors. Such estimates are adjusted in future periods as final settlements are determined.

A significant portion of the Hospital's services is provided to Medicare, OHP, and Medicaid patients under contractual arrangements. Inpatient acute care services rendered to Medicare program beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors (i.e., "Medicare severity-diagnosis related groups" or "MS-DRGs"). Such payments include a capital cost component and may be

Santiam Memorial Hospital

Notes to Financial Statements

Years Ended December 31, 2011 and 2010

1. Business, Organization, and Summary of Significant Accounting Policies (Continued)

Net patient service revenue (continued)

greater or less than the actual charges for services. Most outpatient services related to Medicare beneficiaries are reimbursed prospectively under the ambulatory payment classifications methodology. Inpatient non-acute care services related to Medicare beneficiaries are reimbursed under a cost reimbursement methodology. In addition, certain outpatient services related to Medicare beneficiaries are reimbursed based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after audits of the Hospital's annual cost reports by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited and final settled by the Medicare fiscal intermediary through December 31, 2006.

Services rendered to OHP beneficiaries are primarily reimbursed at discounts from standard charges. Services rendered to Medicaid program beneficiaries primarily are reimbursed under a cost reimbursement methodology. Under this methodology, the Hospital is reimbursed at a tentative rate with final settlement determined after audits of the Hospital's annual cost reports by Medicaid. The Hospital's Medicaid cost reports have been audited and final settled by Medicaid through December 31, 2006.

Gross patient service revenue for services provided by the Hospital to Medicare, OHP, and Medicaid patients aggregated approximately \$30,123,000 and \$24,110,000 for the years ended December 31, 2011 and 2010, respectively.

The laws and regulations governing the Medicare, OHP, and Medicaid programs are extremely complex and subject to interpretation. In addition, the Recovery Audit Contractors program requires the evaluation of certain Medicare and Medicaid claims for propriety by third-party contractors. As a result, there is at least a reasonable possibility that estimated third-party payor settlements payable will change by a material amount in the near-term. Net patient service revenue for the years ended December 31, 2011 and 2010 was increased by approximately \$6,000 and \$203,000, respectively, as a result of revisions of estimates for prior year cost reports and changes to reimbursement and risk sharing settlements relating to services rendered to OHP participants in prior years.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations to provide medical services to subscribing participants. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge and discounts from established charges.

Charity care

The Hospital also provides services to patients who meet certain criteria of its charity care policy without charge or at amounts less than its established rates. The Hospital's criteria for the determination of charity care include the patient's – or other responsible party's – annual household income, assets, credit history, existing debt obligations, and other indicators of the patient's ability to pay. Generally, those individuals with an annual household income at, or less than, 150% of the Federal Poverty Guidelines (the Guidelines) qualify for charity care under the Hospital's policy. In addition, the Hospital provides discounts on a sliding scale to those individuals with an annual household income of between 150% and 250% of the Guidelines. Since the Hospital does not pursue collection of amounts determined to qualify as charity care, those amounts are not reported as net patient service revenue (see Note 5).

Santiam Memorial Hospital

Notes to Financial Statements

Years Ended December 31, 2011 and 2010

1. Business, Organization, and Summary of Significant Accounting Policies (Continued)

Electronic health record (EHR) incentive payments

Under certain provisions of the American Recovery and Reinvestment Act of 2009 (ARRA), federal incentive payments are available to hospitals, physicians, and certain other professionals (collectively, "health care providers") when they adopt, implement, or upgrade (AIU) certified electronic health record (EHR) technology or become "meaningful users" – as defined under ARRA – of EHR technology in ways that demonstrate improved quality, safety, and effectiveness of care. Health care providers can become eligible for annual Medicare incentive payments by demonstrating meaningful use of EHR technology in each federal fiscal year. Medicaid providers can receive their initial incentive payment by satisfying AIU criteria but must demonstrate meaningful use of EHR technology in subsequent federal fiscal years in order to qualify for additional payments. Hospitals may be eligible for both Medicare and Medicaid EHR incentive payments, however, physicians and other professionals may be eligible for either Medicare or Medicaid incentive payments but not both. Hospitals that are meaningful users under the Medicare EHR incentive payment program are deemed meaningful users under the Medicaid EHR incentive payment program and do not need to meet additional criteria imposed by Medicaid. Medicaid EHR incentive payments to health care providers are 100% federally funded and administered by individual states. The Centers for Medicare and Medicaid Services (CMS) established the federal fiscal year ended September 30, 2011 as the first year states could offer EHR incentive payments. Before a state may offer EHR incentive payments, the state must submit – and CMS must approve – the state's incentive plan.

