



See a Social Security Number? Say Something!  
Report Privacy Problems to <https://public.resource.org/privacy>  
Or call the IRS Identity Theft Hotline at 1-800-908-4490



Form 990

## Return of Organization Exempt From Income Tax

2011

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

Open to Public Inspection

## A For the 2011 calendar year, or tax year beginning 05-01-2011 and ending 04-30-2012

B Check if applicable

C Name of organization  
HARRISON MEDICAL CENTERD Employer identification number  
91-0565546

Address change

E Telephone number  
(360) 744-6507F Name and address of principal officer  
SCOTT BOSCH  
2520 CHERRY AVENUE  
BREMERTON, WA 983104270

G Gross receipts \$ 441,174,828

Initial return

H Name and address of principal officer  
SCOTT BOSCH  
2520 CHERRY AVENUE  
BREMERTON, WA 983104270

Terminated

I Amended return

J Application pending

I Tax-exempt status  501(c)(3)  501(c) ( ) (insert no)  4947(a)(1) or  527H(a) Is this a group return for affiliates?  
 Yes  NoH(b) Are all affiliates included?  
 Yes  No  
If "No," attach a list (see instructions)

H(c) Group exemption number ►

J Website: ► WWW.HARRISONMEDICAL.ORG

K Form of organization  Corporation  Trust  Association  Other ►

L Year of formation 1918

M State of legal domicile  
WA

## Part I Summary

1 Briefly describe the organization's mission or most significant activities

HARRISON MAKES A POSITIVE DIFFERENCE IN PEOPLE'S LIVES THROUGH EXCEPTIONAL HEALTH CARE. THE RESIDENTS OF KITSAP PENINSULA AND ADJACENT AREAS HAVE ACCESS TO ACUTE MEDICAL AND SURGICAL SERVICES INCLUDING EMERGENCY, ONCOLOGY AND CARDIO VASCULAR SERVICES. ADDITIONALLY, HARRISON PROVIDES OUTPATIENT SERVICES, IN-HOME HEALTH AND PEDIATRIC REHABILITATION AND OPERATES URGENT CARE AND PRIMARY CARE FACILITIES IN BOTH PORT ORCHARD AND BELFAIR AND PRIMARY CARE FACILITIES IN POULSBO AND FORKS

2 Check this box ► 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 16

4 Number of independent voting members of the governing body (Part VI, line 1b) . . . . .

4 13

5 Total number of individuals employed in calendar year 2011 (Part V, line 2a) . . . . .

5 2,674

6 Total number of volunteers (estimate if necessary) . . . . .

6 416

7a Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .

7a 2,024,375

b Net unrelated business taxable income from Form 990-T, line 34 . . . . .

7b 833,282

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h) . . . . .	702,234	724,684
9 Program service revenue (Part VIII, line 2g) . . . . .	357,353,527	362,821,898
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d) . . . . .	5,207,988	27,767
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) . . . . .	53,957	40,271
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	363,317,706	363,614,620

	Prior Year	Current Year
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3) . . . . .	411,190	435,761
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) . . . . .	174,432,503	175,206,176
16a Professional fundraising fees (Part IX, column (A), line 11e) . . . . .	0	0
b Total fundraising expenses (Part IX, column (D), line 25) ►0		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) . . . . .	173,384,550	179,990,843
18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25) . . . . .	348,228,243	355,632,780
19 Revenue less expenses Subtract line 18 from line 12 . . . . .	15,089,463	7,981,840

	Beginning of Current Year	End of Year
20 Total assets (Part X, line 16) . . . . .	384,615,110	389,256,468
21 Total liabilities (Part X, line 26) . . . . .	149,911,242	177,187,442
22 Net assets or fund balances Subtract line 21 from line 20 . . . . .	234,703,868	212,069,026

## 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 FORREST G EHLINGER VICE PRESIDENT & CFO Type or print name and title	2013-03-07 Date
-----------	--	--------------------

Paid Preparer's Use Only	Preparer's signature ► SARA ELIZABETH J HYRE Firm's name (or yours if self-employed), address, and ZIP + 4 CLARK NUBER PS 10900 NE 4TH STREET SUITE 1700 BELLEVUE, WA 98004	Date 2013-03-06 Check if self-employed ► <input type="checkbox"/> Preparer's taxpayer identification number (see instructions) P00235495	EIN ► 91-1194016 Phone no ► (425) 454-4919
--------------------------	--	---	---

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

**Part III Statement of Program Service Accomplishments**Check if Schedule O contains a response to any question in this Part III **1 Briefly describe the organization's mission**

HARRISON MEDICAL CENTER PROVIDES ACUTE MEDICAL AND SURGICAL SERVICES, EMERGENCY SERVICES AND A RANGE OF GENERAL AND SPECIALIZED SERVICES TO RESIDENTS OF THE KITSAP PENINSULA AND ADJACENT AREAS

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

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

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

If "Yes," describe these changes on Schedule O

**4 Describe the 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 \$ 281,217,980 including grants of \$ 435,761 ) (Revenue \$ 362,821,898 )**

DURING THE FISCAL YEAR ENDED APRIL 30, 2012, THE MEDICAL CENTER EXPERIENCED 14,133 HOSPITAL INPATIENT ADMISSIONS REPRESENTING 57,077 DAYS OF CARE TO ADULTS AND PEDIATRIC PATIENTS SERVICES PROVIDED INCLUDED 69,987 EMERGENCY ROOM VISITS, 11,732 SURGERY PATIENTS INCLUDING 205 OPEN HEART CASES, 1,946 BIRTHS INCLUDING 3,639 DAYS OF CARE, 22,093 HOME HEALTH VISITS, 35,108 URGENT CARE VISITS, AND 24,559 PRIMARY CARE VISITS. HARRISON PROVIDES NEEDED MEDICAL CARE TO INDIGENT PATIENTS REGARDLESS OF THEIR ABILITY TO PAY. THE MEDICAL CENTER HAS ESTABLISHED CRITERIA FOR DETERMINING WHETHER A PATIENT IS ELIGIBLE FOR CHARITY CARE. THE AMOUNT OF PATIENT REVENUES FOREGONE FOR CHARITY CARE PROVIDED BY HARRISON FOR THE FISCAL YEAR ENDED APRIL 30, 2012 AMOUNTED TO \$21,158,530. ALL FINANCIAL SURPLUSES FROM OPERATIONS ARE USED TO FURTHER THE CHARITABLE PURPOSES OF THE MEDICAL CENTER. THESE SURPLUSES ARE USED TO HELP FUND NEW HEALTH SERVICE PROGRAMS IN THE FUTURE AND FUND NEW AND REPLACEMENT EQUIPMENT AND FACILITIES. COMMUNITY HEALTH EDUCATION HARRISON MEDICAL CENTER HAS A LONG-STANDING COMMITMENT TO PROMOTE COMMUNITY EDUCATION IN THE HEALTH CARE AREA. THE COMMITMENT IS DEMONSTRATED THROUGH AN ACTIVE PROGRAM OF CLASSES DIRECTED AT THE COMMUNITY-AT-LARGE AND SPECIALIZED CLASSES DIRECTED AT PERSONS WITH SPECIAL NEEDS. THESE COMMUNITY EDUCATIONAL SERVICES ARE PROVIDED BY STAFF OR TRAINED PROFESSIONALS WHO ARE EMPLOYEES OF THE MEDICAL CENTER. HARRISON MEDICAL CENTER VALUES THE RELATIONSHIPS WE MAINTAIN WITH THE COMMUNITY AND COMMUNITY ORGANIZATIONS. THERE ARE NUMEROUS COMMUNITY BASED SUPPORT GROUPS, WHICH MEET AT HARRISON ON A REGULAR BASIS USING THE MEDICAL CENTER'S MEETING ROOMS AT NO CHARGE. THE FACILITATORS OF THESE GROUPS ARE OFTEN STAFF AND TRAINED PROFESSIONALS OF THE MEDICAL CENTER. HEALTH-RELATED VOLUNTEER SERVICE OF HARRISON MEDICAL CENTER EMPLOYEES MANY OF HARRISON'S EMPLOYEES SERVE AS COMMUNITY SOCIAL SERVICE ORGANIZATION BOARD MEMBERS AS WELL AS DONATING THEIR TIME TO INDIVIDUAL HEALTH AGENCY PROJECTS. EMPLOYEES OF HARRISON REGULARLY CONTRIBUTE THEIR OWN TIME TO SUPPORT VARIOUS COMMUNITY FUNDRAISING EVENTS SUCH AS MARCH OF DIMES WALK-A-THON, MS WALK-A-THON, ALZHEIMER'S MEMORY WALK, AMERICAN CANCER SOCIETY RELAY FOR LIFE, CYSTIC FIBROSIS GREAT STRIDES WALK, KITSAP COUNTY AIDS WALK AND UNITED WAY DAY OF CARING. THE MEDICAL CENTER ALSO CONTRIBUTES TO THESE CAUSES BY PROVIDING EVENT MEALS FOR THE VOLUNTEERS, AND PAID TIME FOR EMPLOYEES DURING REGULAR WORKING HOURS TO ORGANIZE THE EVENTS. HEALTH-RELATED SERVICE OF HARRISON MEDICAL CENTER VOLUNTEERS HARRISON'S VOLUNTEERS ARE INVOLVED IN A PROGRAM THAT PROVIDES PATIENTS AND THEIR FAMILIES WITH COMPLEMENTARY THERAPIES DURING THEIR STAY AT THE MEDICAL CENTER. THESE THERAPIES INCLUDE HAND MASSAGE, THERAPEUTIC MUSIC, SUCH AS HARP, ACOUSTIC GUITAR, FLUTE AND PIANO, THERAPEUTIC ART, BOOK AND BEVERAGE CART SERVICE AND SERVICE PET ROUNDING TRAINING AND EDUCATION FOR HEALTHCARE PROFESSIONALS. HARRISON MEDICAL CENTER CONTINUES TO SERVE AS A CLINICAL SITE FOR STUDENTS IN NURSING, PHYSICAL THERAPY, MEDICAL RECORDS, RADIOLOGY, PHARMACY, SOCIAL WORK, AND DIETARY PROGRAMS AND A NON-CLINICAL SITE FOR STUDENTS IN MATERIALS MANAGEMENT. STUDENTS ARE ON-SITE AND UNDER HARRISON'S DIRECTION FOR SERVICE FOR SEVERAL THOUSAND HOURS EACH YEAR. COMMUNITY HEALTHCARE INFORMATION HARRISON MEDICAL CENTER HAS DEVELOPED AN INTERNET WEB SITE AND PROVIDES THE COMMUNITY WITH AREAS TO LOOK UP HOSPITAL PROGRAMS AND SERVICES, COMMUNITY AND HEALTHCARE NEWS. IT ALSO CONTAINS A PHYSICIAN DATABASE THAT IS USEFUL TO INDIVIDUALS WHO ARE CHOOSING A PHYSICIAN. THE MEDICAL AND HEALTHCARE CONSUMER LIBRARIES MAINTAINED BY HARRISON MEDICAL CENTER ARE RESOURCES FOR HEALTH PROFESSIONALS AND THE PUBLIC. IN OUR COMMUNITY OUR MEDICAL LIBRARY WORKS IN COOPERATION WITH THE REGIONAL PUBLIC LIBRARY, NAVY HOSPITAL AND COMMUNITY COLLEGE LIBRARY TO PROVIDE HEALTHCARE INFORMATION FOR AREA RESIDENTS

**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 \$ 281,217,980**

**Part IV Checklist of Required Schedules**

1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A.

2 Is the organization required to complete Schedule B, *Schedule of Contributors* (see instructions)?

3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I.

4 **Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II.

5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III.

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? If "Yes," complete Schedule D, Part I.

7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II.

8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III.

9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV.

10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V.

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? If "Yes," complete Schedule D, Part VI.
- b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.
- c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.
- d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX.
- e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X.
- f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part XI.

12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII.

12b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.

13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E.

14a Did the organization maintain an office, employees, or agents outside of the United States?

14b 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? If "Yes," complete Schedule F, Part I.

15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U.S.? If "Yes," complete Schedule F, Part II and IV.

16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U.S.? If "Yes," complete Schedule F, Part III and IV.

17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I.

18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II.

19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III.

20a Did the organization operate one or more hospitals? If "Yes," complete Schedule H.

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.

	Yes	No
1	Yes	
2	Yes	
3		No
4	Yes	
5		No
6		No
7		No
8		No
9		No
10		No
11a	Yes	
11b		No
11c		No
11d		No
11e	Yes	
11f		No
12a	Yes	
12b		No
13		No
14a		No
14b		No
15		No
16		No
17		No
18		No
19		No
20a	Yes	
20b	Yes	

**Part IV Checklist of Required Schedules (continued)**

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

**Part V Statements Regarding Other IRS Filings and Tax Compliance**

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

		Yes	No
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a	191
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
<b>2a</b>	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	2,674
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b	Yes
<b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)			
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b	Yes
<b>4a</b>	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>b</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		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
<b>6a</b>	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>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>	7a	No
<b>a</b>	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?	7b	
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7c	No
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7d	
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year	7e	No
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7f	No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7g	
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7h	
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	8	
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	9a	
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>	9b	
<b>a</b>	Did the organization make any taxable distributions under section 4966?	10a	
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?	10b	
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter		
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12	11a	
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	11b	
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter	12a	
<b>a</b>	Gross income from members or shareholders	11a	
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b	
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	12b	
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year		
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>	13a	
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> 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	13b	
<b>b</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	13c	
<b>c</b>	Enter the aggregate amount of reserves on hand		
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
<b>b</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
<b>1a</b> Enter the number of voting members of the governing body at the end of the tax year . . . . .	<b>1a</b>	16	
<b>b</b> Enter the number of voting members included in line 1a, above, who are independent . . . . .	<b>1b</b>	13	
<b>2</b> 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? . . . . .	<b>2</b>	No	
<b>3</b> 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? . . . . .	<b>3</b>	No	
<b>4</b> Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .	<b>4</b>	No	
<b>5</b> Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .	<b>5</b>	No	
<b>6</b> Did the organization have members or stockholders? . . . . .	<b>6</b>	No	
<b>7a</b> 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? . . . . .	<b>7a</b>	No	
<b>b</b> Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .	<b>7b</b>	No	
<b>8</b> Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
<b>a</b> The governing body? . . . . .	<b>8a</b>	Yes	
<b>b</b> Each committee with authority to act on behalf of the governing body? . . . . .	<b>8b</b>	Yes	
<b>9</b> 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 . . . . .	<b>9</b>	No	

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

		Yes	No
<b>10a</b> Did the organization have local chapters, branches, or affiliates? . . . . .	<b>10a</b>	No	
<b>b</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? . . . . .	<b>10b</b>		
<b>11a</b> Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	<b>11a</b>	Yes	
<b>b</b> Describe in Schedule O the process, if any, used by the organization to review the Form 990 . . . . .			
<b>12a</b> Did the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .	<b>12a</b>	Yes	
<b>b</b> Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	<b>12b</b>	Yes	
<b>c</b> Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done . . . . .	<b>12c</b>	Yes	
<b>13</b> Did the organization have a written whistleblower policy? . . . . .	<b>13</b>	Yes	
<b>14</b> Did the organization have a written document retention and destruction policy? . . . . .	<b>14</b>	Yes	
<b>15</b> 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?			
<b>a</b> The organization's CEO, Executive Director, or top management official . . . . .	<b>15a</b>	Yes	
<b>b</b> Other officers or key employees of the organization . . . . .	<b>15b</b>	Yes	
If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)			
<b>16a</b> Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .	<b>16a</b>	Yes	
<b>b</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? . . . . .	<b>16b</b>	No	

### Section C. Disclosure

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

**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  
 Own website  Another's website  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   
 FORREST G EHLINGER  
 2520 CHERRY AVENUE  
 BREMERTON, WA 98310  
 (360) 744-6507

**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
		Or Director	Individual trustee	Institutional Trustee	Officer	Key Employee			
(1) DAVID VETERANE CHAIR	6 00	X		X			0	0	0
(2) JAMES CIVILLA VICE CHAIR	2 00	X		X			0	0	0
(3) JAMES SMALLEY SECRETARY / TREASURER	2 00	X		X			0	0	0
(4) GORDON CROMWELL CHIEF OF STAFF	2 00	X		X			24,920	0	0
(5) FRED BARRETT TRUSTEE	2 00	X					0	0	0
(6) GRIFFITH BLACKMON TRUSTEE	2 00	X					0	0	0
(7) CARL CRAMER TRUSTEE	2 00	X					0	0	0
(8) MARY GARGUILE TRUSTEE	2 00	X					0	0	0
(9) RUTH HANSTEN TRUSTEE	2 00	X					0	0	0
(10) GREGORY HENDERSON TRUSTEE	2 00	X					193	0	0
(11) LINDA STREISSGUTH TRUSTEE	2 00	X					0	0	0
(12) RON MUHLEMAN TRUSTEE	2 00	X					0	0	0
(13) KELLY NELSON TRUSTEE	2 00	X					0	0	0
(14) JOAN SORIANO TRUSTEE	2 00	X					0	0	0
(15) RICK TIFT TRUSTEE	2 00	X					0	0	0
(16) JOHN WALLEN PAST CHAIR	2 00	X					0	0	0
(17) ADAR PALIS EXEC VP & CAO	50 00			X			422,169	0	69,165

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (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	
		Or director	Individual trustee	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former		
(18) PATRICIA COCHRELL EXEC VP & COO	50.00			X				363,175	0	61,070
(19) SANDON K SAFFIER CHIEF MEDICAL OFFICER	50.00			X				306,648	0	64,799
(20) FORREST G EHLINGER VICE PRESIDENT/ CFO	50.00			X				275,043	0	44,874
(21) SCOTT BOSCH PRESIDENT & CEO	60.00			X				770,518	0	221,591
(22) MARIEL KAGAN VP & CHIEF LEGAL OFFICER	50.00				X			296,979	0	57,401
(23) MALCOLM W WINTER PHYSICIAN	40.00					X		1,110,917	0	34,256
(24) RONALD ROBERT REIMER PHYSICIAN	40.00					X		1,059,503	0	29,543
(25) DENNIS MICHAEL WILLERFORD PHYSICIAN	40.00					X		1,030,287	0	38,335
(26) JOSEPH LOWELL JOHNSON PHYSICIAN	40.00					X		795,458	0	36,343
(27) ANNE MURPHY PHYSICIAN	40.00					X		557,298	0	34,839
(28) CYNTHIA MAY CNO & DIR NURSING	40.00						X	216,715	0	31,974
(29) RICHARD SMITH INTERIM CFO	40.00						X	151,957	0	32,229
(30) THOMAS KRUSE VP & CHIEF STRATEGY OFFICER	0.00						X	139,191	0	9,016
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>								7,520,971	0	765,435

**2** Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **►191**

		Yes	No
<b>3</b> Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual	<b>3</b>	Yes	
<b>4</b> For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual	<b>4</b>	Yes	
<b>5</b> Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person	<b>5</b>		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
CLARO GROUP LLC 321 NORTH CLARK STREET CHICAGO, IL 60654	CONSULTING	3,015,511
FOCUSONE SOLUTIONS LLC PO BOX 3037 OMAHA, NE 68103	TEMPORARY STAFFING	2,112,042
ADVANCED MEDICAL IMAGING LLC PO BOX 2629 PORT ORCHARD, WA 98366	IMAGING	1,917,903
SOUND PHYSICIANS 1123 PACIFIC AVE TACOMA, WA 98402	EMERGENCY PHYSICIAN CALL COVERAGE	1,865,189
S&S SECURITY SERVICES PO BOX 459 BELFAIR, WA 98528	FACILITY SECURITY SERVICES	1,646,344
<b>2</b> Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization <b>►52</b>		

**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			
<b>Contributions, gifts, grants and other similar amounts</b>	<b>1a</b> Federated campaigns . . . . .	<b>1a</b>							
	<b>b</b> Membership dues . . . . .	<b>1b</b>							
	<b>c</b> Fundraising events . . . . .	<b>1c</b>							
	<b>d</b> Related organizations . . . . .	<b>1d</b>	539,130						
	<b>e</b> Government grants (contributions)	<b>1e</b>	156,793						
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above	<b>1f</b>	28,761						
	<b>g</b> Noncash contributions included in lines 1a-1f \$		35,256						
	<b>h</b> <b>Total.</b> Add lines 1a-1f . . . . .			724,684					
<b>Program Service Revenue</b>	Business Code								
			<b>2a</b> PATIENT REVENUE	622110	193,436,275	191,885,493	1,550,782		
			<b>b</b> MEDICARE/MEDICAID	622110	169,385,623	169,385,623			
			<b>c</b>						
			<b>d</b>						
			<b>e</b>						
			<b>f</b> All other program service revenue						
			<b>g</b> <b>Total.</b> Add lines 2a-2f . . . . .		362,821,898				
<b>Other Revenue</b>	<b>3</b> Investment income (including dividends, interest and other similar amounts) . . . . .		3,297,196		473,593	2,823,603			
	<b>4</b> Income from investment of tax-exempt bond proceeds . . . . .								
	<b>5</b> Royalties . . . . .								
	<b>6a</b> Gross rents	(i) Real	(ii) Personal						
	<b>b</b> Less rental expenses	40,271							
	<b>c</b> Rental income or (loss)	0							
	<b>d</b> Net rental income or (loss) . . . . .	40,271				40,271			
	<b>7a</b> Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other						
<b>b</b> Less cost or other basis and sales expenses	74,172,430	118,349							
<b>c</b> Gain or (loss)	77,560,208	0							
<b>d</b> Net gain or (loss) . . . . .	-3,387,778	118,349	-3,269,429		-3,269,429				
<b>8a</b> Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .									
<b>b</b> Less direct expenses . . . . .	<b>b</b>								
<b>c</b> Net income or (loss) from fundraising events . . . . .									
<b>9a</b> Gross income from gaming activities See Part IV, line 19 . . . . .									
<b>b</b> Less direct expenses . . . . .	<b>b</b>								
<b>c</b> Net income or (loss) from gaming activities . . . . .									
<b>10a</b> Gross sales of inventory, less returns and allowances . . . . .									
<b>b</b> Less cost of goods sold . . . . .	<b>b</b>								
<b>c</b> Net income or (loss) from sales of inventory . . . . .									
<b>Miscellaneous Revenue</b>	Business Code								
<b>11a</b>									
<b>b</b>									
<b>c</b>									
<b>d</b> All other revenue . . . . .									
<b>e</b> <b>Total.</b> Add lines 11a-11d . . . . .									
<b>12</b> <b>Total revenue.</b> See Instructions . . . . .		363,614,620	361,271,116	2,024,375	-405,555				

**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 

<b>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</b>	<b>(A) Total expenses</b>	<b>(B) Program service expenses</b>	<b>(C) Management and general expenses</b>	<b>(D) Fundraising expenses</b>
1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21	435,761	435,761		
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 . . . . .	2,978,545		2,978,545	
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	135,130,961	113,924,697	21,206,264	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	5,487,974	4,872,979	614,995	
9 Other employee benefits . . . . .	19,267,637	16,001,366	3,266,271	
10 Payroll taxes . . . . .	12,341,059	10,209,425	2,131,634	
11 Fees for services (non-employees)				
a Management . . . . .				
b Legal . . . . .	605,986		605,986	
c Accounting . . . . .	88,390		88,390	
d Lobbying . . . . .	41,440		41,440	
e Professional fundraising See Part IV, line 17 . . . . .				
f Investment management fees . . . . .	28,034	28,034		
g Other . . . . .	29,830,549	18,698,298	11,132,251	
12 Advertising and promotion . . . . .	1,106,349	113,355	992,994	
13 Office expenses . . . . .	5,213,060	3,284,123	1,928,937	
14 Information technology . . . . .	5,240,783	796,445	4,444,338	
15 Royalties . . . . .				
16 Occupancy . . . . .	6,250,575	4,899,638	1,350,937	
17 Travel . . . . .				
18 Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19 Conferences, conventions, and meetings . . . . .	512,792	132,756	380,036	
20 Interest . . . . .	4,391,414	4,391,414		
21 Payments to affiliates . . . . .				
22 Depreciation, depletion, and amortization . . . . .	19,450,267	10,438,289	9,011,978	
23 Insurance . . . . .	160,657	160,657		
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 MEDICAL SUPPLIES/EQUIP	67,878,038	67,871,066	6,972	
b BAD DEBT EXPENSE	18,515,369	18,515,369		
c BUSINESS TAXES	11,563,259		11,563,259	
d UNRELATED BUS INC TAXES	145,000		145,000	
e				
f All other expenses	8,968,881	6,444,308	2,524,573	
25 Total functional expenses. Add lines 1 through 24f	355,632,780	281,217,980	74,414,800	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**

		<b>(A)</b> Beginning of year	<b>(B)</b> End of year
Assets	1 Cash—non-interest-bearing . . . . .	13,136,840	<b>1</b> 21,209,330
	2 Savings and temporary cash investments . . . . .	2,481,715	<b>2</b> 2,855,627
	3 Pledges and grants receivable, net . . . . .	3	
	4 Accounts receivable, net . . . . .	45,710,965	<b>4</b> 50,825,110
	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 . . . . .	3,002,844	<b>7</b> 3,002,844
	8 Inventories for sale or use . . . . .	3,748,120	<b>8</b> 3,524,278
	9 Prepaid expenses and deferred charges . . . . .	2,974,007	<b>9</b> 3,530,061
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D . . . . .	292,678,719	
	10b Less accumulated depreciation . . . . .	<b>10a</b> 164,491,821	126,956,734 <b>10c</b> 128,186,898
	11 Investments—publicly traded securities . . . . .	137,030,834	<b>11</b> 146,749,690
	12 Investments—other securities See Part IV, line 11 . . . . .	30,434,079	<b>12</b> 10,025,778
	13 Investments—program-related See Part IV, line 11 . . . . .	13	
	14 Intangible assets . . . . .	14	
	15 Other assets See Part IV, line 11 . . . . .	19,138,972	<b>15</b> 19,346,852
	16 <b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	384,615,110	<b>16</b> 389,256,468
Liabilities	17 Accounts payable and accrued expenses . . . . .	35,419,215	<b>17</b> 46,097,078
	18 Grants payable . . . . .	18	
	19 Deferred revenue . . . . .	19	
	20 Tax-exempt bond liabilities . . . . .	87,438,659	<b>20</b> 84,444,927
	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	
	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	46,645,437
	26 <b>Total liabilities.</b> Add lines 17 through 25 . . . . .	149,911,242	<b>26</b> 177,187,442
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>		
	27 Unrestricted net assets . . . . .	220,123,360	<b>27</b> 197,362,806
	28 Temporarily restricted net assets . . . . .	12,652,762	<b>28</b> 12,720,122
	29 Permanently restricted net assets . . . . .	1,927,746	<b>29</b> 1,986,098
	<b>Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.</b>		
	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 . . . . .	234,703,868	<b>33</b> 212,069,026
	34 Total liabilities and net assets/fund balances . . . . .	384,615,110	<b>34</b> 389,256,468

**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	363,614,620
2	Total expenses (must equal Part IX, column (A), line 25)	2	355,632,780
3	Revenue less expenses Subtract line 2 from line 1	3	7,981,840
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	234,703,868
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-30,616,682
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	212,069,026

**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?		<b>2a</b>
2b Were the organization's financial statements audited by an independent accountant?	<b>2b</b> Yes	No
2c 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		<b>2c</b> Yes
2d 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?		<b>3a</b>
3b 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		<b>3b</b> No

2011

Open to Public  
Inspection**SCHEDULE A**  
(Form 990 or 990EZ)**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.

Department of the Treasury  
Internal Revenue Service  
Name of the organization  
HARRISON MEDICAL CENTER

Employer identification number

91-0565546

**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 See **section 509(a)(4)**.

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

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	
<b>Total</b>									

**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 <b>Total.</b> 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 <b>Public Support.</b> 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 <b>Total support</b> (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	
13 <b>First Five Years</b> 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 <b>stop here</b>						►

**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 <b>33 1/3% support test—2011.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization	►
b <b>33 1/3% support test—2010.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization	►
17a <b>10%-facts-and-circumstances test—2011.</b> 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 <b>stop here</b> . Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization	►
b <b>10%-facts-and-circumstances test—2010.</b> 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 <b>stop here</b> . Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization	►
18 <b>Private Foundation</b> If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions	►

**Part III Support Schedule for Organizations Described in 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 <b>Total.</b> 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 <b>Public Support</b> (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 <b>Total support</b> (Add lines 9, 10c, 11 and 12 )						
14 <b>First Five Years</b> 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 <b>stop here</b>						

**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 <b>33 1/3% support tests—2011.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization	
b <b>33 1/3% support tests—2010.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization	
20 <b>Private Foundation</b> 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 C**

## Political Campaign and Lobbying Activities

**For Organizations Exempt From Income Tax Under section 501(c) and section 527**

► Complete if the organization is described below.  
► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

2011

## Open to Public Inspection

If the organization answered "Yes," to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-E
- Section 527 organizations Complete Part I-A only

If the organization answered "Yes," to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes," to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, line 35c (Proxy Tax), then

• Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization  
**HARRISON MEDICAL CENTER**

Employer identification number

91-0565546

**Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization**

**1** Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV

**2** Political expenditures  \$ \_\_\_\_\_

**3** Volunteer hours

**Part I-B Complete if the organization is exempt under section 501(c)(3)**

**1** Enter the amount of any excise tax incurred by the organization under section 4955 ► \$ \_\_\_\_\_

**2** Enter the amount of any excise tax incurred by organization managers under section 4955 ► \$ \_\_\_\_\_

**3** If the organization incurred a section 4955 tax, did it file Form 4720 for this year?  Yes  No

**4a** Was a correction made?  Yes  No

**b** If "Yes," describe in Part IV

**Part I-C Complete if the organization is exempt under section 501(c) except section 501(c)(3).**

**1** Enter the amount directly expended by the filing organization for section 527 exempt function activities ► \$ \_\_\_\_\_

**2** Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ► \$ \_\_\_\_\_

**3** Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ► \$ \_\_\_\_\_

**4** Did the filing organization file **Form 1120-POL** for this year?  Yes  No

**5** Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

**Part II-A Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).**

**A** Check  if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

**B** Check  if the filing organization checked box A and "limited control" provisions apply

<b>Limits on Lobbying Expenditures</b> (The term "expenditures" means amounts paid or incurred.)		<b>(a) Filing Organization's Totals</b>	<b>(b) Affiliated Group Totals</b>
<b>1a</b> Total lobbying expenditures to influence public opinion (grass roots lobbying)			
<b>b</b> Total lobbying expenditures to influence a legislative body (direct lobbying)			
<b>c</b> Total lobbying expenditures (add lines 1a and 1b)			
<b>d</b> Other exempt purpose expenditures			
<b>e</b> Total exempt purpose expenditures (add lines 1c and 1d)			
<b>f</b> Lobbying nontaxable amount Enter the amount from the following table in both columns			
<b>If the amount on line 1e, column (a) or (b) is:</b>	<b>The lobbying nontaxable amount is:</b>		
Not over \$500,000	20% of the amount on line 1e		
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000		
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000		
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000		
Over \$17,000,000	\$1,000,000		
<b>g</b> Grassroots nontaxable amount (enter 25% of line 1f)			
<b>h</b> Subtract line 1g from line 1a If zero or less, enter -0-			
<b>i</b> Subtract line 1f from line 1c If zero or less, enter -0-			
<b>j</b> If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes	<input type="checkbox"/> No

**4-Year Averaging Period Under Section 501(h)**

**(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)**

<b>Lobbying Expenditures During 4-Year Averaging Period</b>					
<b>Calendar year (or fiscal year beginning in)</b>	<b>(a) 2008</b>	<b>(b) 2009</b>	<b>(c) 2010</b>	<b>(d) 2011</b>	<b>(e) Total</b>
<b>2a</b> Lobbying non-taxable amount					
<b>b</b> Lobbying ceiling amount (150% of line 2a, column(e))					
<b>c</b> Total lobbying expenditures					
<b>d</b> Grassroots non-taxable amount					
<b>e</b> Grassroots ceiling amount (150% of line 2d, column (e))					
<b>f</b> Grassroots lobbying expenditures					

**Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).**

	(a)		(b)
	Yes	No	
			Amount
<b>1</b> During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
<b>a</b> Volunteers?		No	
<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
<b>c</b> Media advertisements?		No	
<b>d</b> Mailings to members, legislators, or the public?		No	
<b>e</b> Publications, or published or broadcast statements?		No	
<b>f</b> Grants to other organizations for lobbying purposes?		No	
<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
<b>i</b> Other activities? If "Yes," describe in Part IV	Yes		41,440
<b>j</b> Total lines 1c through 1i			41,440
<b>2a</b> Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?			
<b>b</b> If "Yes," enter the amount of any tax incurred under section 4912			
<b>c</b> If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
<b>d</b> If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

**Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).**

	Yes	No
<b>1</b> Were substantially all (90% or more) dues received nondeductible by members?	1	
<b>2</b> Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
<b>3</b> Did the organization agree to carryover lobbying and political expenditures from the prior year?	3	

**Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".**

<b>1</b> Dues, assessments and similar amounts from members	1	
<b>2</b> Section 162(e) non-deductible lobbying and political expenditures ( <b>do not include amounts of political expenses for which the section 527(f) tax was paid</b> ).	2a	
<b>a</b> Current year	2b	
<b>b</b> Carryover from last year	2c	
<b>c</b> Total	3	
<b>3</b> Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	4	
<b>4</b> If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	5	
<b>5</b> Taxable amount of lobbying and political expenditures (see instructions)		

**Part IV Supplemental Information**

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 11. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
PART IV, SUPPLEMENTAL INFORMATION		PART II-B, LINE 1(I), LOBBYING ACTIVITIES A PORTION OF THE MEMBERSHIP DUES PAID TO WASHINGTON STATE HOSPITAL ASSOCIATION AND AMERICAN HOSPITAL ASSOCIATION WERE EXPENDED FOR LOBBYING ACTIVITIES

2011

Open to Public  
Inspection**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.

**Name of the organization**

HARRISON MEDICAL CENTER

**Employer identification number**

91-0565546

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

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

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

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

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)

Preservation of land for public use (e.g., recreation or pleasure)  Preservation of an historically importantly land area

Protection of natural habitat  Preservation of a certified historic structure

Preservation of open space

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

	Held at the End of the Year
2a	
2b	
2c	
2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ► \_\_\_\_\_

4 Number of states where property subject to conservation easement is located ► \_\_\_\_\_

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

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ► \_\_\_\_\_

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

► \$ \_\_\_\_\_

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

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

**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.**

Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

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

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

(i) Revenues included in Form 990, Part VIII, line 1 ► \$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X ► \$ \_\_\_\_\_

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

a Revenues included in Form 990, Part VIII, line 1 ► \$ \_\_\_\_\_

b Assets included in Form 990, Part X ► \$ \_\_\_\_\_

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

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

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

**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
<b>1c</b>	
<b>1d</b>	
<b>1e</b>	
<b>1f</b>	

**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.

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

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

**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.

	<b>(a) Cost or other basis (investment)</b>	<b>(b) Cost or other basis (other)</b>	<b>(c) Accumulated depreciation</b>	<b>(d) Book value</b>
<b>1a</b> Land . . . . .	8,072,226	6,832,354		14,904,580
<b>b</b> Buildings . . . . .		71,973,591	33,758,579	38,215,012
<b>c</b> Leasehold improvements . . . . .				
<b>d</b> Equipment . . . . .		191,235,062	126,290,883	64,944,179
<b>e</b> Other . . . . .		14,565,486	4,442,359	10,123,127
<b>Total.</b> Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . .				128,186,898

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

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

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

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

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

(a) Description	(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 15.)	

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

(a) Description of Liability	(b) Amount
Federal Income Taxes	
ACCRUED PENSION LIABILITY	35,419,554
RESERVE FOR PROFESSIONAL LIABILITY CLAIMS	9,202,695
DEFERRED GAIN FROM SALE OF FACILITIES	597,801
CAPITAL LEASE	1,425,387
Total. (Column (b) should equal Form 990, Part X, col (B) line 25.)	46,645,437

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

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	363,614,620
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	355,632,780
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	7,981,840
4	Net unrealized gains (losses) on investments	4	-2,099,757
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-28,516,925
9	Total adjustments (net) Add lines 4 - 8	9	-30,616,682
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-22,634,842

**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	332,453,399
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	-2,099,757
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	-29,061,464
e	Add lines 2a through 2d	2e	-31,161,221
3	Subtract line 2e from line 1	3	363,614,620
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	363,614,620

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

1	Total expenses and losses per audited financial statements	1	355,088,241
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	355,088,241
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	544,539
c	Add lines 4a and 4b	4c	544,539
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 )	5	355,632,780

**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
PART XI, LINE 8 - OTHER ADJUSTMENTS		CHANGE IN OBLIGATIONS UNDER PENSION PLAN - 28,579,019 CHANGE IN INTEREST IN HARRISON MEDICAL CENTER FOUNDATION 262,094 IMPAIRMENT OF FIXED ASSETS -200,000 TOTAL TO SCHEDULE D, PART XI, LINE 8 -28,516,925
PART XII, LINE 2D - OTHER ADJUSTMENTS		EXPENSES GROUPED WITH REVENUES ON FINANCIAL STATEMENTS -544,539 CHANGE IN OBLIGATIONS UNDER PENSION PLAN -28,579,019 CHANGE IN INTEREST IN HARRISON MEDICAL CENTER FOUNDATION 262,094 IMPAIRMENT OF FIXED ASSETS -200,000
PART XIII, LINE 4B - OTHER ADJUSTMENTS		EXPENSES GROUPED WITH REVENUES ON FINANCIAL STATEMENTS 544,539

2011

Open to Public  
InspectionSCHEDULE 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.Name of the organization  
HARRISON MEDICAL CENTER

Employer identification number

91-0565546

## Part I Charity Care and Certain Other Community Benefits at Cost

1a Did the organization have a charity care policy? If "No," skip to question 6a . . . . .

b If "Yes," is it a written policy? . . . . .