The Hospital recognizes EHR incentive payments in income using the "contingency model." Under the contingency model, the income from the payments is recognized in the year for which payment is made if all significant contingencies related to the payment are resolved. Generally, the Hospital expects to recognize payments from the Medicare and Medicaid programs in the Hospital's fiscal year that includes the end of the federal fiscal year for which the payments are made. As a result, the Hospital recognized \$1,436,713 of Medicare and Medicaid EHR incentive payments as operating revenue in the accompanying 2011 statement of operations and changes in unrestricted net assets. Medicare EHR incentive payments are scheduled to be paid out in decreasing amounts over four federal fiscal years, while Medicaid EHR payments are scheduled to be paid out in decreasing amounts over three federal fiscal years. Medicare and Medicaid EHR incentive payments are subject to audit and/or final approval by CMS and Medicaid. As a result, there is at least a reasonable possibility that recorded Medicare and Medicaid EHR incentive payments will change by a material amount in the near-term.

Statements of operations and changes in unrestricted net assets

For purposes of presentation, transactions deemed by Management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as other income (loss).

Income taxes

The Hospital is a tax-exempt organization pursuant to Internal Revenue Code Section 501(c)(3). As such, only unrelated business income is subject to federal or state income taxes. It is Management's belief that none of the Hospital's activities have generated material unrelated business income, therefore, no provision for income taxes has been made in the accompanying financial statements.

Santiam Memorial Hospital

Notes to Financial Statements

Years Ended December 31, 2011 and 2010

1. Business, Organization, and Summary of Significant Accounting Policies (Continued)

Income taxes (continued)

Income tax positions that meet a "more-likely-than-not" recognition threshold are measured at the largest amount of income tax benefit that is more than 50% likely to be realized upon settlement with the applicable taxing authority. The portion of the benefits associated with income tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized income tax benefits in the Hospital's balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized income tax benefits would be classified as income taxes in the Hospital's statement of operations and changes in unrestricted net assets. There were no unrecognized income tax benefits, nor any interest and penalties associated with unrecognized income tax benefits, accrued or expensed as of and for the years ended December 31, 2011 and 2010.

The Hospital files a federal information return in the U.S. and a state information return in Oregon. The Hospital is no longer subject to tax examinations by the related tax authorities for the Hospital's U.S. federal and Oregon information returns for years prior to 2008.

Recently issued accounting standards

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-23, *Health Care Entities (Topic 954) – Measuring Charity Care for Disclosure* (ASU 2010-23). ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care. As a result of the amendments in ASU 2010-23, various techniques will likely be used to determine how the direct and indirect costs are identified, such as obtaining the information directly from a costing system or through reasonable estimation techniques. Therefore, the amendments in ASU 2010-23 also require disclosure of the method used to identify or determine such costs. In the opinion of the FASB, ASU 2010-23 improves current GAAP by requiring all entities to use the same measurement basis for charity care, therefore, enhancing comparability between entities' financial statements. A health care entity does not recognize revenue when charity care is provided, accordingly, the amendments in ASU 2010-23 have no effect on the Hospital's financial condition or results of operations. ASU 2010-23 was effective for the Hospital beginning in 2011. The adoption of ASU 2010-23 did not have a significant effect on the Hospital's financial statements (see Note 5).

In August 2010, the FASB issued ASU No. 2010-24, *Health Care Entities (Topic 954) – Presentation of Insurance Claims and Related Insurance Recoveries* (ASU 2010-24). ASU 2010-24 was issued to provide additional guidance to health care entities regarding accounting for medical malpractice and other similar claims subject to anticipated insurance recoveries. ASU 2010-24 clarifies that a health care entity should not net insurance recoveries against a related claim liability, and requires that a health care entity estimate the amount of the claim liability without consideration of any anticipated insurance recoveries. ASU 2010-24 eliminates an industry exception by requiring health care entities to conform to existing GAAP which generally does not permit offsetting of conditional or unconditional liabilities with anticipated insurance recoveries from third-parties. Upon initial application, the difference between the change in the amount of the liability recognized for claims and the change in the amount of receivables recognized for anticipated insurance recoveries was to be recognized as a cumulative-effect adjustment to opening unrestricted net assets as of the beginning of the period of adoption. ASU 2010-24 was effective for the Hospital beginning in 2011, and its adoption had the effect of increasing other assets - net and other liabilities by approximately \$376,000 as of December 31, 2011 and had no effect on the statement of operations and changes in unrestricted net assets (see Note 8).