2 If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals

 Applied uniformly to all hospitals Applied uniformly to most hospitals Generally tailored to individual hospitals

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 *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care 100%  150%  200%  Other \_\_\_\_\_%b Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care Other 100.0000000000000% 200%  250%  300%  350%  400%

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 Yes

d Did the organization's policy provide free or discounted care to the "medically indigent"? . . . . .

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 No

6b If "Yes," did the organization make it available to the public? . . . . .

6b

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) . . . . .			6,462,120		6,462,120	1 920 %
b Medicaid (from Worksheet 3, column a) . . . . .			38,886,940	24,862,039	14,024,901	4 160 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .			13,975,417	11,385,289	2,590,128	0 770 %
d Total Charity Care and Means-Tested Government Programs . . . . .			59,324,477	36,247,328	23,077,149	6 850 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			448,936	18,472	430,464	0 130 %
f Health professions education (from Worksheet 5) . . . . .			136,359		136,359	0 040 %
g Subsidized health services (from Worksheet 6) . . . . .						
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			146,868		146,868	0 040 %
j Total Other Benefits . . . . .			732,163	18,472	713,691	0 210 %
k Total. Add lines 7d and 7j . . . . .			60,056,640	36,265,800	23,790,840	7 060 %

**Part II Community 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
<b>1</b> Physical improvements and housing						
<b>2</b> Economic development						
<b>3</b> Community support			55,789		55,789	0 020 %
<b>4</b> Environmental improvements						
<b>5</b> Leadership development and training for community members						
<b>6</b> Coalition building						
<b>7</b> Community health improvement advocacy			355,964	280	355,684	0 110 %
<b>8</b> Workforce development			603,372	140,754	462,618	0 140 %
<b>9</b> Other						
<b>10 Total</b>			1,015,125	141,034	874,091	0 270 %

**Part III Bad Debt, Medicare, & Collection Practices**
**Section A. Bad Debt Expense**

**1** Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15? . . . . .

**2** Enter the amount of the organization's bad debt expense . . . . .

**3** Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy . . . . .

**4** Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit

	Yes	No
<b>1</b>	Yes	
<b>2</b>	5,658,030	
<b>3</b>		
<b>4</b>		

**Section B. Medicare**

**5** Enter total revenue received from Medicare (including DSH and IME) . . . . .

**6** Enter Medicare allowable costs of care relating to payments on line 5 . . . . .

**7** Subtract line 6 from line 5. This is the surplus or (shortfall) . . . . .

**8** Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used

Cost accounting system

Cost to charge ratio

Other

**Section C. Collection Practices**

**9a** Did the organization have a written debt collection policy during the tax year? . . . . .

**b** If "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

<b>9a</b>	Yes
<b>9b</b>	Yes

**Part IV Management 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 %
<b>1</b>					
<b>2</b>					
<b>3</b>					
<b>4</b>					
<b>5</b>					
<b>6</b>					
<b>7</b>					
<b>8</b>					
<b>9</b>					
<b>10</b>					
<b>11</b>					
<b>12</b>					
<b>13</b>					

## Part V Facility Information

## **Section A. Hospital Facilities**

(list in order of size from largest to smallest)

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

Name and address

**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)

## HARRISON MEDICAL CENTER

Name of Hospital Facility: \_\_\_\_\_

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

	Yes	No
<b>Community Health Needs Assessment</b> (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 . . . . .	1	Yes
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)		
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 <u>11</u>		
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	Yes
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	No
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . .	5	Yes
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 checked="" type="checkbox"/> Available upon request from the hospital facility		
c <input checked="" type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community		
b <input checked="" type="checkbox"/> Execution of the implementation strategy		
c <input checked="" type="checkbox"/> Development of a community-wide community benefit plan for the facility		
d <input checked="" type="checkbox"/> Participation in community-wide community benefit plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" 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 checked="" 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	Yes
<b>Financial Assistance Policy</b>		
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? . . . . .	9	Yes
If "Yes," indicate the FPG family income limit for eligibility for free care <u>100 000000000000%</u>		
If "No," explain in Part VI the criteria the hospital facility used		

**Part V Facility Information (continued)**

	<b>Yes</b>	<b>No</b>
<b>10</b> Used FPG to determine eligibility for providing discounted care? . . . . .	<b>10</b> Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>100 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used		
<b>11</b> Explained the basis for calculating amounts charged to patients? . . . . .	<b>11</b> Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)		
a <input checked="" type="checkbox"/> Income level		
b <input type="checkbox"/> Asset level		
c <input type="checkbox"/> Medical indigency		
d <input type="checkbox"/> Insurance status		
e <input type="checkbox"/> Uninsured discount		
f <input type="checkbox"/> Medicaid/Medicare		
g <input type="checkbox"/> State regulation		
h <input type="checkbox"/> Other (describe in Part VI)		
<b>12</b> Explained the method for applying for financial assistance? . . . . .	<b>12</b> Yes	
<b>13</b> Included measures to publicize the policy within the community served by the hospital facility? . . . . .	<b>13</b> Yes	
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 type="checkbox"/> The policy was attached to all billing invoices		
c <input checked="" 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)		
<b>Billing and Collections</b>		
<b>14</b> 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? . . . . .	<b>14</b> Yes	
<b>15</b> 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 checked="" type="checkbox"/> Lawsuits		
c <input checked="" type="checkbox"/> Liens on residences		
d <input type="checkbox"/> Body attachments or arrests		
e <input type="checkbox"/> Other similar actions (describe in Part VI)		
<b>16</b> 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? . . . . .	<b>16</b> No	
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)		
<b>17</b> 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**

**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

- a**  The hospital facility did not provide care for any emergency medical conditions
- b**  The hospital facility's policy was not in writing
- c**  The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d**  Other (describe in Part VI)

	Yes	No
<b>18</b>	Yes	

**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**  The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b**  The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c**  The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d**  Other (describe in Part VI)

<b>20</b>		No
<b>21</b>		No

**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

**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

**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? **17**

Name and address	Type of Facility (Describe)
1	See Additional Data Table
2	
3	
4	
5	
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 I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 18515369

Identifier	ReturnReference	Explanation
		<p>PART II HARRISON MEDICAL CENTER VALUES THE RELATIONSHIPS IT MAINTAINS WITH THE COMMUNITY AND COMMUNITY ORGANIZATIONS THERE ARE NUMEROUS COMMUNITY BASED SUPPORT GROUPS, WHICH MEET AT HARRISON ON A REGULAR BASIS USING THE MEDICAL CENTER'S MEETING ROOMS AT NO CHARGE THE FACILITATORS OF THESE GROUPS ARE OFTEN TRAINED PROFESSIONALS OF THE MEDICAL CENTER THESE GROUPS INCLUDE DIABETES SUPPORT FOR CHILDREN AND PARENTS, ALZHEIMER'S SUPPORT GROUP, SMOKING CESSION SUPPORT GROUP, AMPUTEE SUPPORT, LUPUS SUPPORT, WOMEN'S CARDIAC HEALTH &amp; CANCER PROGRAM, CANCER EDUCATION SUPPORT, LOOK GOOD AND FEEL BETTER SUPPORT, SLEEP APNEA SUPPORT, BETTER BREATHERS CLUB, PARKINSON'S, STROKE SUPPORT GROUP, SURVIVOR'S OF SUICIDE SUPPORT GROUP, THERAPEUTIC YOGA SUPPORT, HEARING SUPPORT GROUP, OVARIAN/GYNECOLOGICAL CANCER SUPPORT, BARIATRIC SURGERY SUPPORT, COMPASSIONATE FRIENDS SUPPORT, STROKE SUPPORT, BREAST CANCER SUPPORT, TRAUMATIC BRAIN INJURY SUPPORT, WOMEN WITH CANCER SUPPORT, MEN'S CANCER SUPPORT GROUP, PERINATAL LOSS SUPPORT GROUP, HEART AND VASCULAR SUPPORT, KIDS CARE SUPPORT, LAP-BAND SUPPORT, ANCHOR SENIOR SUPPORT, AND ORTHOPEDIC SUPPORT HARRISON MEDICAL CENTER'S SOCIAL WORKERS PROVIDE OVER 250 HOURS PER YEAR OF ASSISTANCE TO COMMUNITY MEMBERS WITH QUESTIONS REGARDING SERVICES OUTSIDE OF HMC AND ANOTHER 300 HOURS PER YEAR OF ASSISTANCE TO HELP PATIENTS' ACCESS AVAILABLE SERVICES WITHIN HARRISON SOCIAL WORKERS FREQUENTLY ARRANGE TRANSPORTATION FOR PATIENTS AND THEIR FAMILIES WHO LACK RESOURCES, PROCURE URGENTLY REQUIRED DISCHARGE MEDICATIONS TO LOW INCOME PATIENTS, PROVIDE SOCIAL WORK SERVICES FOR UNBILLED OUTPATIENT COUNSELING FOR RADIATION ONCOLOGY AND REHAB PATIENTS, AND THE SOCIAL WORK DIRECTOR SPENDS VOLUNTEER TIME EACH MONTH WORKING WITH COMMUNITY GROUPS ON MUTUAL PROJECTS AND SERVING ON VARIOUS COMMUNITY BOARDS HARRISON MEDICAL CENTER RECRUITS PHYSICIANS TO FILL UNMET NEEDS IN THE COMMUNITY ANALYSIS OF THE NUMBER AND TYPE OF PHYSICIANS AND MID-LEVEL PROVIDERS IS USED TO EVALUATE ACCESS TO PRIMARY AND SPECIALTY CARE PROVIDERS IN THE COMMUNITY WHERE GAPS EXIST, HARRISON WORKS WITH OUR PHYSICIAN PARTNERS TO RECRUIT NEW PROVIDERS TO MEET THE GAPS IDENTIFIED BY THE ANALYSIS</p>

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 4 HARRISON MEDICAL CENTER SERVES ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY FOR SERVICES WHILE PROCESSES AND PROCEDURES ARE IN PLACE TO COLLECT PAYMENTS FROM INDIVIDUALS AND INSURERS AS APPROPRIATE, SOME PATIENTS ARE UNABLE TO PAY AND DO NOT HAVE A DEQUATE INSURANCE COVERAGE OR ACCESS TO SERVICES TO ASSIST WITH THIS PAYMENT THESE PATIENT ACCOUNTS ARE TREATED EITHER AS CHARITY CARE (FINANCIAL ASSISTANCE) IF THE PATIENT MEETS CERTAIN FINANCIAL QUALIFICATIONS OUTLINED IN THE CHARITY CARE/FINANCIAL ASSISTANCE POLICY IF THE PATIENT DOES NOT MEET THOSE FINANCIAL QUALIFICATIONS AND IS UNABLE TO PAY, THE ACCOUNT IS TREATED AS BAD DEBT FROM AN ACCOUNTING PERSPECTIVE, THESE ACCOUNTS ARE TREATED DIFFERENTLY ON THE INCOME STATEMENT AND BALANCE SHEET BAD DEBT EXPENSE IS RECORDED BASED ON A REVIEW OF OUTSTANDING ACCOUNTS RECEIVABLE BALANCES BY AGE AND FINANCIAL CLASS BASED ON HISTORICAL CLOSED CASE DATA, AN ESTIMATED WRITE OFF AMOUNT IS CALCULATED AND A RESERVE IS ESTABLISHED ON THE BALANCE SHEET FOR THIS ESTIMATE THE RESERVE IS COMPARED WITH THE PRIORITY PERIOD RESERVE AND THE NECESSARY INCREASE IS BOOKED AS AN EXPENSE FOR THE PERIOD BALANCES FOR PATIENTS WHO QUALIFY FOR FINANCIAL ASSISTANCE ARE HANDLED SEPARATELY CHARITY CARE (FINANCIAL ASSISTANCE) EXPENSE IS RECORDED AT THE TIME THE FINANCIAL ASSISTANCE APPLICATION IS PROCESSED THE AMOUNT RECORDED AS CHARITY CARE IS DETERMINED BY THE LEVEL OF FINANCIAL ASSISTANCE THAT IS APPROVED BASED ON INCOME CRITERIA ESTABLISHED IN THE POLICY HARRISON MEDICAL CENTER UTILIZES THE POVERTY GUIDELINES AS OUTLINED ON THE U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES WEBSITE AT <a href="http://WWW.ASPE.HHS.GOV/POVERTY/INDEX.SHTML">WWW.ASPE.HHS.GOV/POVERTY/INDEX.SHTML</a> THE AMOUNT APPLIED TO A PATIENT'S ACCOUNT IS IDENTIFIED AS FINANCIAL ASSISTANCE AND IS NOT PURSUED FROM THE APPLICANT/PATIENT CHARITY CARE - THE MEDICAL CENTER PROVIDES CARE TO PATIENTS WHO MEET CERTAIN CRITERIA, UNDER ITS CHARITY CARE POLICY, WITHOUT CHARGE OR AT AMOUNTS LESS THAN ITS ESTABLISHED RATES BECAUSE THE MEDICAL CENTER DOES NOT PURSUE COLLECTION OF AMOUNTS DETERMINED TO QUALIFY AS CHARITY CARE, THEY ARE NOT REPORTED AS PATIENT SERVICE REVENUE THE COSTS THE MEDICAL CENTER INCURRED TO PROVIDE CHARITY CARE WERE APPROXIMATELY \$6,771,000 AND \$5,941,000 FOR THE YEARS ENDED APRIL 30, 2012 AND 2011, RESPECTIVELY THE MEDICAL CENTER HAS ESTIMATED THESE COSTS BY MULTIPLYING ITS RATIO OF COSTS TO GROSS CHARGES TO THE GROSS UNCOMPENSATED CHARGES ASSOCIATED WITH PROVIDING CHARITY CARE THE MISSION OF HARRISON MEDICAL CENTER IS "TO MAKE A POSITIVE DIFFERENCE IN PEOPLE'S LIVES THROUGH EXCEPTIONAL HEALTH CARE" IN ORDER TO ENSURE THE FUTURE OF THIS MISSION WITHIN OUR COMMUNITY WE MUST REMAIN FINANCIALLY HEALTHY BY RECEIVING APPROPRIATE PAYMENT FOR THE SERVICES WE PROVIDE IN ADDITION, OUR FINANCIAL ASSISTANCE PRACTICES WILL ALWAYS COMPLY WITH WASHINGTON STATE LAWS AND REGULATIONS AND BE CONSISTENT WITH BEST PRACTICES OF OTHER MEDICAL CENTERS TO OBTAIN CURRENT FINANCIAL ASSISTANCE GUIDELINES THE WEBSITE USED IS <a href="http://WWW.ASPE.HHS.GOV/POVERTY/INDEX.SHTML">HTTP://WWW.ASPE.HHS.GOV/POVERTY/INDEX.SHTML</a> IT IS THE GOAL THAT EACH PATIENT WHO INDICATES FINANCIAL DIFFICULTY IN PAYING FOR HEALTHCARE SERVICES IS FULLY AND FAIRLY EVALUATED AND OFFERED APPROPRIATE FINANCIAL ASSISTANCE HARRISON IS ALSO OBLIGATED TO PURSUE OUTSTANDING BALANCES FOR THE DEDUCTIBLES OR CO-INSURANCE AMOUNTS REQUIRED BY A THIRD PARTY PAYER ON PATIENT ACCOUNTS FAIRLY AND CONSISTENTLY GOALS OF OUR FINANCIAL ASSISTANCE POLICY 1 HARRISON IS COMMITTED TO NEVER DENY NECESSARY MEDICAL CARE BASED ON THE INABILITY TO PAY 2 HARRISON WILL PROVIDE A WRITTEN NOTICE TO ALL PATIENTS INFORMING THEM ABOUT THE AVAILABILITY OF FINANCIAL ASSISTANCE 3 HARRISON WILL ACTIVELY SUPPORT PATIENTS IN THEIR EFFORTS TO OBTAIN APPROPRIATE FINANCIAL ASSISTANCE 4 UNCOMPENSATED HEALTHCARE WILL NEVER BE DENIED BASED UPON RACE, CREED, COLOR, SEX, NATIONAL ORIGIN, SEXUAL ORIENTATION, DISABILITY, AGE OR SOURCE OF INCOME 5 UNDER ALL CIRCUMSTANCES THE COLLECTION PRACTICES OF HARRISON ENTITIES WILL BE PERFORMED PROFESSIONALLY AND CONSISTENT WITH OUR MISSION AND THE FEDERAL FAIR DEBT COLLECTION PRACTICES ACT 6 HARRISON WILL COMPILY WITH OR EXCEED THE STATE OF WASHINGTON LEGISLATIVE DIRECTIVES ENACTED BY RCW 70.170.060 AND ANY UPDATES 7 HARRISON WILL ABIDE BY AND COMPLY WITH THE RULES AND MONITORING OF THE DEPARTMENT OF HEALTH 8 HARRISON WILL MAINTAIN A COLLECTION PROCEDURE WHICH DEFINES ACCOUNT PARAMETERS FOR REFERRAL TO COLLECTIONS BASED ON ALPHA PREFIX AND PLACEMENT OF LIENS 9 THE FINANCE COMMITTEE OF THE BOARD WILL RECEIVE AN ANNUAL REPORT SUMMARIZING OUR COLLECTION ACTIVITY SPECIFIC POLICY GUIDELINES 1 HARRISON WILL COMPLY WITH THE STATE DEPARTMENT OF HEALTH ACCOUNTING RULES OF UNIFORM PROCEDURES, DATA REQUIREMENTS AND CRITERIA FOR IDENTIFYING PATIENTS RECEIVING FINANCIAL ASSISTANCE 2 ASSISTANCE WILL BE PROVIDED IN ACCESSING ENTITLEMENT PROGRAMS SUCH AS STATE MEDICAL ASSISTANCE AND CRIME VICTIMS 3 THE AMOUNT OF DISCOUNT RELATED TO THE INDIGENT CARE AFTER MEDICARE</p>

Identifier	ReturnReference	Explanation
		PAYMENT WILL BE IDENTIFIED 4 PROCEDURES WILL BE IN PLACE TO INFORM THE PUBLIC ABOUT AVAI LABLE FINANCIAL ASSISTANCE 5 HARRISON WILL SUBMIT ANNUAL REPORTS REQUESTED BY THE DEPARTM ENT OF HEALTH 6 APPLICATION FOR FINANCIAL ASSISTANCE WILL BE WRITTEN WITH SUPPORTING DOCU MENTATION 7 FAILURE TO COMPLY WITH OUTREACH SERVICES PROTOCOL WILL RESULT IN THE DENIAL O F FINANCIAL ASSISTANCE

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 8 HARRISON USES THE MEDICARE COST REPORT TO ALIGN REVENUE WITH EXPENSES FOR EACH ESTABLISHED MEDICARE DEFINED COST CENTER BY USING THE STEP-DOWN METHOD OF COST ALLOCATION HOSPITAL GENERAL LEDGER DEPARTMENTS ARE GROUPED INTO MEDICARE-DEFINED COST CENTERS EXPENSES ARE OFFSET BY OTHER OPERATING REVENUES TO EXCLUDE SERVICES UNRELATED TO PATIENT CARE KEY STATISTICS ARE USED TO ALLOCATE THE COSTS TO THE MAJOR FUNCTION SERVICES ADJUSTMENTS TO CREATE A BETTER MATCHING OF REVENUES AND COSTS ARE PERFORMED AS NEEDED NON-PATIENT INCOME IS OFFSET AGAINST THE ASSOCIATED NON-PATIENT CARE EXPENSES ASSOCIATED WITH THE SERVICES IN ADDITION, PROFESSIONAL SERVICES PROVIDED BY PHYSICIANS ARE EXCLUDED ONCE THE GENERAL LEDGER HAS BEEN ADJUSTED FOR THE RECLASSIFICATIONS AND INCOME OFFSETS, THE EXPENSES ARE ALLOCATED USING THE STEP-DOWN METHOD THE STEP-DOWN METHOD ALLOCATES THE COST OF EACH COST CENTER, AS WELL AS THE COSTS STEPPED DOWN TO IT, TO THE MAJOR FUNCTIONAL SERVICES OVERHEAD, CAPITAL COSTS, DEPRECIATION, AND INTEREST ARE ALLOCATED BASED ON COST CENTER KEY STATISTICS IN THE STEP-DOWN ALLOCATION PROCESS, COSTS WILL ACCUMULATE FROM PREVIOUSLY STEPPED DOWN COST CENTERS THE ACCUMULATED COST FOR EACH COST CENTER WILL BE STEPPED DOWN USING ITS SPECIFIC STATISTIC THE NEXT GROUP OF COST CENTERS TO BE ALLOCATED IS THE ANCILLARY COST CENTERS, WHICH ARE STEPPED DOWN BASED ON GROSS CHARGES PROVIDED TO EACH FUNCTIONAL SERVICE THE FINAL RESULT PROVIDES FULLY ALLOCATED COSTS TO THE MAJOR FUNCTIONAL SERVICES, SUCH AS MEDICAL SURGICAL INPATIENTS, OBSTETRICS AND EMERGENCY DEPARTMENTS HARRISON MEDICAL CENTER CONSIDERS THE MEDICARE SHORTFALL TO BE COMMUNITY BENEFIT THE IRS REVENUE RULING 69-545, WHICH ESTABLISHED THE COMMUNITY BENEFIT STANDARD FOR NON-PROFIT HOSPITALS, STATES THAT PROVISION OF SERVICES TO PATIENTS WITH GOVERNMENT HEALTH BENEFITS, INCLUDING MEDICARE, IS AN INDICATION THAT THE HOSPITAL OPERATES TO PROMOTE THE HEALTH OF THE COMMUNITY THE PROVISION OF CARE TO THE ELDERLY AND THE MEDICARE SHORTFALLS ASSOCIATED WITH PROVIDING THAT CARE MUST BE ABSORBED BY THE HOSPITAL MEDICARE REVENUE ACCOUNTS FOR APPROXIMATELY 50% OF THE TOTAL HOSPITAL REVENUE FOR HARRISON IF THE SHORTFALL FOR THESE SERVICES ARE NOT PROVIDED BY THE HARRISON AND OTHER TAX EXEMPT HOSPITALS, OTHER COMMUNITY RESOURCES WOULD BE NEEDED TO PROVIDE CARE TO THE ELDERLY</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 9B HARRISON MEDICAL CENTER'S DEBT COLLECTION POLICY APPLIES TO BOTH PATIENTS WHO QUALIFY FOR FINANCIAL ASSISTANCE AND TO PATIENTS WHO ARE FINANCIALLY UNABLE TO PAY A MEDICAL BILL BUT DON'T QUALIFY FOR MEDICAL ASSISTANCE PROGRAMS SINCE THE PROVISION OF CARE IS NOT DEPENDENT ON ONE'S ABILITY TO PAY, HARRISON WILL PROVIDE FREE CARE TO PATIENTS THAT QUALIFY FOR FINANCIAL ASSISTANCE. THE PATIENT OR GUARANTOR MUST PROVIDE THE FOLLOWING INFORMATION IN ORDER FOR HARRISON TO DETERMINE IF THE PATIENT QUALIFIES FOR ASSISTANCE AND AT WHAT LEVEL A A COMPLETED HARRISON MEDICAL CENTER FINANCIAL ASSISTANCE APPLICATION B MOST CURRENT W-2 WITHHOLDING STATEMENTS C MOST RECENT FEDERAL AND STATE INCOME TAX FORMS D PROOF OF INCOME (PAYCHECK STUBS, UNEMPLOYMENT CHECK STUBS, LETTER FROM EMPLOYER, STATEMENT OF MONTHLY SOCIAL SECURITY BENEFITS, ETC )E IF SELF-EMPLOYED, A PROFIT AND LOSS STATEMENT MUST BE PROVIDED F DOCUMENTATION REGARDING APPROVAL OR DENIAL OF UNEMPLOYMENT BENEFITS, WORKERS COMPENSATION, OR (STATE) DEPARTMENT OF HUMAN SERVICES G CHECKING AND SAVINGS ACCOUNT STATEMENTS FOR THE PAST 3 MONTHS CONSIDERATION FOR FINANCIAL ASSISTANCE (CHARITY CARE) IS BASED ON THE FINANCIAL STATUS OF THE PATIENT AND GUARANTOR IN COMPARISON WITH THE MOST CURRENT U S DEPARTMENT OF HEALTH AND HUMAN SERVICES FEDERAL INCOME POVERTY GUIDELINES AND THAT ALL OTHER SOURCES OF PAYMENT HAVE BEEN EXHAUSTED

Identifier	ReturnReference	Explanation
HARRISON MEDICAL CENTER		PART V, SECTION B, LINE 3 HARRISON IS ONE OF THREE SPONSORS, ALONG WITH THE KITSAP COUNTY PUBLIC HEALTH DISTRICT AND THE UNITED WAY OF KITSAP COUNTY, OF THE KITSAP COUNTY HEALTH PRIORITIES (KCHP) PROJECT WHICH ASSESSES THE OVERALL HEALTH NEEDS FOR THE COMMUNITY AND IDENTIFIES THOSE AREAS IN WHICH WE CAN MAKE THE MOST SIGNIFICANT DIFFERENCE WITH LIMITED RESOURCES THIS PROJECT IS SUPPORTED BY AT LEAST 37 DIFFERENCE AGENCIES PROVIDING CARE IN THE COUNTY IN THIS PROJECT, WE SOLICITED INPUT FROM HEALTHCARE AND COMMUNITY LEADERS DIRECTLY, AND INVITED MEMBERS OF THE COMMUNITY VIA PUBLIC ANNOUNCEMENTS IN THE LOCAL NEWSPAPERS WE USED AN OUTSIDE FACILITATOR TO SUPPORT MULTIPLE INPUT SESSIONS WITH THIS GROUP OVER THE NEXT SEVERAL MONTHS THROUGH THIS PROCESS, WE ULTIMATELY IDENTIFIED OUR TOP HEALTH PRIORITIES FOR THE COUNTY PARTICIPANTS IN THIS PROCESS INCLUDED THE MAYOR OF BREMERTON, A KITSAP COUNTY COMMISSIONER, PENINSULA COMMUNITY HEALTH SERVICES, KITSAP MENTAL HEALTH, THE KITSAP COUNTY PUBLIC HEALTH DISTRICT, THE UNITED WAY, THE YMCA, THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES, KITSAP REGIONAL COORDINATING COUNCIL, HOUSING KITSAP, KITSAP COMMUNITY RESOURCES, OLYMPIC EDUCATIONAL SERVICE, THE NAVAL HOSPITAL, HARRISON MEDICAL CENTER, COMMUNITY LEADERS, AND INDIVIDUALS INTERESTED IN PUBLIC HEALTH

Identifier	ReturnReference	Explanation
HARRISON MEDICAL CENTER		PART V, SECTION B, LINE 5C THIS ASSESSMENT IS AVAILABLE TO THE PUBLIC VIA A WEBSITE THAT HAS BEEN ADVERTISED IN THE LOCAL NEWSPAPER THERE IS ALSO A LINK ON THE HARRISON WEBSITE IT HAS BEEN COMMUNICATED TO ALL STAFF AT HARRISON, THE UNITED WAY AND THEIR AGENCIES, AND THE KITSAP HEALTH DISTRICT THIS SITE HAS INFORMATION AVAILABLE WHICH OUTLINES THE PRIORITY SETTING PROCESS, AND LISTS THE SPECIFIC PRIORITIES AND TEAM ACTION PLANS DESIGNED TO ADDRESS THEM IT ALSO MAKES AVAILABLE TO THE PUBLIC ALL OF THE WORKING DATA AND REPORTS WHICH WERE USED TO HELP IDENTIFY THE COMMUNITY NEED

Identifier	ReturnReference	Explanation
HARRISON MEDICAL CENTER		PART V, SECTION B, LINE 6I AS A RESULT OF THE ASSESSMENT PROCESS, THERE WERE FIVE TOP PRIORITIES IDENTIFIED. FOUR OF THOSE PRIORITIES ARE BEING ADDRESSED BY COMMUNITY TEAMS CREATED SPECIFICALLY TO DEFINE AND IMPLEMENT STRATEGIES FOR IMPROVEMENT. THE FIFTH PRIORITY IS BEING ADDRESSED BY A COMMUNITY NON-PROFIT ALREADY ENGAGED IN THAT WORK. HARRISON IS A PARTICIPANT IN EACH OF THESE TEAMS AND IS THE LARGEST CONTRIBUTOR TO ALL OF THEM. THE TEAMS MEET INDIVIDUALLY ON AN AD-HOC BASIS AND THEN COLLECTIVELY, THEY MEET QUARTERLY TO DISCUSS THEIR PROGRESS. THE RESULTS OF THEIR EFFORTS ARE THEN SHARED WITH THE KITSAP COMMUNITY ON AN ANNUAL BASIS.

Identifier	ReturnReference	Explanation
HARRISON MEDICAL CENTER		PART V, SECTION B, LINE 19D HARRISON MEDICAL CENTER FINANCIAL ASSISTANCE PROGRAM WORKS TO PROVIDE FREE PATIENT CARE OR REDUCED RATES FOR THOSE WHO QUALIFY BASED ON A SLIDING FEE SCHEDULE, HOUSEHOLD SIZE, AND THE FEDERAL POVERTY GUIDELINES (FPG) FOR THE CALENDAR YEAR (UPDATED EACH FEBRUARY) A PATIENT MAY QUALIFY FOR 38%, 52%, OR 100%, BASED UPON A GROSS 12 MONTHS OF APPLICABLE INCOME FOR THE HOUSEHOLD SIZE

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 2 HARRISON MEDICAL CENTER'S ASSESSMENT OF THE COMMUNITY'S HEALTH CARE NEEDS IS DATA DRIVEN, FACTORING A NUMBER OF CONSIDERATIONS THE ORGANIZATION REVIEWS MARKET SHARE DATA BY VARIOUS CLINICAL DEFINITIONS TO UNDERSTAND WHICH PATIENTS ARE LEAVING THE COMMUNITY FOR CARE WE ALSO RANDOMLY SURVEY OUR COMMUNITY EVERY TWO TO THREE YEARS TO ASSIST IN DETERMINING IF THERE IS AN UNMET NEED WITHIN THE COMMUNITY OUR PHYSICIAN WORKFORCE PLAN IDENTIFIES SHORTAGES OF PHYSICIANS BY SPECIALTY AND REGION DEMOGRAPHIC DATA IS ANALYZED ALONG WITH HISTORICAL USE RATES TO DETERMINE FUTURE CHANGES IN HEALTH CARE NEEDS ALSO, DATA FROM THE CDC'S BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM (BRFSS) IS REVIEWED TO UNDERSTAND CHANGES IN THE OVERALL HEALTH STATUS AND RISK FACTORS FOR VARIOUS DISEASES SUCH AS SMOKING AND OBESITY FINALLY, HARRISON IS A SPONSOR OF, AND PARTICIPATES IN, THE KITSAP COUNTY HEALTH PRIORITIES PROJECT WHICH ASSESSES THE OVERALL HEALTH NEEDS OF THE COMMUNITY AND IDENTIFIES THOSE AREAS IN WHICH WE CAN MAKE THE MOST SIGNIFICANT DIFFERENCE IN OUR COMMUNITY WITH LIMITED RESOURCES THIS PROJECT IS NEW THIS YEAR AND IS SUPPORTED BY AT LEAST 37 DIFFERENT AGENCIES PROVIDING CARE IN THE COUNTY IN RESPONSE TO THE PRELIMINARY KITSAP COMMUNITY HEALTH NEEDS ASSESSMENT, WORKING WITH THE KITSAP HEALTH DISTRICT AND THE KITSAP UNITED WAY, ACCESS TO AFFORDABLE HEALTHY FOOD AND A SAFE ENVIRONMENT FOR FITNESS WAS IDENTIFIED AS ONE OF THE MAIN HEALTH NEEDS IN OUR COMMUNITY THE NEW YMCA IN SILVERDALE WAS AN EXCELLENT MATCH REGARDING AFFORDABLE FITNESS OPTIONS HARRISON WAS ONE OF MANY SIGNIFICANT SPONSORS OF THE NEW BUILDING OUR COMMITMENT OF OVER \$3 MILLION OVER TEN YEARS ALLOWS US TO BE INVOLVED IN THE COMMUNITY IN A LONG TERM MANNER AND ENSURE THE NEED IS FULFILLED</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 FINANCIAL ASSISTANCE INFORMATION AND APPLICATIONS ARE AVAILABLE AT EACH HARRISON MEDICAL CENTER LOCATION CONSISTENT WITH OUR POLICY, PATIENTS THAT DO PRESENT FOR SERVICES AS SELF PAY OR INSURED ARE OFFERED AN OPPORTUNITY TO APPLY FOR OUR FINANCIAL ASSISTANCE PROGRAM APPLICATIONS ARE AVAILABLE IN BOTH ENGLISH AND SPANISH, WHILE INTERPRETERS ARE OFFERED AT NO COST TO HELP PROVIDE INFORMATION TO OTHER NON-ENGLISH SPEAKING FAMILIES THIS SAME INFORMATION IS ALSO AVAILABLE ON THE HOSPITAL'S WEB SITE DURING THE PREVIOUS YEAR, HARRISON MEDICAL CENTER PROCESSED OVER 10,000 FINANCIAL ASSISTANCE APPLICATIONS ONCE AN APPLICATION IS RECEIVED, OUR FINANCIAL ASSISTANCE SPECIALIST REVIEWS THE APPLICATION AND CONTACTS THE PATIENT FOR ADDITIONAL INFORMATION IF NEEDED WE ALSO HAVE PATIENT ACCOUNTS SPECIALISTS AVAILABLE TO MEET WITH PATIENTS AND/OR THEIR FAMILIES TO HELP COMPLETE THE APPLICATION IF NEEDED IF THE APPLICANT DOES NOT QUALIFY FOR OTHER STATE PROGRAMS THEN THE APPLICATION WILL BE PROCESSED AND APPROVED BASED UPON FEDERAL POVERTY GUIDELINES

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 HARRISON'S PRIMARY MARKET AREA, KITSAP COUNTY, HAS A POPULATION IN EXCESS OF 250,000, WITH OVER 13 PERCENT OF THE COUNTY'S RESIDENTS 65 YEARS OF AGE OR OLDER HARRISON'S SECONDARY MARKET IS CLALLAM, JEFFERSON, AND NORTH MASON COUNTIES HARRISON MEDICAL CENTER ACCEPTS ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY THIS POLICY EXTENDS OUTSIDE THE BOUNDARIES OF OUR HOSPITALS AND INTO OUR URGENT CARES AND PHYSICIAN PRACTICES IT IS ALSO OUR POLICY TO NOT PROVIDE FINANCIAL ASSISTANCE IN THE RECRUITMENT OF ANY PHYSICIAN INTO A PRIVATE PRACTICE UNLESS THEY AGREE TO ABIDE BY THE SAME POLICY

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 IN ADDITION, HARRISON MEDICAL CENTER PROMOTES THE HEALTH OF THE COMMUNITY IN MANY WAYS. HARRISON'S OPEN MEDICAL STAFF PRACTICES IN SIX LOCATIONS THROUGHOUT KITSAP, CLALLAM & MASON COUNTIES, PROVIDE PRIMARY AND URGENT CARE AS WELL AS ADVANCED SPECIALTY CARE FOR THE PAST SEVEN YEARS, HARRISON HAS SPONSORED THE KITSAP COUNTY MEDICAL SOCIETY FOUNDATION'S FAMILY FUN RUN. THE EVENT MARKS THE CULMINATION OF A TWO-MONTH PROGRAM, ENCOURAGING SCHOOL CHILDREN TO EXERCISE AND MAKE HEALTHY NUTRITION CHOICES IN AN EFFORT TO "LEAD BY EXAMPLE", OUR DIETARY AND FRESH START PROGRAMS HAVE CREATED A WELLNESS PROGRAM FOR EMPLOYEES. THE PROGRAM OFFERS GROUP EXERCISE CLASSES, PERSONALIZED DIETARY AND ACTIVITY PLANS, ONLINE COMMUNITY FORUMS, AND HEALTH SCREENINGS ALL MEANT TO ENABLE EMPLOYEES TO LEAD HEALTHIER LIVES. HARRISON ALSO OFFERS A NURSING RESIDENCY PROGRAM DESIGNED TO AID THE TRANSITION OF NURSING STUDENTS TO STAFF NURSES PROVIDING CARE FOR PATIENTS AT THE BEDSIDE. FURTHER, HARRISON OFFERS A MULTITUDE OF HEALTH EDUCATION AND SUPPORT CLASSES FOR THE COMMUNITY