Santiam Memorial Hospital

Notes to Financial Statements

Years Ended December 31, 2011 and 2010

1. Business, Organization, and Summary of Significant Accounting Policies (Continued)

Recently issued accounting standards (continued)

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). The provisions of ASU 2011-04 clarify the FASB's intent regarding application of existing fair value measurement guidance and revise certain measurement and disclosure requirements to achieve convergence of GAAP and International Financial Reporting Standards (IFRS). ASU 2011-04 clarifies the FASB's intent about the application of the highest-and-best-use and valuation premise and with respect to the measurement of fair value of an instrument classified as equity. ASU 2011-04 also expands the information required to be disclosed with respect to fair value measurements categorized in Level 3 fair value measurements and the items not measured at fair value but for which fair value must be disclosed. ASU 2011-04 will be effective for the Hospital in 2012. Management does not expect that ASU 2011-04 will have a significant effect on the Hospital's future financial statements.

In July 2011, the FASB issued ASU No. 2011-07, *Health Care Entities (Topic 954) – Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU 2011-07). ASU 2011-07 was issued to provide financial statement users with greater transparency about a health care entity's net patient service revenue and the related allowance for doubtful accounts. ASU 2011-07 requires health care entities that recognize significant amounts of patient service revenue at the time the services are rendered – even though they do not assess the patient's ability to pay – to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statements of operations and unrestricted net assets. ASU 2011-07 will require certain health care entities to change the presentation of their statements of operations and unrestricted net assets by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. ASU 2011-07 also requires disclosures of patient service revenue (net of contractual allowances and discounts), as well as certain qualitative and quantitative information about changes in the allowance for doubtful accounts. ASU 2011-07 will be effective for the Hospital in 2012. Management is currently evaluating the effect that ASU 2011-07 will have on the Hospital's future financial statements.

Reclassifications

The Hospital reclassified approximately \$2,499,000 of employee benefits and payroll tax expenses from administrative and general expense to operating and service department expenses for 2010 to conform with the 2011 presentation. In addition, certain other amounts for 2010 have also been reclassified to conform with the 2011 presentation.

Subsequent events

Management has evaluated, for potential recognition or disclosure in the financial statements, subsequent events that have occurred through April 10, 2012, which is the date that the financial statements were available to be issued.

Santiam Memorial Hospital

Notes to Financial Statements

Years Ended December 31, 2011 and 2010

2. Investments and Assets Limited as to Use

Investments consisted of the following as of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Mutual and exchange-traded funds	\$ 466,269	\$ 513,695
Certificate of deposit	103,141	102,960
Equity securities	<u>35,070</u>	<u>36,790</u>
	604,480	653,445
Less short-term investments	<u>(103,141)</u>	<u>(102,960)</u>
Long-term investments	<u>\$ 501,339</u>	<u>\$ 550,485</u>

Assets limited as to use consisted of the following as of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Internally designated for capital acquisitions		
Money market accounts	\$ 75,845	\$ 75,695
Certificates of deposit	<u>969,442</u>	<u>963,301</u>
	1,045,287	1,038,996
Restricted under the Mortgage Note (see Note 4)		
Cash held in escrow account for certain off-site improvements	<u>429,037</u>	<u>429,037</u>
Total assets limited as to use	<u>\$ 1,474,324</u>	<u>\$ 1,468,033</u>

Investment income consisted of the following for the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 17,443	\$ 17,943
Realized gains on sales of investments - net	7,821	48,690
Net unrealized losses on trading securities	<u>(27,786)</u>	<u>(857)</u>
Investment income (loss) - net	<u>\$ (2,522)</u>	<u>\$ 65,776</u>