## Additional Data

**Software ID:**  
**Software Version:**  
**EIN:** 91-0565546  
**Name:** HARRISON MEDICAL CENTER

**Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**

**Schedule I  
(Form 990)****2011****Open to Public  
Inspection**Department of the Treasury  
Internal Revenue Service**Grants and Other Assistance to Organizations,  
Governments and Individuals in the United States**

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

► Attach to Form 990

Name of the organization  
HARRISON MEDICAL CENTEREmployer identification number  
91-0565546**Part I General Information on Grants and Assistance**

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

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

**Part II Grants and Other Assistance to Governments and Organizations in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed. ►

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) HARRISON MEDICAL CENTER FOUNDATION 750 LEBO BOULEVARD BREMERTON, WA 98310	91-1197626	501(C)(3)	293,137	0	N/A	N/A	PROVIDE SALARIES & BENEFITS FOR FOUNDATION STAFF
(2) KITSAP COUNTY MEDICAL SOCIETY PO BOX 490 SILVERDALE, WA 98383	23-7087265	501(C)(6)	22,500	0	N/A	N/A	FAMILY FUN RUN SPONSORSHIP, NUTRITION FITNESS FUN RUN SPONSORSHIP, KITSAP COUNTY FIRE & ICE SPONSORSHIP
(3) KISTAP SOCCER CLUB LLC 4020 WHEATON WAY BREMERTON, WA 98310	27-1406026	501(C)(3)	10,000	0	N/A	N/A	KITSAP PUMA YOUTH OUTREACH SPONSORSHIP
(4) YMCA OF PIERCE & KITSAP COUNTIES 1614 S MILDRED STREET SUITE 1 TACOMA, WA 98465	91-0565562	501(C)(3)	6,000	0	N/A	N/A	STRONG KIDS CAMPAIGN / HEALTHY KIDS SPONSORSHIP
(5) AMERICAN CANCER SOCIETY 250 WILLIAMS STREET NW ATLANTA, GA 30303	13-1788491	501(C)(3)	6,000	0	N/A	N/A	2011 RELAY FOR LIFE FUNDRAISING SPONSORSHIP
(6) MARCH OF DIMES 1904 3RD AVENUE SUITE 230 SEATTLE, WA 98101	13-1846366	501(C)(3)	6,000	0	N/A	N/A	MARCH FOR BABIES PRESENTING & TABLE SPONSORSHIPS
(7) KITSAP CANCER SERVICES PO BOX 974 POULSBO, WA 98370	71-0900525	501(C)(3)	5,600	0	N/A	N/A	GOLF CHALLENGE FUNDRAISER SPONSORSHIP & SWEETHEART DINNER FUNDRAISER SPONSORSHIP
(8) KITSAP ECONOMIC DEVELOPMENT ALLIANCE 4312 KISTAP WAY SUITE 103 BREMERTON, WA 98312	91-1335188	501(C)(6)	5,200	0	N/A	N/A	WASHINGTON AEROSPACE PARTNERSHIP SPONSOR, KITSAP COUNTY DECISION MAKERS BREAKFAST SPONSOR

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table. ► 6

3 Enter total number of other organizations listed in the line 1 table. ► 2

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

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 SUPPORT IS PROVIDED TO HARRISON MEDICAL CENTER FOUNDATION IN THE FORM OF SALARIES AND BENEFITS FOR SEVERAL STAFF MEMBERS HARRISON MEDICAL CENTER REVIEWS THE RECORDS AND PREPARES THE FINANCIAL STATEMENTS OF THE FOUNDATION WHEN CONSIDERING FINANCIAL DONATIONS TO OTHER ORGANIZATIONS, HARRISON MEDICAL CENTER FOCUSES ON THREE AREAS HEALTH AND WELLNESS PROGRAMS THAT ENHANCE OPPORTUNITIES FOR FAMILIES IN KITSAP COUNTY, SPORTS PROGRAMS THAT SUPPORT HEALTHY, ACTIVE LIFESTYLES, AND BUSINESS DEVELOPMENT OPPORTUNITIES THAT EXPAND THE WELLNESS COMPONENT OF OUR SERVICES WE BELIEVE OUR EMPLOYEES ARE THE BEST RESOURCE WE CAN OFFER OUR COMMUNITIES AND THEREFORE WE ALSO SUPPORT ORGANIZATIONS IN WHICH THEY ARE ACTIVE VOLUNTEERS

**Software ID:**  
**Software Version:**  
**EIN:** 91-0565546  
**Name:** HARRISON MEDICAL CENTER

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a) Name and address of organization or government</b>	<b>(b) EIN</b>	<b>(c) IRC Code section if applicable</b>	<b>(d) Amount of cash grant</b>	<b>(e) Amount of non-cash assistance</b>	<b>(f) Method of valuation (book, FMV, appraisal, other)</b>	<b>(g) Description of non-cash assistance</b>	<b>(h) Purpose of grant or assistance</b>
HARRISON MEDICAL CENTER FOUNDATION 750 LEBO BOULEVARD BREMERTON, WA 98310	91-1197626	501(C)(3)	293,137	0	N/A	N/A	PROVIDE SALARIES & BENEFITS FOR FOUNDATION STAFF
KITSAP COUNTY MEDICAL SOCIETY PO BOX 490 SILVERDALE, WA 98383	23-7087265	501(C)(6)	22,500	0	N/A	N/A	FAMILY FUN RUN SPONSORSHIP, NUTRITION FITNESS FUN RUN SPONSORSHIP, KITSAP COUNTY FIRE & ICE SPONSORSHIP

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
KISTAP SOCCER CLUB LLC 4020 WHEATON WAY BREMERTON, WA 98310	27-1406026	501(C)(3)	10,000	0	N/A	N/A	KITSAP PUMA YOUTH OUTREACH SPONSORSHIP
YMCA OF PIERCE & KITSAP COUNTIES 1614 S MILDRED STREET SUITE 1 TACOMA, WA 98465	91-0565562	501(C)(3)	6,000	0	N/A	N/A	STRONG KIDS CAMPAIGN / HEALTHY KIDS SPONSORSHIP

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a) Name and address of organization or government</b>	<b>(b) EIN</b>	<b>(c) IRC Code section if applicable</b>	<b>(d) Amount of cash grant</b>	<b>(e) Amount of non-cash assistance</b>	<b>(f) Method of valuation (book, FMV, appraisal, other)</b>	<b>(g) Description of non-cash assistance</b>	<b>(h) Purpose of grant or assistance</b>
AMERICAN CANCER SOCIETY 250 WILLIAMS STREET NW ATLANTA, GA 30303	13-1788491	501(C)(3)	6,000	0	N/A	N/A	2011 RELAY FOR LIFE FUNDRAISING SPONSORSHIP
MARCH OF DIMES 1904 3RD AVENUE SUITE 230 SEATTLE, WA 98101	13-1846366	501(C)(3)	6,000	0	N/A	N/A	MARCH FOR BABIES PRESENTING & TABLE SPONSORSHIPS

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
KITSAP CANCER SERVICES PO BOX 974 POULSBO, WA 98370	71-0900525	501(C)(3)	5,600	0	N/A	N/A	GOLF CHALLENGE FUNDRAISER SPONSORSHIP & SWEETHEART DINNER FUNDRAISER SPONSORSHIP
KITSAP ECONOMIC DEVELOPMENT ALLIANCE 4312 KISTAP WAY SUITE 103 BREMERTON, WA 98312	91-1335188	501(C)(6)	5,200	0	N/A	N/A	WASHINGTON AEROSPACE PARTNERSHIP SPONSOR, KITSAP COUNTY DECISION MAKERS BREAKFAST SPONSOR

**Schedule J**  
(Form 990)**Compensation Information**

OMB No 1545-0047

**2011****Open to Public  
Inspection**Department of the Treasury  
Internal Revenue Service

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**  
HARRISON MEDICAL CENTER**Employer identification number**

91-0565546

**Part I Questions Regarding Compensation**

**1a** 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

<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use
<input checked="" type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence
<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)

**b** If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain

**2** Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

**3** Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply

<input checked="" type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract
<input checked="" type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study
<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee

**4** During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization

**a** Receive a severance payment or change-of-control payment?

**b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?

**c** Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

**Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.**

**5** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of

**a** The organization?

**b** Any related organization?

If "Yes," to line 5a or 5b, describe in Part III

**6** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of

**a** The organization?

**b** Any related organization?

If "Yes," to line 6a or 6b, describe in Part III

**7** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

**8** 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

**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
<b>1b</b>	Yes	
<b>2</b>	Yes	
<b>4a</b>		No
<b>4b</b>	Yes	
<b>4c</b>		No
<b>5a</b>		No
<b>5b</b>		No
<b>6a</b>		No
<b>6b</b>		No
<b>7</b>	Yes	
<b>8</b>		No
<b>9</b>		

**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) ADAR PALIS	(i) 295,849 (ii) 0	81,839 0	44,481 0	47,910 0	21,255 0	491,334 0	21,074 0
(2) PATRICIA COCHRELL	(i) 305,356 (ii) 0	56,839 0	980 0	41,950 0	19,120 0	424,245 0	0 0
(3) SANDON K SAFFIER	(i) 257,080 (ii) 0	48,588 0	980 0	42,994 0	21,805 0	371,447 0	0 0
(4) FORREST G EHLINGER	(i) 275,043 (ii) 0	0 0	0 0	34,146 0	10,728 0	319,917 0	0 0
(5) SCOTT BOSCH	(i) 488,081 (ii) 0	169,498 0	112,939 0	203,040 0	18,551 0	992,109 0	53,518 0
(6) MARIEL KAGAN	(i) 248,140 (ii) 0	46,204 0	2,635 0	42,155 0	15,246 0	354,380 0	0 0
(7) MALCOLM W WINTER	(i) 1,023,748 (ii) 0	76,189 0	10,980 0	12,250 0	22,006 0	1,145,173 0	0 0
(8) RONALD ROBERT REIMER	(i) 924,208 (ii) 0	123,790 0	11,505 0	12,250 0	17,293 0	1,089,046 0	0 0
(9) DENNIS MICHAEL WILLERFORD	(i) 1,019,763 (ii) 0	0 0	10,524 0	12,250 0	26,085 0	1,068,622 0	0 0
(10) JOSEPH LOWELL JOHNSON	(i) 736,115 (ii) 0	48,363 0	10,980 0	12,250 0	24,093 0	831,801 0	0 0
(11) ANNE MURPHY	(i) 556,318 (ii) 0	0 0	980 0	12,250 0	22,589 0	592,137 0	0 0
(12) CYNTHIA MAY	(i) 198,579 (ii) 0	18,136 0	0 0	9,203 0	22,771 0	248,689 0	0 0
(13) RICHARD SMITH	(i) 128,519 (ii) 0	12,039 0	11,399 0	9,366 0	22,863 0	184,186 0	0 0
(14) THOMAS KRUSE	(i) 92,957 (ii) 0	45,838 0	396 0	1,875 0	7,141 0	148,207 0	0 0

**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
	PART I, LINE 1A	COMPANION TRAVEL IS AVAILABLE TWICE A YEAR FOR THE CEO'S SPOUSE, PER THE EMPLOYMENT AGREEMENT, AND IS TREATED AS TAXABLE COMPENSATION. HARRISON MEDICAL CENTER STOPPED PAYING THE KITSAP GOLF AND COUNTRY CLUB MEMBERSHIP DUES FOR SCOTT BOSCH, CEO IN APRIL 2011.
	PART I, LINE 4B	THE FOLLOWING INDIVIDUALS PARTICIPATED IN OR RECEIVED PAYMENTS FROM A SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN. SCOTT BOSCH = \$53,518, ADAR PALIS = \$21,074, ROBERT KING = \$22,002. ALL AMOUNTS WERE RECEIVED FROM THEIR CAPITAL ACCUMULATION ACCOUNTS.
	PART I, LINE 6	DEFERRED COMPENSATION AS PART OF THE EXECUTIVE BENEFITS PACKAGE AVAILABLE TO EXECUTIVES AND ONE PHYSICIAN, THERE IS A PROVISION THAT A CERTAIN PERCENTAGE OF THEIR ANNUAL BASE COMPENSATION CAN BE USED FOR THE PURCHASE OF ADDITIONAL BENEFITS (E G , LIFE INSURANCE, LONG TERM CARE INSURANCE, ETC ) OR BE DEFERRED AS AN AT RISK (SUBJECT TO RISK RULES, AS DEFINED) NO PART OF THIS ADDITIONAL BENEFIT IS PREDICATED ON THE EARNINGS OF HARRISON MEDICAL CENTER AT RISK COMPENSATION. AN AT RISK COMPENSATION PLAN IS ALSO IN PLACE FOR SENIOR EXECUTIVES (VICE PRESIDENT LEVEL AND THE CEO). THIS PLAN, WHICH PLACES A PORTION OF EACH EXECUTIVE'S OVERALL COMPENSATION AT RISK, IS PREMISED ON A SERIES OF GOALS THAT RANGE FROM QUALITY TO FINANCIAL PERFORMANCE WHILE A TRIGGER DOES EXIST IN THE PLAN THAT THE OPERATING BUDGET FOR THE FISCAL YEAR MUST BE MET, NO PART OF THE INCENTIVE IS COMPUTED AS A PERCENTAGE OF OPERATING INCOME. THE TARGETS ARE ADJUSTED EACH YEAR BY THE BOARD OF DIRECTORS, DEPENDENT ON THE ORGANIZATIONAL OBJECTIVES FOR THE YEAR.
	PART I, LINE 7	PHYSICIANS JOSEPH LOWELL JOHNSON, RONALD ROBERT REIMER AND MALCOLM WINTER RECEIVED PAYMENTS PURSUANT TO THE PHYSICIAN PRODUCTIVITY INCENTIVE PLAN.
SUPPLEMENTAL INFORMATION	PART III	SCHEDULE J, PART II, COLUMN (B)(III) OTHER REPORTABLE COMPENSATION INCLUDES AMOUNTS OF PAID TIME OFF THAT WERE CASHED IN, BUT MAY HAVE BEEN EARNED IN A PRIOR YEAR.

**Schedule K  
(Form 990)****2011****Open to Public  
Inspection****Supplemental Information on Tax Exempt Bonds**

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

► Attach to Form 990. ► See separate instructions.

Department of the Treasury  
Internal Revenue ServiceName of the organization  
HARRISON MEDICAL CENTER

Employer identification number

91-0565546

**Part I Bond Issues**

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	WA HEALTH CARE FACILITIES AUTHORITY 2010 SERIES	91-1108929		04-29-2010	30,000,000	SEE PART VI		X		X		X

**Part II Proceeds**

							A		B		C		D	
							Yes	No	Yes	No	Yes	No	Yes	No
1	Amount of bonds retired													
2	Amount of bonds defeased													
3	Total proceeds of issue				30,000,000									
4	Gross proceeds in reserve funds													
5	Capitalized interest from proceeds				716,415									
6	Proceeds in refunding escrow													
7	Issuance costs from proceeds				600,000									
8	Credit enhancement from proceeds													
9	Working capital expenditures from proceeds													
10	Capital expenditures from proceeds				27,398,656									
11	Other spent proceeds													
12	Other unspent proceeds				2,001,344									
13	Year of substantial completion				2012									

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

**Part III Private Business Use**

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

**Part III Private Business Use (Continue)**

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
		X							
<b>3a</b>	Are there any management or service contracts that may result in private business use?								
<b>b</b>	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X							
<b>c</b>	Are there any research agreements that may result in private business use of bond-financed property?		X						
<b>d</b>	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
<b>4</b>	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ►		0 %						
<b>5</b>	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ►		0 %						
<b>6</b>	Total of lines 4 and 5		0 %						
<b>7</b>	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							
<b>Part IV Arbitrage</b>									
		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
		X							
<b>1</b>	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?								
<b>2</b>	Is the bond issue a variable rate issue?		X						
<b>3a</b>	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
<b>b</b>	Name of provider								
<b>c</b>	Term of hedge								
<b>d</b>	Was the hedge superintegrated?								
<b>e</b>	Was a hedge terminated?								
<b>4a</b>	Were gross proceeds invested in a GIC?		X						
<b>b</b>	Name of provider								
<b>c</b>	Term of GIC								
<b>d</b>	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
<b>5</b>	Were any gross proceeds invested beyond an available temporary period?		X						
<b>6</b>	Did the bond issue qualify for an exception to rebate?		X						

## **Part V      Procedures To Undertake Corrective Action**

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . .  Yes  No

**Part VI** **Supplemental Information**

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

Identifier	Return Reference	Explanation
FORM 990, SCHEDULE K DESCRIPTION OF PURPOSE		FUNDS TO PAY FOR COSTS OF CONSTRUCTING, REMODELING AND EQUIPPING A DEDICATED CARDIOVASCULAR CENTER, DIETARY SERVICES, AND OTHER CAMPUS FACILITY IMPROVEMENTS AND EQUIPMENT

## Schedule L (Form 990 or 990-EZ)

## **Transactions with Interested Persons**

OMB No 1545-0047

2011

Department of the Treasury  
Internal Revenue Service

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

**Open to Public  
Inspection**

**Name of the organization**  
HARRISON MEDICAL CENTER

**Employer identification number**

91-056554

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

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

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

**Part II      Loans to and/or From Interested Persons.**

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

### **Part III Grants or Assistance Benefitting Interested Persons.**

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

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

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) PATHOLOGY ASSOC OF KITSAP COUNTY	SEE PART V	925,687	SEE PART V		No
(2) KITSAP CHEST CONSULTANTS	SEE PART V	435,846	SEE PART V		No

**Part V Supplemental Information**

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

Identifier	Return Reference	Explanation
SCH L, PART IV, BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS		(A) NAME OF PERSON PATHOLOGY ASSOCIATES OF KITSAP COUNTY(B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION PARTNERSHIP MORE THAN 5% OWNED BY GREGORY HENDERSON, MD, TRUSTEE(D) DESCRIPTION OF TRANSACTION ANATOMIC PATHOLOGY SERVICES AGREEMENT AND LAB DIRECTOR SERVICES(A) NAME OF PERSON KITSAP CHEST CONSULTANTS(B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION PARTNERSHIP MORE THAN 5% OWNED BY GRIFFITH BLACKMON, MD, DIRECTOR(D) DESCRIPTION OF TRANSACTION MANAGEMENT FEES AND ICU CALL COVERAGE CONTRACT

SCHEDULE M  
(Form 990)

## NonCash Contributions

OMB No 1545-0047

2011

Open to Public  
InspectionDepartment of the Treasury  
Internal Revenue Service

►Complete if the organization answered "Yes" on Form  
990, Part IV, lines 29 or 30.  
►Attach to Form 990.

Name of the organization  
HARRISON MEDICAL CENTER

Employer identification number

91-0565546

## Part I Types of Property

	(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining contribution amounts
1 Art—Works of art . . . . .				
2 Art—Historical treasures . . . . .				
3 Art—Fractional interests . . . . .				
4 Books and publications . . . . .				
5 Clothing and household goods . . . . .				
6 Cars and other vehicles . . . . .				
7 Boats and planes . . . . .				
8 Intellectual property . . . . .				
9 Securities—Publicly traded . . . . .				
10 Securities—Closely held stock . . . . .				
11 Securities—Partnership, LLC, or trust interests . . . . .				
12 Securities—Miscellaneous . . . . .				
13 Qualified conservation contribution—Historic structures . . . . .				
14 Qualified conservation contribution—Other . . . . .				
15 Real estate—Residential . . . . .				
16 Real estate—Commercial . . . . .				
17 Real estate—Other . . . . .				
18 Collectibles . . . . .				
19 Food inventory . . . . .				
20 Drugs and medical supplies . . . . .				
21 Taxidermy . . . . .				
22 Historical artifacts . . . . .				
23 Scientific specimens . . . . .				
24 Archeological artifacts . . . . .				
25 Other ► (EQUIPMENT )	X	1	35,256	FAIR MARKET VALUE
26 Other ► (_____ )				
27 Other ► (_____ )				
28 Other ► (_____ )				
29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement . . . . .		29		0

	Yes	No
30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period? . . . . .	30a	No
b If "Yes," describe the arrangement in Part II		
31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	31	No
32a Does the organization hire or use third parties or related organizations to solicit, process, or sell non-cash contributions? . . . . .	32a	No
b If "Yes," describe in Part II		
33 If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II		

**Part II**

**Supplemental Information.** Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

<b>Identifier</b>	<b>Return Reference</b>	<b>Explanation</b>
METHOD FOR DETERMINING NUMBER OF CONTRIBUTORS	PART I, COLUMN (B)	THE NUMBER OF CONTRIBUTORS IN SCHEDULE M, PART I, COLUMN (B) REPRESENTS THE NUMBER OF DONORS DURING THE YEAR

2011

Open to Public  
Inspection**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.

Name of the organization  
HARRISON MEDICAL CENTEREmployer identification number  
91-0565546

Identifier	Return Reference	Explanation
	FORM 990, PART I, LINE 6	VOLUNTEER RESOURCES RECRUITS, ORIENTS, PLACES, TRAINS AND SUPPORTS VOLUNTEERS FROM 14 TO OVER 90 YEARS OF AGE. PEOPLE VOLUNTEER BECAUSE THEY VALUE SERVICE, TO GAIN WORK EXPERIENCE, MEET JUNIOR/HIGH SCHOOL REQUIREMENTS, MEET CRITERIA FOR COLLEGE APPLICATIONS OR PROGRAMS, OR FOR CAREER EXPLORATION. WE COORDINATE WITH SCHOOLS AND LOCAL ORGANIZATIONS IN ORDER TO PROVIDE OPPORTUNITIES FOR THEIR CLIENTS AND FOR THOSE WITH SPECIAL NEEDS. DURING THE FISCAL YEAR, MAY 1, 2011 THROUGH APRIL 30, 2012, VOLUNTEER RESOURCES SUPPORTED OVER 400 VOLUNTEERS AND JOB SHADOWS WITH 200-245 ACTIVE VOLUNTEERS EACH MONTH. CURRENTLY, ONE HALF OF NEW VOLUNTEERS ARE VOLUNTEERING TO MEET SCHOOL REQUIREMENTS TO ENHANCE THEIR WORK EXPERIENCE. IN-HOSPITAL VOLUNTEERS ARE PROJECTED TO DONATE OVER 45,000 HOURS OF SERVICE THROUGHOUT HARRISON AND ITS HEALTHPARTNERS' CLINICS. VOLUNTEERS WERE PLACED AND/OR COMPLETED OVER 3,000 WORK ORDERS FOR OVER 50 DEPARTMENTS OR LOCATIONS. BELFAIR PRIMARY CARE/URGENT CARE, BEREAVEMENT SUPPORT GROUPS, BIO MED, BUSINESS/COMMUNITY DEVELOPMENT, COMMUNICATIONS, COMPLEMENTARY THERAPIES, DIABETES CENTER, DIETARY/CULINARY, EDUCATION SERVICES, EMERGENCY DEPARTMENT, EMERGENCY PREPAREDNESS, EMPLOYEE HEALTH, ENVIRONMENTAL SERVICES, FACILITIES, FINANCE, FOUNDATION, GIFT SHOPS (AUXILIARY), INFORMATION TECHNOLOGY, SOUTH KITSAP PRIMARY CARE/URGENT CARE, BREMERTON & FORKS PRIMARY CARE, HOME HEALTH, HUMAN RESOURCES, INFECTION PREVENTION, MARKETING, MATERIALS MANAGEMENT, MEDICAL SERVICES, MEDICAL IMAGING, NURSING ADMINISTRATION, NURSING UNITS (ALL), PALLIATIVE CARE, PATIENT ACCOUNTS, PATIENT ADVOCACY, POULSBO ONCOLOGY CLINIC, PUBLIC RELATIONS, PRE ADMIT, QUALITY, RADIATION ONCOLOGY, REGISTRATION, REHABILITATION (ALL AREAS), SECURITY, SLEEP CLINIC, SOCIAL WORK, SPIRITUAL CARE (ALL INPATIENT AREAS), SURGERY (INPATIENT AND SAME DAY SURGERY), PHARMACY, AND TELECOMMUNICATIONS. VOLUNTEER RESOURCES CONTINUES TO SUPPORT NEW OPPORTUNITIES INCLUDING THE "CARING PRESENCE PROGRAM" THAT USES EMPLOYEE VOLUNTEERS AND OTHER VOLUNTEERS TO SIT WITH PATIENTS WHO REQUEST A COMPANION AT THE END OF LIFE. DEPARTMENTS ALSO MENTORED YOUTH VOLUNTEERS DURING THE SUMMER TO INTRODUCE THEM TO CAREERS IN HEALTHCARE. ACCESS TO HARRISON FOR PREVOCATIONAL AND VOCATIONAL ACTIVITIES IS IN HIGH DEMAND. OUR GOAL IS TO PROVIDE ALL COMMUNITY PARTNERS AND THEIR DIVERSE/SPECIAL NEEDS CUSTOMERS OR STUDENTS EQUAL ACCESS FOR THESE OPPORTUNITIES. OUTREACH AND PARTNERSHIPS ARE ONGOING WITH VOCATIONAL REHABILITATIONS AND THEIR CONTRACTED VENDORS. GOODWILL, KITSAP COUNTY HIGH SCHOOL DISTRICTS, CARES OF WASHINGTON, EASTER SEALS, ABLE OPPORTUNITIES, AND KISTAP COUNTY DIVISION OF DEVELOPMENTAL DISABILITIES. DURING THE FISCAL PROGRAM YEAR 2012, 9 HIGH SCHOOL STUDENTS, 4 CARES OF WASHINGTON CLIENTS, 1 EASTER SEALS CLIENT, AND 4 SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM CLIENTS SERVED AS VOLUNTEERS IN ORDER TO OBTAIN ASSESSMENTS, JOB TRAINING, WORK EXPERIENCE, COMPLETE INFORMAL INTERNSHIPS, INDEPENDENT EMPLOYMENT PLANS OR COMMUNITY ACCESS PROGRAMS. IN ADDITION, OLYMPIC COLLEGE AND OTHER LEARNING INSTITUTIONS PLACE VOLUNTEERS IN AREAS FOR CREDIT INCLUDING REHABILITATION, DIETARY, MEDICAL ASSISTING, PUBLIC RELATIONS, ETC. EXAMPLES OF VOLUNTEER TASKS INCLUDE PROVIDING CUSTOMER SERVICE BY GREETING AND ESCORTING PATIENTS AND VISITORS, BEING COMMUNICATION LIAISONS, STAFFING RECEPTION DESKS, MAKING PHONE CALLS, PROVIDING CLERICAL AND COMPUTER ASSISTANCE, STAFFING SPECIAL EVENTS, ASSISTING NURSES IN CLINICAL AREAS, STOCKING SUPPLIES, GIVING TOURS, PICKING UP SHRED AND RECYCLE, AND PROVIDING COMPLEMENTARY THERAPIES INCLUDING HAND RUBS, MUSIC, DOG THERAPY, AND "ART IN THE LOBBY" DEMONSTRATIONS. VOLUNTEERS ALSO COMPLETE THOUSANDS OF WORK ORDERS WHICH INCLUDE COPYING, COLLATING, ART PROJECTS, SPECIAL PROJECTS, AND MAKING THOUSANDS OF PATIENT CHARTS, DISCHARGE PACKETS, AND EMERGENCY PREPAREDNESS SUPPLY PACKETS THAT ARE DISTRIBUTED THROUGHOUT HARRISON. THE LATEST REPORT FROM THE INDEPENDENT SECTOR ESTIMATES THE AVERAGE DOLLAR VALUE OF VOLUNTEER TIME AT \$21.79 PER HOUR IN 2011 (\$19.18 WITHOUT THE FRINGE BENEFITS OF 12% EQUALS \$863,100). NOTE THE MINIMUM WAGE PLUS 15% INCREASE SUGGESTED BY HUMAN RESOURCES COMES TO OVER A \$500,000 INVISIBLE REVENUE STREAM. BY ANY COUNT, THESE FIGURES HELP US MEASURE THE BROADER CONTRIBUTION OF VOLUNTEERS WHO DEDICATE THEIR TIME, TALENTS, AND ENERGY TO MAKING A POSITIVE DIFFERENCE AT HARRISON.
	FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 IS REVIEWED BY THE DIRECTOR OF FINANCE AND THE CHIEF FINANCIAL OFFICER TO ENSURE ACCURACY AND COMPLETENESS OF DATA. ONCE THEIR REVIEW IS COMPLETE, THE FORM 990 IS SHARED WITH THE BOARD OF DIRECTORS. THE BOARD OF DIRECTORS RECEIVES AN ELECTRONIC COPY OF THE FORM PRIOR TO FILING.
	FORM 990, PART VI, SECTION B, LINE 12C	BOARD MEMBERS ARE ANNUALLY REQUIRED TO ACKNOWLEDGE RECEIPT OF THE MEDICAL CENTER'S CURRENT CONFLICT OF INTEREST POLICY AND COMPLETE AND SUBMIT PROVIDED QUESTIONNAIRES. MEDICAL CENTER COUNSEL REVIEWS THE SUBMITTED QUESTIONNAIRES AND PROVIDES A FORMAL REPORT BACK TO THE BOARD. IN THE EVENT OF A CONFLICT OF INTEREST, THE INDIVIDUAL MEETS WITH THE EXECUTIVE COMMITTEE TO DISCUSS THE MATTER AND DETERMINE THE APPROPRIATE RESPONSE.
	FORM 990, PART VI, SECTION B, LINE 15	CONSULTANTS ARE RETAINED BY THE CHAIRMAN OF THE BOARD FOR THE EXPRESS PURPOSE OF SETTING EXECUTIVE COMPENSATION AND OPINING AS TO ITS COMPARABILITY AND REASONABILITY. CONSULTANTS MAY USE A VARIETY OF RESOURCES TO MAKE THIS DETERMINATION INCLUDING SURVEYS, INFORMATION FROM OTHER ORGANIZATIONS' FORM 990, AND VARIOUS COMPARATIVE DATA. THIS REVIEW PROCESS IS DONE ANNUALLY FOR THE EXECUTIVE STAFF AND KEY EMPLOYEES.
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE NOT MADE AVAILABLE TO THE GENERAL PUBLIC.
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -2,099,757 CHANGE IN OBLIGATIONS UNDER PENSION PLAN -28,579,019 CHANGE IN INTEREST IN HARRISON MEDICAL CENTER FOUNDATION 262,094 IMPAIRMENT OF FIXED ASSETS -200,000 TOTAL TO FORM 990, PART XI, LINE 5 -30,616,682

---

**SCHEDULE R**  
**(Form 990)**

## Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2011

**Open to Public  
Inspection**

Department of the Treasury  
Internal Revenue Service

**Name of the organization**

HARRISON MEDICAL CENTER

**Employer identification number**

91-0565546

**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.)

**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.)

**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.)

**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		No
1b	Yes	
1c	Yes	
1d		No
1e		No
1f		No
1g		No
1h		No
1i	Yes	
1j		No
1k		No
1l	Yes	
1m		No
1n	Yes	
1o		No
1p	Yes	
1q		No
1r		No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)			
(2)			
(3)			
(4)			
(5)			
(6)			

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

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

**Part VII Supplemental Information**

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

Identifier	Return Reference	Explanation
------------	------------------	-------------

Report of Independent Auditors  
and Financial Statements for

**Harrison Medical Center**

April 30, 2012 and 2011

**MOSS ADAMS LLP**

## **CONTENTS**

---

	PAGE
REPORT OF INDEPENDENT AUDITORS	1
<b>FINANCIAL STATEMENTS</b>	
Balance sheets	2-3
Statements of operations and changes in unrestricted net assets	4
Statements of changes in net assets	5
Statements of cash flows	6
Notes to financial statements	7-29



## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Harrison Medical Center

We have audited the accompanying balance sheets of Harrison Medical Center as of April 30, 2012 and 2011, and the related statements of operations and changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Harrison Medical Center'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. 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 Medical Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 Harrison Medical Center as of April 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Everett, Washington  
August 21, 2012

**HARRISON MEDICAL CENTER**  
**BALANCE SHEETS**

---

**ASSETS**

	April 30,	
	2012	2011
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 21,209,330	\$ 13,136,840
Current portion of assets whose use is limited	1,082,519	1,030,308
Patient accounts receivable, net of estimated uncollectibles of \$15,450,000 in 2012 and \$14,473,000 in 2011	50,825,110	45,710,965
Other receivables	554,754	697,993
Receivable from contractual agencies, net	-	2,321
Inventories	3,524,278	3,748,120
Prepaid expenses and other	<u>3,530,061</u>	<u>2,974,007</u>
 Total current assets	 <u>80,726,052</u>	 <u>67,300,554</u>
 INTEREST IN NET ASSETS OF HARRISON MEDICAL CENTER FOUNDATION	 <u>17,150,852</u>	 <u>16,888,758</u>
 <b>ASSETS WHOSE USE IS LIMITED</b>		
Board-designated	139,316,739	142,456,291
Held by trustees	19,176,275	26,450,130
Land held for future use	8,072,226	8,272,226
Donor-restricted	<u>61,711</u>	<u>17,952</u>
 Total assets whose use is limited, net of current portion	 166,626,951	 177,196,599
 LAND, BUILDINGS, AND EQUIPMENT, net	 120,114,672	 118,684,508
 DEFERRED FINANCING COSTS, net of accumulated amortization of \$1,895,413 in 2012 and \$1,743,403 in 2011	 1,635,097	 1,541,847
 <b>OTHER ASSETS</b>	 <u>3,002,844</u>	 <u>3,002,844</u>
 Total assets	 <u>\$ 389,256,468</u>	 <u>\$ 384,615,110</u>

# HARRISON MEDICAL CENTER

## BALANCE SHEETS

---

### LIABILITIES AND NET ASSETS

	April 30,	
	2012	2011
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 3,623,845	\$ 3,454,604
Accounts payable	13,754,511	7,863,111
Accrued liabilities		
Salaries and wages	6,828,812	6,731,181
Vacation	8,458,842	8,597,904
Interest	837,247	862,062
Workers' compensation claims	3,257,737	3,537,308
Self-insured health plan liability	1,328,909	1,177,060
Payable to contractual agencies, net	1,213,857	-
Other	<u>10,417,163</u>	<u>6,650,589</u>
 Total current liabilities	 49,720,923	 38,873,819
 <b>DEFERRED GAIN</b>	 597,801	 704,870
 <b>ACCRUED PENSION LIABILITY</b>	 35,419,554	 12,357,832
 <b>ESTIMATED UNINSURED CLAIMS</b>	 9,202,695	 12,145,675
 <b>LONG-TERM DEBT, net of current portion</b>	 <u>82,246,469</u>	 <u>85,829,046</u>
 Total liabilities	 <u>177,187,442</u>	 <u>149,911,242</u>
 <b>NET ASSETS</b>		
Unrestricted	197,362,806	220,123,360
Temporarily restricted	12,720,122	12,652,762
Permanently restricted	<u>1,986,098</u>	<u>1,927,746</u>
 Total net assets	 <u>212,069,026</u>	 <u>234,703,868</u>
 Total liabilities and net assets	 <u>\$ 389,256,468</u>	 <u>\$ 384,615,110</u>

**HARRISON MEDICAL CENTER**  
**STATEMENTS OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS**

	Years Ended April 30,	
	2012	2011
<b>OPERATING REVENUES</b>		
Net patient service revenue (net of contractual allowances and discounts)	\$ 358,729,124	\$ 353,372,429
Provision for bad debts	<u>(18,515,369)</u>	<u>(21,455,286)</u>
Net patient service revenue less provision for bad debts	340,213,755	331,917,143
Other operating revenue	<u>4,928,119</u>	<u>4,905,074</u>
<b>Total operating revenues</b>	<b><u>345,141,874</u></b>	<b><u>336,822,217</u></b>
<b>OPERATING EXPENSES</b>		
Salaries and wages	137,883,740	136,713,694
Supplies and other	137,043,194	126,334,919
Employee benefits	37,615,569	37,593,942
Depreciation	19,450,265	17,838,842
Interest and amortization	4,419,447	4,010,619
Insurance	<u>160,657</u>	<u>3,721,221</u>
<b>Total operating expenses</b>	<b><u>336,572,872</u></b>	<b><u>326,213,237</u></b>
<b>Operating income</b>	<b>8,569,002</b>	<b>10,608,980</b>
<b>NONOPERATING GAINS (LOSSES), net</b>	<b><u>(1,016,046)</u></b>	<b><u>4,213,932</u></b>
Excess of revenues over expenses	7,552,956	14,822,912
<b>DONATIONS FOR CAPITAL PURPOSES</b>	<b>185,125</b>	<b>255,920</b>
<b>CHANGE IN NET UNREALIZED GAINS (LOSSES) ON INVESTMENTS</b>	<b>(2,099,757)</b>	<b>14,354,130</b>
<b>CHANGE IN INTEREST IN UNRESTRICTED NET ASSETS OF HARRISON MEDICAL CENTER FOUNDATION</b>	<b>180,141</b>	<b>398,825</b>
<b>CHANGE IN OBLIGATIONS UNDER PENSION PLAN</b>	<b><u>(28,579,019)</u></b>	<b><u>15,375,594</u></b>
Increase (decrease) in unrestricted net assets	(22,760,554)	45,207,381
<b>UNRESTRICTED NET ASSETS, beginning of year</b>	<b><u>220,123,360</u></b>	<b><u>174,915,979</u></b>
<b>UNRESTRICTED NET ASSETS, end of year</b>	<b><u>\$ 197,362,806</u></b>	<b><u>\$ 220,123,360</u></b>