Santiam Memorial Hospital

Notes to Financial Statements

Years Ended December 31, 2011 and 2010

3. Property and Equipment

Property and equipment consisted of the following as of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Land	\$ 1,091,087	\$ 1,091,087
Land improvements	616,390	616,390
Buildings and improvements	9,726,025	9,621,789
Equipment	<u>9,787,199</u>	<u>8,567,118</u>
	21,220,701	19,896,384
Less accumulated depreciation	<u>(11,798,743)</u>	<u>(10,465,832)</u>
	9,421,958	9,430,552
Construction in progress	<u>16,623,698</u>	<u>2,150,240</u>
Property and equipment - net	<u>\$ 26,045,656</u>	<u>\$ 11,580,792</u>

Construction in progress as of December 31, 2011 primarily includes costs incurred in connection with a building expansion and renovation construction project (the Building Project) that is mostly being financed with proceeds from the Mortgage Note (see Note 4) and is anticipated to be completed in the summer of 2012. The Hospital has entered into a guaranteed maximum price contract with a general contractor to complete the Building Project for approximately \$20 million. As of December 31, 2011, Management estimates that the remaining cost to complete the Building Project, including equipment and furnishings, will be approximately \$10 million.

Retainage and construction accounts payable are classified as non-current liabilities in the accompanying balance sheets, because such amounts will be paid from proceeds of the Mortgage Note.

4. Mortgage Note Payable

In December 2010, the Hospital entered into a building loan agreement and the Mortgage Note, whereby the lender (Dougherty Mortgage LLC) agreed to loan the Hospital up to \$27,100,000 in connection with the Building Project. As of December 31, 2011, the Hospital had \$10,454,825 in outstanding borrowings under the Mortgage Note. The Mortgage Note is insured by the U.S. Department of Housing and Urban Development (HUD) and is secured by substantially all assets of the Hospital. Interest is payable at a fixed rate of 5.65%. In October 2012, the Hospital is required to begin principal and interest payments of approximately \$169,000 per month through September 2037 (if the Hospital borrows the full amount available under the Mortgage Note).

In addition, also commencing in October 2012, the Hospital is required to make a deposit each quarter into a mortgage reserve fund so that such fund reaches certain scheduled year-end balances (including interest earned by the fund) growing from approximately \$93,000 as of December 31, 2012 to a maximum of approximately \$4,547,000 as of December 31, 2026. As of December 31, 2011, no deposits had been made to the mortgage reserve fund. The mortgage reserve fund schedule (based on estimated interest earnings) anticipates that no quarterly deposits will be required from 2022 through 2026. Beginning in 2027, the mortgage reserve fund can be reduced (i.e., the Hospital can begin withdrawing amounts from the fund) in accordance with the mortgage reserve fund schedule such that no balance will remain as of December 31, 2036.

Santiam Memorial Hospital

Notes to Financial Statements

Years Ended December 31, 2011 and 2010

4. Mortgage Note Payable (Continued)

The Mortgage Note may be prepaid in whole or in part, beginning October 1, 2014, with a prepayment penalty of 8%, decreasing 1% per year thereafter, and without any penalty after September 30, 2022. The Mortgage Note and related agreements with Dougherty Mortgage LLC and HUD include requirements to meet certain financial and operating covenants. A regulatory agreement between the Hospital and HUD relating to the Mortgage Note requires the Hospital to annually report certain financial ratios. As of and for the year ended December 31, 2011, Management has calculated these ratios (each as defined in the regulatory agreement) to be as follows: (1) debt service coverage ratio of approximately 115.7, (2) current ratio of approximately 5.3, (3) average payment period of approximately 39.0 days, and (4) equity financing ratio of approximately 57.4%.

If the Hospital borrows the entire amount available under the Mortgage Note, required principal payments on the Mortgage Note for the five years subsequent to December 31, 2011, and thereafter, are approximately as follows:

2012	\$ 120,000
2013	494,000
2014	523,000
2015	553,000
2016	582,000
Thereafter	<u>24,828,000</u>
Total	<u>\$ 27,100,000</u>

Interest costs incurred and capitalized during the year ended December 31, 2011 was approximately \$297,000. Interest paid during the year ended December 31, 2011 was approximately \$246,000. Interest cost incurred and paid during the year ended December 31, 2010 was not significant.