**HARRISON MEDICAL CENTER**  
**STATEMENTS OF CHANGES IN NET ASSETS**

---

	Years Ended April 30,	
	2012	2011
<b>UNRESTRICTED NET ASSETS</b>		
Excess of revenues over expenses	\$ 7,552,956	\$ 14,822,912
Donations for capital purposes	185,125	255,920
Change in net unrealized gains (losses) on investments	(2,099,757)	14,354,130
Change in interest in unrestricted net assets of Harrison Medical Center Foundation	180,141	398,825
Change in obligations under pension plan	<u>(28,579,019)</u>	<u>15,375,594</u>
Change in unrestricted net assets	<u>(22,760,554)</u>	<u>45,207,381</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	724,684	702,234
Net assets released from restriction	(680,925)	(691,603)
Change in interest in net assets of Harrison Medical Center Foundation	<u>23,601</u>	<u>9,093,293</u>
Change in temporarily restricted net assets	<u>67,360</u>	<u>9,103,924</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Change in interest in net assets of Harrison Medical Center Foundation	<u>58,352</u>	<u>(11,259)</u>
Change in net assets	<u>(22,634,842)</u>	<u>54,300,046</u>
<b>NET ASSETS, beginning of year</b>	<u>234,703,868</u>	<u>180,403,822</u>
<b>NET ASSETS, end of year</b>	<u><u>\$ 212,069,026</u></u>	<u><u>\$ 234,703,868</u></u>

**HARRISON MEDICAL CENTER**  
**STATEMENTS OF CASH FLOWS**

**Increase (Decrease) in Cash and Cash Equivalents**

	Years Ended April 30,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (22,634,842)	\$ 54,300,046
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gains on investments	5,568,650	(16,513,036)
Undistributed portion of change in interest in net assets of Harrison Medical Center Foundation	(262,094)	(9,480,860)
Amortization	185,778	129,697
Depreciation	19,450,265	17,838,842
Provision for bad debts	18,515,369	21,455,286
Restricted contributions	(724,684)	(702,234)
Changes in operating assets and liabilities		
Patient accounts receivable	(23,629,514)	(22,565,944)
Other receivables	143,239	105,693
Receivable/payable from/to contractual agencies, net	1,216,178	182,489
Inventories	223,842	(839,106)
Prepaid expenses and other	(556,054)	(582,923)
Other assets	-	(3,002,844)
Accounts payable	5,891,400	(3,024,743)
Accrued liabilities	3,572,606	1,957,829
Deferred gain	(107,069)	(107,068)
Accrued pension liability	23,061,722	(14,993,544)
Estimated uninsured claims	<u>(2,942,980)</u>	<u>1,049,265</u>
Net cash from operating activities	<u>26,971,812</u>	<u>25,206,845</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(69,223,643)	(77,543,299)
Proceeds from sales of investments	74,172,430	72,273,694
Purchase of land, buildings, and equipment	<u>(20,880,429)</u>	<u>(25,153,507)</u>
Net cash from investing activities	<u>(15,931,642)</u>	<u>(30,423,112)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(3,454,604)	(3,266,425)
Proceeds from restricted contributions	724,684	702,234
Other	<u>(237,760)</u>	-
Net cash from financing activities	<u>(2,967,680)</u>	<u>(2,564,191)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>8,072,490</b>	<b>(7,780,458)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>13,136,840</b>	<b>20,917,298</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 21,209,330</b>	<b>\$ 13,136,840</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS</b>		
Cash paid during the year for interest	<u>\$ 4,518,887</u>	<u>\$ 4,652,544</u>
Assets acquired under capital lease	<u>\$ -</u>	<u>\$ 2,216,416</u>

## **HARRISON MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS**

---

### **Note 1 - Organization**

Harrison Medical Center (the Medical Center), a Washington not-for-profit corporation, owns and operates 297 licensed beds (260 available beds) within two acute care facilities. The facilities are located in the city of Bremerton, Washington, and in unincorporated Silverdale, Washington. The Medical Center provides acute medical and surgical services, emergency services, and a range of general and specialized services to residents of the Kitsap Peninsula and adjacent areas. The Medical Center also operates two urgent/primary care clinics in Port Orchard, Washington, and Belfair, Washington, as well as specialty clinics in Bremerton, Washington, Poulsbo, Washington, and Forks, Washington.

### **Note 2 - Summary of Significant Accounting Policies**

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

**Cash and cash equivalents** - Cash and cash equivalents include investments in highly liquid instruments with original maturities of three months or less, excluding amounts whose use is limited by board designation or by other arrangements under trust agreements.

The Medical Center maintains its cash accounts with a U.S. banking institution. The Medical Center has cash balances on deposit with its bank that, at times, may exceed the balance insured by the Federal Deposit Insurance Corporation (FDIC).

**Patient accounts receivable** - Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

## **HARRISON MEDICAL CENTER**

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

The Medical Center's allowance for doubtful accounts for self-pay patients was 63% of self-pay accounts receivable at April 30, 2011 and 2012. In addition, the Medical Center's self-pay write-offs decreased \$2,940,000 from \$21,455,000 for fiscal year 2011 to \$18,515,000 for fiscal year 2012. The Medical Center has not changed its charity care or uninsured discount policies during fiscal years 2012 or 2011.

**Assets whose use is limited** - Assets whose use is limited consist of cash, investments, and property, including funds designated by the board of directors for capital improvements, professional liability self-insurance, a workers' compensation escrow account, land held for future use, amounts held under bond indenture agreements, joint ventures, and donor-restricted investments restricted for future use. Investments include stocks, bonds, alternative investments, and cash equivalents.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value on the balance sheets. The fair values of alternative investments are determined based on the Medical Center's share of equity in the underlying investments at the balance sheet date. Investment income or loss (including realized gains and losses on investments, unrealized investment losses considered other than temporary, interest, and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses.

**Land, buildings, and equipment** - Land, buildings, and equipment are stated at cost. Improvements and replacements of plant and equipment are capitalized, whereas maintenance and repairs are expensed as incurred. The costs of plant and equipment sold or retired and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded. Interest on borrowed funds during construction is capitalized and treated as a component of the cost of additions to be allocated to future periods through the depreciation provision. The Medical Center capitalized interest costs of \$244,000 and \$798,000 during the years ended April 30, 2012 and 2011, respectively.

**Receivable/payable from/to contractual agencies** - Third-party cost reports are filed annually and are subject to audit and adjustment prior to settlement. Estimates of final settlement to or from Medicare, Medicaid, and other third-party payors for all years through 2012 have been reflected as receivable/payable from/to contractual agencies on the accompanying balance sheets. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Donations** - Unconditional promises to give cash and other assets contributed to the Medical Center are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends or purpose restriction is accomplished—temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restriction. Assets released from restriction that were used for operations totaled \$495,800 in 2012 and \$435,683 in 2011. Assets released from restriction that were used for capital purchases totaled \$185,125 in 2012 and \$255,920 in 2011. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

## **HARRISON MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS**

---

### **Note 2 - Summary of Significant Accounting Policies (continued)**

**Temporarily and permanently restricted net assets** - Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose. These restrictions relate primarily to the purchase of property and equipment. Permanently restricted net assets have been restricted by donors to be maintained by the Medical Center in perpetuity.

**Revenue adjustments and contractual allowances** - Net patient service revenue is reported at the net amount estimated to be realized from patients and third-party payors for services rendered.

A significant portion of the Medical Center's services is provided to Medicare and Medicaid patients under contractual arrangements. Revenue from the Medicare and Medicaid programs accounted for approximately 41% and 6%, respectively, of the Medical Center's net patient revenue for the year ended April 30, 2012, and 39% and 7%, respectively, of the Medical Center's net patient revenue for the year ended April 30, 2011. The Medical Center is paid for services to Medicare inpatients under the Prospective Payment System, which provides for payments based on diagnosis-related groupings (DRGs). Such DRG payments are prospectively established and may be greater or less than the Medical Center's actual charges for services. The majority of Medicare outpatient services are reimbursed under a prospective payment methodology, the Medicare Outpatient Prospective Payment System (OPPS). This program provides for payment based upon Ambulatory Payment Classifications (APCs). Such APC payments are prospectively established and may be greater or less than the Medical Center's actual charges for services. The Medical Center is paid for services to Medicaid inpatients under a DRG-based program, and outpatient payments are paid at prospectively determined rates.

The Medical Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment to the Medical Center under these agreements is typically based on established charges or discounts from established charges.

The difference between the Medical Center's standard billing rates and the contracted rates results in contractual deductions, which are recorded as adjustments to patient service revenue.

**Charity care** - The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue. The costs the Medical Center incurred to provide charity care were approximately \$6,771,000 and \$5,941,000 for the years ended April 30, 2012 and 2011, respectively. The Medical Center has estimated these costs by multiplying its ratio of costs to gross charges to the gross uncompensated charges associated with providing charity care.

**Depreciation** - The provision for depreciation is determined by the straight-line method, which allocates the cost of tangible property ratably over its estimated useful life.

**Operating income** - Operating income includes revenues and expenses that management has deemed to be part of operations. Items excluded from operations consist of investment income, contributions for purposes other than operations, rental income, nonoperating depreciation, and gains and losses on the sale of assets.

## **HARRISON MEDICAL CENTER** **NOTES TO FINANCIAL STATEMENTS**

---

### **Note 2 - Summary of Significant Accounting Policies (continued)**

**Excess of revenues over expenses** - The statements of operations and changes in unrestricted net assets includes excess of revenues over expenses. Changes in unrestricted net assets that are excluded from excess revenues over expenses consistent with industry practice include the change in net unrealized gains/losses on investments, contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purposes of acquiring such assets), change in accrued pension liability, and change in interest in net assets of Harrison Medical Center Foundation.

**Federal income taxes** - The Medical Center is a not-for-profit corporation as defined in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax on related income pursuant to Section 501(a) of the Code.

For the 2012 and 2011 financial statements, the Medical Center has accounted for uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and was reasonably estimable. As of April 30, 2012 and 2011, the Medical Center had not identified any uncertain tax positions requiring accrual or disclosure.

**Fair value measurements** - The Medical Center classifies its investments based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value (Note 10). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy are described below:

**Level 1** - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

**Level 2** - Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly;

**Level 3** - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

## **HARRISON MEDICAL CENTER** **NOTES TO FINANCIAL STATEMENTS**

---

### **Note 2 - Summary of Significant Accounting Policies (continued)**

**Change in accounting principles** - During the year ended April 30, 2012, the Medical Center adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure*, and FASB ASU 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*. In accordance with FASB ASU 2010-23, charity care has been disclosed in Note 2 as the cost of providing the related services for the years ended April 30, 2012 and 2011. In accordance with FASB ASU 2010-24, the amount for unpaid professional liability claims has been recorded in the balance sheets based on the gross estimated liability and not net of anticipated insurance recoveries (Note 11). FASB ASU 2010-24 does not require retroactive application. These changes in accounting principles did not change any component of the balance sheets or the statements of operations and changes in net assets for the years ended April 30, 2012 or 2011.

The FASB has also issued Accounting Standards Update (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*. The Medical Center has early adopted the provisions of ASU 2011-07 as of and for the year ended April 30, 2012. These changes in accounting principles did not change any component of the balance sheets or statements of operations and changes in net assets with exception to reclassifying the provision of bad debts for the years ended April 30, 2012 and 2011, from expenses to revenue, which amounted to \$18,515,369 and \$21,455,286, respectively.

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

The Medical Center has evaluated subsequent events through August 21, 2012, which is the date the financial statements are issued. There were three subsequent events. Two of the subsequent events are disclosed below and the third is included in Note 17.

## **HARRISON MEDICAL CENTER**

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

**Settlement** - In 2007, the Medical Center was contacted by T. Giovanis & Company regarding participation in a hospital group appeal related to Medicare underpayments caused by an error in the calculation of the Medicare inpatient prospective payment system standard rate. T. Giovanis discovered a problem with the method the Centers for Medicare and Medicaid Services (CMS) used to perform their annual budget neutrality calculation related to the year-to-year change in wage indexes. Because of variables used in the rural floor wage index, all hospitals paid under the prospective payment system were affected by the resulting reduction in the hospital inpatient standardized payment rate. Additionally, the effect of the original error had a cumulative impact on the payment rate. The Medical Center agreed to participate in the hospital group appeal. In April 2012, the Medical Center was notified that a final settlement agreement with CMS had been negotiated by T. Giovanis for the hospital group for the years 2007 through 2012. As the settlement agreement was contingent on final confirmation by CMS of the proposed settlement calculations for all hospitals and a determination that each hospital's appeal was jurisdictionally proper, and CMS had until June 1 to make the determination, the Medical Center recorded the associated revenue in the fiscal year ending April 30, 2013. CMS completed its review and issued payment to the Medical Center on May 25, 2012, in the amount of \$3,747,817. Legal fees associated with this settlement totaled \$946,954.

**Issuance of revenue bonds** - On January 26, 2012, the Harrison Medical Center board of directors passed a resolution approving the borrowing of \$35,000,000 from the Washington Health Care Facilities Authority through the issuance and sale of revenue bonds. JPMorgan Chase had proposed to purchase these bonds in a private placement transaction. The Medical Center will use the proceeds of the bond funds for a Silverdale campus expansion project, which will include the construction and equipment of an orthopedic hospital. Additionally, the remaining funds may be used to construct and equip a data center, remodel and/or renovate the Silverdale emergency room, and fund routine capital expenditures. The financing transaction with the Washington Health Care Facilities Authority and JPMorgan Chase closed on June 28, 2012.

**HARRISON MEDICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 3 - Net Patient Service Revenue**

The following are the components of net patient service revenue:

	<u>2012</u>	<u>2011</u>
Gross patient service charges, net of charity	<u>\$ 1,053,615,787</u>	<u>\$ 986,550,674</u>
Adjustments to patient service charges		
Medicare	(399,772,210)	(368,842,247)
Medicaid	(112,351,000)	(101,987,621)
Other	<u>(182,763,453)</u>	<u>(162,348,377)</u>
Total adjustments to patient service charges	<u>(694,886,663)</u>	<u>(633,178,245)</u>
Net patient service revenue	<u>\$ 358,729,124</u>	<u>\$ 353,372,429</u>

The Medical Center recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Medical Center records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources is as follows.

	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 312,639,892</u>	<u>\$ 46,089,232</u>	<u>\$ 358,729,124</u>

**HARRISON MEDICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 4 - Assets Whose Use Is Limited**

The composition of assets whose use is limited is set forth below:

	<u>2012</u>	<u>2011</u>
Board-designated cash and investments		
Cash and short-term investments	\$ 1,788,432	\$ 1,451,071
U.S. Treasury obligations	11,184	12,151
Marketable equity securities (including mutual funds)	66,176,252	54,106,680
Corporate bonds	47,865,361	44,190,247
Real return	13,605,932	12,677,797
Alternative investments	9,136,957	29,228,851
Interest and dividends receivable	6,149	8,053
	<u>138,590,267</u>	<u>141,674,850</u>
Investment in joint ventures	<u>726,472</u>	<u>781,441</u>
	<u>139,316,739</u>	<u>142,456,291</u>
Funds held by trustees		
Cash and short-term investments	1,005,484	1,012,692
U.S. Treasury obligations	8,163,160	15,680,177
Marketable equity securities (including mutual funds)	6,373,010	5,960,674
Fixed income	4,011,982	3,916,667
Real return	542,809	486,441
Alternative investments	162,349	423,787
	<u>20,258,794</u>	<u>27,480,438</u>
Land held for future use		
Properties owned in Kitsap County, at cost	<u>8,072,226</u>	<u>8,272,226</u>
Donor-restricted		
Cash and short-term investments	<u>61,711</u>	<u>17,952</u>
Less current portion of assets whose use is limited	<u>167,709,470</u> <u>(1,082,519)</u>	<u>178,226,907</u> <u>(1,030,308)</u>
	<u><u>\$ 166,626,951</u></u>	<u><u>\$ 177,196,599</u></u>

**HARRISON MEDICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 4 - Assets Whose Use Is Limited (continued)**

**Investments** - Investment income, gains and losses from cash and short-term investments, and assets whose use is limited are included in nonoperating gains (losses) and comprise the following:

	<b>2012</b>	<b>2011</b>
Income (loss)		
Interest and dividend income	\$ 2,373,112	\$ 2,229,879
Net realized gains (losses) on investments	<u>(3,468,893)</u>	<u>2,158,906</u>
 Total investment income	 <u>\$ (1,095,781)</u>	 <u>\$ 4,388,785</u>
 Other changes in unrestricted net assets		
Net unrealized gains (losses) on investments	<u>\$ (2,099,757)</u>	<u>\$ 14,354,130</u>

**Alternative investments** - The Medical Center invests in certain alternative investments as part of its investment strategy, as described below:

<b>Fund Type</b>	<b>Redemption Restrictions</b>	<b>Redemption Frequency</b>
Collective investment trust - developed non-US equity	Same-day notification in the Retirement Plan, documentation required 1 business day prior to trade date for all others	Daily liquidity in the Retirement Plan, monthly liquidity for all others - all redemptions are client directed
Open-end private commingled real estate fund	45-90 days prior written notification, redemption queue may apply	Quarterly liquidity - all redemptions are client directed

**Developed Non-US Equity Collective Investment Trust** - This category includes a common or collective investment trust that invests primarily in a wide variety of international equity and equity-related securities of public companies that trade on global stock market exchanges throughout the world, normally excluding the United States, to achieve the objective of long-term total return in excess of the MSCI ACWI ex US Index. This investment can be redeemed upon request by the Medical Center to the fund's management. The fair value of the investment has been estimated using the net asset value (NAV) per share of the investment, which is calculated based on market prices of the underlying holdings. The fund strikes a daily NAV to allow for daily liquidity. The fair value of the investment has been estimated using the net asset value per share of the investment and was \$9,137,000 and \$21,260,018 at April 30, 2012 and 2011, respectively.