5. Net Patient Service Revenue

Net patient service revenue for the years ended December 31, 2011 and 2010 was comprised of the following:

	<u>2011</u>	<u>2010</u>
Charges at established rates	<u>\$ 58,264,469</u>	<u>\$ 48,836,074</u>
Deductions		
Medicare, OHP, and Medicaid contractual allowances	(17,365,413)	(14,058,795)
Charity allowances	(1,283,615)	(1,061,623)
Other allowances	<u>(5,881,166)</u>	<u>(4,177,380)</u>
Total deductions	<u>(24,530,194)</u>	<u>(19,297,798)</u>
Net patient service revenue	<u>\$ 33,734,275</u>	<u>\$ 29,538,276</u>

Santiam Memorial Hospital

Notes to Financial Statements

Years Ended December 31, 2011 and 2010

5. Net Patient Service Revenue (Continued)

Management estimates that the net cost of charity care provided was approximately \$640,000 and \$603,000 for the years ended December 31, 2011 and 2010, respectively. These estimates were based on the Hospital's overall ratio of cost to charges in each year. The largest proportion of services provided on a charity care basis was for emergency room and surgical services.

6. Retirement Plan

The Hospital maintains a tax-deferred retirement savings plan (the 401(k) Plan) which is available to all employees who are regularly scheduled to work at least twenty hours per week and are age nineteen or older. Employees can defer a portion of their earnings on a pre-tax basis through contributions to the 401(k) Plan. Participants who have completed one year of service are also eligible to receive Hospital contributions. Each eligible participant receives a "safe harbor" contribution from the Hospital equal to 3% of the participant's compensation. In addition, the Hospital may make additional contributions to the 401(k) Plan, at its discretion. For the years ended December 31, 2011 and 2010, the Hospital did not make any additional discretionary contributions to the 401(k) Plan. Employees are immediately vested in their own contributions and the Hospital's "safe harbor" contributions. Employees are vested in the Hospital's discretionary contributions based on a cliff vesting schedule after three years of service.

Total expense incurred by the Hospital related to the 401(k) Plan during the years ended December 31, 2011 and 2010 was approximately \$324,000 and \$268,000, respectively.

7. Functional Classification of Expenses

Expenses on a functional basis for the years ended December 31, 2011 and 2010 were approximately as follows:

	2011	2010
Health care services	\$ 28,410,000	\$ 26,093,000
General and administrative	2,719,000	2,317,000
	<u>\$ 31,129,000</u>	<u>\$ 28,410,000</u>

8. Commitments and Contingencies

Medical malpractice insurance

The Hospital has a claims-made basis medical malpractice insurance policy. Under this policy, medical malpractice claims reported by the Hospital to the insurance company during the policy period are covered, however, any medical malpractice claim that has been incurred but not reported (IBNR) to the insurance company during the policy period is not covered.

Based on an actuarial valuation (with estimated future medical malpractice losses discounted at 2.0%), the Hospital has recorded estimated liabilities for IBNR medical malpractice claims, which, along with reported claims, aggregated \$557,000 and \$120,000 as of December 31, 2011 and 2010, respectively, and is included in other non-current liabilities in the accompanying balance sheets. Management believes that these estimated liabilities are adequate, however, the establishment of estimated liabilities for reported and IBNR medical malpractice claims is an inherently uncertain process, and there can be no assurance that currently established reserves will prove adequate to cover actual ultimate expenses. Subsequent actual experience could result in reserves being too high or too low, which could positively or negatively impact the Hospital's reported results of operations in future periods.

Santiam Memorial Hospital

Notes to Financial Statements

Years Ended December 31, 2011 and 2010

8. Commitments and Contingencies (Continued)

Medical malpractice insurance (continued)

Prior to the Hospital's current medical malpractice policy, the Hospital had an occurrence basis policy (the Prior Policy) with a different insurance carrier (the Carrier). Under the Prior Policy, a portion of the premiums paid to the Carrier could be refunded to the Hospital after a period of six years based on the ultimate loss experience under each policy. The Hospital received an approximate \$105,000 refund in early 2012 related to the policy year ended December 31, 2005, and the Hospital received refunds aggregating approximately \$227,000 in January 2011 primarily related to the policy year ended December 31, 2004. Accordingly, the Hospital recorded receivables of approximately \$105,000 and \$319,000 as of December 31, 2011 and 2010, respectively, (included in other assets - net, in the accompanying balance sheets) and recorded other revenue of approximately \$13,000 and \$92,000 related to such refunds for the years ended December 31, 2011 and 2010, respectively.

Self-insured health and dental claims

The Hospital is self-insured for health and dental benefits provided to its employees for individual claims up to \$60,000. Such benefits are provided through the Santiam Memorial Hospital Health Plan (the Health Plan) (a revocable trust fund), which is administered by a third-party administrator. The provision and accrual for estimated claims include estimates of the ultimate costs for both reported claims and IBNR claims and are based upon the estimated costs of settlement. The Hospital has recorded estimated liabilities for reported and IBNR employee health and dental claims aggregating approximately \$206,000 and \$233,000, which are included in other accrued liabilities in the accompanying balance sheets as of December 31, 2011 and 2010, respectively. Management believes that these estimated liabilities are adequate to cover any related potential losses, however, the establishment of estimated liabilities for IBNR health and dental claims is an inherently uncertain process, and there can be no assurance that currently established reserves will prove adequate to cover actual ultimate expenses. Subsequent actual experience could result in reserves being too high or too low, which could positively or negatively impact the Hospital's reported results of operations in future periods. The Hospital's financial statements do not include the accounts of the Health Plan, as such accounts are not significant to the Hospital's financial statements.

Risk management

In the ordinary course of business, the Hospital is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, and natural disasters. However, Management believes that adequate commercial insurance coverage has been purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage for the years ended December 31, 2011 and 2010.

Regulation and litigation

The health care industry is subject to various laws and regulations from federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has remained strong with respect to investigations and allegations concerning possible violations by health care providers of regulations which could result in the expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments of patient services previously billed and collected. Management believes that the Hospital is in compliance with the fraud and abuse regulations, as well as other applicable government laws and regulations, however, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Santiam Memorial Hospital

Notes to Financial Statements

Years Ended December 31, 2011 and 2010

8. Commitments and Contingencies (Continued)

Regulation and litigation (continued)

In addition, the Hospital becomes involved in litigation and other regulatory investigations arising in the ordinary course of business. After consultation with legal counsel, Management believes that these matters will be resolved without causing a material adverse effect on the Hospital's future financial position or results of operations.

Health care reform legislation

Health care reform legislation was passed in 2010, and – although its constitutionality is currently being considered by the U S Supreme Court – it is expected to dramatically impact the delivery of, and payment for, health care services as various provisions are phased in over approximately the next decade. This legislation had minimal impact on the accompanying financial statements, however, Management cannot presently determine the impact of such legislation on the Hospital's future financial position or results of operations.

9. Fair Value Measurements

GAAP defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The hierarchy of fair value valuation techniques under GAAP provides for three levels ranging from Level 1 – which provides the most reliable measure of fair value – to Level 3 which, if applicable, generally would require significant management judgment. The three levels for categorizing assets and liabilities under GAAP's fair value measurement requirements are as follows:

Level 1	Fair value of the asset or liability is determined using observable inputs such as quoted unadjusted prices in active markets for identical assets or liabilities,
Level 2	Fair value of the asset or liability is determined using inputs other than quoted prices that are observable for the applicable asset or liability, either directly or indirectly, such as quoted prices for similar (as opposed to identical) assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active, and
Level 3	Fair value of the asset or liability is determined using unobservable inputs that are significant to the fair value measurement and reflect the organization's own assumptions regarding the applicable asset or liability

As of December 31, 2011 and 2010, the Hospital's financial assets measured at fair value on a recurring basis were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2011				
Investments	\$ 604,480	\$ -	\$ -	\$ 604,480
Assets limited as to use	1,474,324	-	-	1,474,324
	<u>\$ 2,078,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,078,804</u>

Santiam Memorial Hospital

Notes to Financial Statements

Years Ended December 31, 2011 and 2010

9. Fair Value Measurements (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2010</u>				
Investments	\$ 653,445	\$ -	\$ -	\$ 653,445
Assets limited as to use	<u>1,468,033</u>	<u>-</u>	<u>-</u>	<u>1,468,033</u>
	<u>\$ 2,121,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,121,478</u>

Certain non-financial assets may also be measured at fair value on a non-recurring basis. These assets primarily consist of non-financial long-lived assets which are measured at fair value for periodic impairment assessments. As of December 31, 2011 and 2010, the Hospital had no financial liabilities – and no nonfinancial assets or liabilities – measured at fair value on a recurring basis and had no assets or liabilities measured at fair value on a nonrecurring basis. In addition, there were no transfers of assets or liabilities between Levels 1, 2, and 3 during 2011 or 2010.