**Open-end real estate funds** - This category includes two real estate funds that invest primarily in United States real estate. The Medical Center's ability to redeem these investments is subject to certain restrictions and cash availability. The RREEF real estate fund the Medical Center is invested in normally provides for a quarterly distribution subject to written notification of redemption request 45 days prior to quarter-end; the ING Clarion real estate fund the Medical Center is invested in normally provides for a quarterly distribution subject to written notification of redemption request 90 days prior to quarter-end. However, both funds have restricted withdrawals during the last two years. The fair value of the investment has been estimated using the net asset value per share of the investment and was \$0 and \$5,379,696 at April 30, 2012 and 2011, respectively.

# HARRISON MEDICAL CENTER

## NOTES TO FINANCIAL STATEMENTS

---

### **Note 4 - Assets Whose Use Is Limited (continued)**

There are no unfunded commitments for any of the alternative investments described above.

**Investment in joint ventures** - In fiscal year 1999, the Medical Center entered into a joint venture, Advanced Medical Imaging, LLC (AMI), to own and operate outpatient medical imaging facilities in the community. The Medical Center has a 49% ownership interest in AMI, which is accounted for under the equity method. The balance of the investment at April 30, 2012 and 2011, was \$726,472 and \$781,441, respectively.

During fiscal year 2006, the Medical Center entered into a joint venture, Surgery Center of Silverdale, LLC (SCS), to own and operate an outpatient surgery center located in Silverdale, Washington. The Medical Center has a 30% ownership interest in SCS, which is accounted for under the equity method. The balance of the investment at April 30, 2012 and 2011, was \$0.

### **Note 5 - Land, Buildings, and Equipment**

The Medical Center's land, buildings, and equipment and related accumulated depreciation are set forth below:

	<u>2012</u>	<u>2011</u>
	<u>Range of Depreciable Lives (Years)</u>	
<b>Assets</b>		
Land and land improvements	\$ 10,814,924	\$ 10,814,924
Buildings and leasehold improvements	71,973,591	65,907,104
Equipment		
Fixed	55,919,622	51,999,031
Major movable	135,315,440	126,164,531
Projects-in-progress	<u>10,582,916</u>	<u>9,319,870</u>
	<u>284,606,493</u>	<u>264,205,460</u>
<b>Accumulated depreciation</b>		
Land improvements	5-20	4,442,359
Buildings and leasehold improvements	10-40	33,758,579
Equipment		
Fixed	5-25	37,115,472
Major movable	2-15	<u>89,175,411</u>
	<u>164,491,821</u>	<u>145,520,952</u>
<b>Land, buildings, and equipment, net</b>	<u><u>\$ 120,114,672</u></u>	<u><u>\$ 118,684,508</u></u>

**HARRISON MEDICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 5 - Land, Buildings, and Equipment**

In December 2007, the Medical Center sold the South Kitsap Campus land and building, as well as adjacent land held for future use, for \$7,000,000, which resulted in a gain of \$2,588,711. The Medical Center leased back a portion of the building from the purchaser to continue providing services. As a result, \$1,070,689 of the gain on sale was deferred and is being recognized over the 10-year life of the lease. As of April 30, 2012 and 2011, the unrecognized portion of the deferred gain was \$597,801 and \$704,870, respectively.

Equipment under capital lease is included in major movable equipment, above, at a total cost of \$2,216,416 at April 30, 2012 and 2011, with accumulated amortization of \$775,746 and \$332,462, respectively. Amortization expense for this equipment was \$443,284 and \$332,462 in 2012 and 2011, and is included in depreciation expense on the statements of operations.

**Note 6 - Long-Term Debt**

	<u>2012</u>	<u>2011</u>
Revenue bonds, Washington Health Care Facilities Authority 1994 Series, 5.30% to 5.40%, payable through August 2023.	\$ 17,180,000	\$ 18,185,000
Revenue bonds, Washington Health Care Facilities Authority 1998 Series, 5.25%, payable through August 2028, net of unamortized bond discount of \$535,073 and \$576,341, respectively.	39,169,927	40,183,659
Revenue bonds, Washington Health Care Facilities Authority 2010 Series, 4.89% with an option to convert to a variable rate at the Medical Center's request, payable through April 2030.	28,095,000	29,070,000
Capital lease payable to equipment financing company, due in monthly principal and interest payments of \$41,314, including interest at 4.49%, through September 2015. Loan is secured by equipment.	<u>1,425,387</u>	<u>1,844,991</u>
Less current portion	<u>85,870,314</u> <u>(3,623,845)</u>	<u>89,283,650</u> <u>(3,454,604)</u>
	<u><u>\$ 82,246,469</u></u>	<u><u>\$ 85,829,046</u></u>

# HARRISON MEDICAL CENTER

## NOTES TO FINANCIAL STATEMENTS

---

### Note 6 - Long-Term Debt (continued)

Under the terms of the debt agreements, the Medical Center established funds for the deposit of principal and interest payments (bond funds) and a debt service reserve fund. At April 30, the balances of these trustee-held funds are as follows, which are included within assets whose use is limited by trustees:

	2012	2011
Bond fund	\$ 1,082,519	\$ 1,030,308
Debt service reserve fund	5,082,089	5,082,000
Project fund	<u>2,001,344</u>	<u>9,571,012</u>
	 <u>\$ 8,165,952</u>	 <u>\$ 15,683,320</u>

The maturities by year of the revenue bonds are as follows:

2013	\$ 3,185,000
2014	3,345,000
2015	3,515,000
2016	3,700,000
2017	3,885,000
Thereafter	<u>67,350,000</u>
	84,980,000
Less unamortized bond discount	<u>(535,073)</u>
	 <u>\$ 84,444,927</u>

The revenue bonds are collateralized by gross receivables, certain equipment, the Bremerton facility, and adjacent parking property.

The revenue bonds are subject to certain covenants, the most restrictive of which is that the Medical Center must maintain a minimum debt service coverage ratio of 1.25 to 1. The Medical Center is in compliance with the related covenants at April 30, 2012.

Future minimum lease payments and the present value of net minimum lease payments are as follows:

2013	\$ 495,768
2014	495,768
2015	495,768
2016	<u>53,717</u>
	1,541,021
Less amount representing interest	<u>(115,634)</u>
	 <u>\$ 1,425,387</u>

## **HARRISON MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS**

---

### **Note 7 - Defined Benefit Plan**

The Medical Center maintains a contributory defined benefit pension plan. The benefits for this plan are based primarily on years of service and employees' pay near retirement. The accumulated benefit information is determined by an actuary based on beginning-of-the-year assumptions. Assumptions used are based on historical investment returns and wage increases. It is the Medical Center's policy to make contributions to the plan in accordance with the requirements prescribed by the Employee Retirement Income Security Act of 1974. Contributions to the plan from the Medical Center were \$3,850,000 and \$2,641,000 during 2012 and 2011, respectively. Benefits paid by the plan were \$3,492,000 and \$2,927,000 during 2012 and 2011, respectively. The Medical Center expects to transfer approximately \$3,300,000 to the plan during 2012.

The Medical Center accounts for the difference between the projected benefit obligations and the fair value of the plan's assets as either an asset or liability on the balance sheets. Changes are recorded as an increase/decrease to obligations under pension plan on the balance sheets and as a separate line increasing/decreasing unrestricted net assets, separate from expenses, and outside the performance indicator on the statements of changes in net assets. The change in obligations under pension plan was an increase in liability and decrease in net assets of \$28,579,019 for the plan year ended April 30, 2012. The change in obligations under pension plan was a decrease in liability and increase in net assets of \$15,375,594 for the plan year ended April 30, 2011.

The plan's eligibility provisions were amended for employees of all Medical Center union groups in fiscal year 2006. Employees who satisfied the eligibility requirements prior to the amended date could choose whether to participate in the plan or begin participating in the new Harrison Retirement and Savings Program. Employees becoming eligible on and after that date automatically participate in the new retirement program.

The plan was amended in fiscal year 2011 to freeze benefit accruals effective December 31, 2010, for all participants.

# HARRISON MEDICAL CENTER

## NOTES TO FINANCIAL STATEMENTS

---

### Note 7 - Defined Benefit Plan (continued)

Net periodic pension cost included the following:

	2012	2011
Change in benefit obligation		
Projected benefit obligation at beginning of year	\$ 111,318,615	\$ 110,842,298
Service cost	-	3,693,377
Interest cost	6,064,430	5,760,070
Participant contributions	-	482,421
Amendments	-	(11,693,145)
Benefits paid	(3,491,918)	(2,926,744)
Actuarial loss	18,548,279	5,160,338
Projected benefit obligation at April 30	<u>132,439,406</u>	<u>111,318,615</u>
Change in plan assets		
Fair value of plan assets at May 1	98,960,783	83,490,922
Actual return on plan assets	(2,299,323)	15,273,110
Employer contributions	3,850,310	2,641,074
Participant contributions	-	482,421
Benefits paid	(3,491,918)	(2,926,744)
Fair value of plan assets at April 30	<u>97,019,852</u>	<u>98,960,783</u>
Funded status at end of year	<u>\$ (35,419,554)</u>	<u>\$ (12,357,832)</u>

Amounts recognized in the balance sheets consist of:

	2012	2011
Noncurrent liabilities	<u>\$ 35,419,554</u>	<u>\$ 12,357,832</u>

Amounts recognized in the statements of changes in net assets consist of:

	2012	2011
Net loss	\$ (52,281,553)	\$ (24,477,826)
Prior service credit	<u>16,854,826</u>	<u>17,630,118</u>
	<u><u>\$ (35,426,727)</u></u>	<u><u>\$ (6,847,708)</u></u>

The accumulated benefit obligation for the defined benefit pension plans was \$132,439,000 and \$111,319,000 at April 30, 2012 and 2011, respectively.

**HARRISON MEDICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 7 - Defined Benefit Plan (continued)**

Components of net periodic benefit cost included:

	<u>2012</u>	<u>2011</u>
Components of net periodic benefit cost		
Service cost - benefits earned during the year	\$ -	\$ 3,693,377
Interest cost on projected benefit obligation	6,064,430	5,760,070
Expected return on plan assets	(7,398,082)	(6,323,169)
Net amortization and deferral	(775,292)	(775,292)
Loss	441,957	667,994
Net periodic pension cost	<u>\$ (1,666,987)</u>	<u>\$ 3,022,980</u>

Assumptions used in the accounting for years 2012 and 2011 were:

	<u>2012</u>	<u>2011</u>
Discount rate	4.47%	5.57%
Rate of increase in compensation levels	N/A	N/A
Long-term rate of return on plan assets	7.13%	7.38%

Management instituted a balanced investment strategy. Effective February 21, 2007, the Medical Center modified the target asset allocation to be 43% domestic equity securities, 20% international equity securities, 27% debt securities, and 10% real estate. Asset allocations, as of their respective measurement dates in 2012 and 2011, are as follows:

Asset Category	Percentage of Plan Assets at April 30,	
	<u>2012</u>	<u>2011</u>
Cash	1%	1%
Domestic equity securities	47%	47%
International equity securities	18%	20%
Debt securities	29%	26%
Real estate	5%	6%
	<u>100%</u>	<u>100%</u>

Estimated benefits expected to be paid to plan beneficiaries are as follows:

2013	\$ 3,529,000
2014	3,869,000
2015	4,253,000
2016	4,700,000
2017	5,268,000
2018 through 2022	35,349,000

## **HARRISON MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS**

---

### **Note 8 - Defined Contribution Plan**

The Medical Center established a contributory defined contribution plan (the Plan) on March 1, 2005. During fiscal year 2006, all five bargaining employee groups have chosen to participate in the Plan. The Plan is called the "Harrison Retirement and Savings Program." The Plan year commences each January 1 and ends on the following December 31. Substantially all employees who are employed by the Medical Center are eligible to make employee elective deferral contributions (403(b)), subject to Plan restrictions.

Eligible employees in the Plan may receive employer-matching contributions, and there is no minimum age or service requirements to satisfy. The employer-matching contributions will equal 50% of the employee elective deferral contributions up to 4% of the employee compensation.

In addition, eligible employees will receive employer discretionary contributions made on behalf of the employee without regard to the amount of employee elective deferral contributions. There are service requirements that must be satisfied in order to be eligible for the employer discretionary contributions.

The defined contribution expense was \$6,920,515 and \$3,709,458 for the years ended April 30, 2012 and 2011, respectively.

### **Note 9 - Executive and Physician Benefit Plan**

The Medical Center has nonqualified deferred compensation plans covering certain key members of senior management, as well as certain specialty physicians. These defined compensation plans provide benefits to these individuals including life insurance and the ability to defer a portion of their earnings. The assets of the deferred compensation plan are held in trust for those individuals. The amount included in funds held by trustees in assets whose use is limited on the accompanying balance sheets at April 30, 2012 and 2011, was \$3,171,000 and \$3,229,000, respectively.

### **Note 10 - Fair Value of Financial Instruments**

The following methods and assumptions were used by the Medical Center in estimating the fair value of its financial instruments:

**Cash and cash equivalents** - The carrying amount reported in the balance sheets for cash and cash equivalents approximates their fair value.

**Assets whose use is limited** - These assets consist primarily of cash, investments, and interest receivable. The carrying amount reported in the balance sheets is fair value.

## HARRISON MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS

---

### **Note 10 - Fair Value of Financial Instruments (continued)**

**Accounts payable and accrued expenses** - The carrying amount reported in the balance sheets for accounts payable and accrued expenses approximates their fair value.

**Estimated third-party payor settlements** - The carrying amount reported in the balance sheets for estimated third-party payor settlements approximates their fair value.

**Long-term debt** - Fair values of the Medical Center's bonds are based on current traded value. The fair value of the Medical Center's remaining long-term debt is estimated using discounted cash flow analyses, based on the Medical Center's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Medical Center's financial instruments at April 30 are as follows:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 21,209,330	\$ 21,209,330	\$ 13,136,840	\$ 13,136,840
Receivable from contractual agencies, net	1,213,857	1,213,857	2,321	2,321
Assets whose use is limited				
Board-designated cash and investments	138,590,291	138,590,291	141,674,849	141,674,849
Board-designated investment in joint ventures	726,448	726,448	781,441	781,441
Funds held by trustees	20,258,794	20,258,794	27,480,438	27,480,438
Land held for future use	8,072,226	8,072,226	8,272,226	8,272,226
Donor-restricted	61,711	61,711	17,952	17,952
Accounts payable and accrued liabilities	46,097,078	46,097,078	35,419,215	35,419,215
Long-term debt	86,405,387	86,533,328	89,859,991	85,691,158

# HARRISON MEDICAL CENTER

## NOTES TO FINANCIAL STATEMENTS

---

### Note 10 - Fair Value of Financial Instruments (continued)

The following table discloses by level the fair value hierarchy at April 30, 2012 and 2011, discussed in Note 2:

2012	Level 1	Level 2	Level 3	Total
Board-designated				
Cash and short-term investments	\$ 1,788,432	\$ -	\$ -	\$ 1,788,432
U S Treasury obligations	11,184	-	-	11,184
Marketable equity securities				
Small/Mid Cap U S Equity	20,724,714	-	-	20,724,714
Large Cap U S Equity	32,139,697	-	-	32,139,697
International equity	9,629,766	-	-	9,629,766
Real estate investment trusts	3,682,075	-	-	3,682,075
Fixed income	-	47,865,361	-	47,865,361
Real return	-	13,605,932	-	13,605,932
Nonmarketable equity securities				
International equity	-	9,136,957	-	9,136,957
Interest and dividends receivable	-	6,149	-	6,149
Held by trustees				
Cash and short-term investments	1,005,484	-	-	1,005,484
U S Treasury obligations	8,163,160	-	-	8,163,160
Marketable equity securities				
Small/Mid Cap U S Equity	1,487,878	-	-	1,487,878
Large Cap U S Equity	2,524,104	-	-	2,524,104
Fixed income	-	6,373,010	-	6,373,010
Real return	-	542,809	-	542,809
Nonmarketable equity securities				
International equity	162,349	-	-	162,349
Donor-restricted				
Cash and short-term investments	61,711	-	-	61,711
	<hr/> <u>\$ 81,380,554</u>	<hr/> <u>\$ 77,530,218</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ 158,910,772</u>
<b>2011</b>				
Board-designated				
Cash and short-term investments	\$ 1,451,071	\$ -	\$ -	\$ 1,451,071
U S Treasury obligations	12,151	-	-	12,151
Marketable equity securities				
Small/Mid Cap U S Equity	21,126,267	-	-	21,126,267
Large Cap U S Equity	32,980,413	-	-	32,980,413
Fixed income	-	44,190,247	-	44,190,247
Real return	-	12,677,797	-	12,677,797
Nonmarketable equity securities				
International equity	-	23,849,155	-	23,849,155
Real estate investment trusts				
Core	-	3,563,588	-	3,563,588
Value-added	-	1,816,108	-	1,816,108
Interest and dividends receivable	-	8,053	-	8,053
Held by trustees				
Cash and short-term investments	1,012,692	-	-	1,012,692
U S Treasury obligations	15,680,177	-	-	15,680,177
Marketable equity securities				
Small/Mid Cap U S Equity	1,506,940	-	-	1,506,940
Large Cap U S Equity	2,409,727	-	-	2,409,727
Fixed income	-	5,960,674	-	5,960,674
Real return	-	486,441	-	486,441
Nonmarketable equity securities				
International equity	-	423,787	-	423,787
Donor-restricted				
Cash and short-term investments	17,952	-	-	17,952
	<hr/> <u>\$ 76,197,390</u>	<hr/> <u>\$ 92,975,850</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ 169,173,240</u>

## **HARRISON MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS**

---

### **Note 11 - Professional Liability Insurance**

The Medical Center maintains a self-insured program for professional and general liability insurance. Self-insurance retention limits from August 1, 2006, through August 1, 2011, are \$1,500,000 per claim and \$4,500,000 in aggregate and are \$1,000,000 per claim and \$4,000,000 in aggregate for dates prior to August 1, 2006. The Medical Center purchases excess professional and general liability insurance coverage on a claims-made basis above the self-insured limits. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The estimated ultimate liability and the related contributions to the fund are based upon an independent actuarial determination. At April 30, 2012 and 2011, this liability of the anticipated future payments on gross claims is estimated at its present value of \$9,202,695 and \$12,145,675, respectively.

The Medical Center funds a trust for professional liability claims to at least the minimum levels acceptable to its primary and excess insurance carrier funding requirements. At April 30, 2012 and 2011, the amount held in trust and included in funds held by trustees in assets whose use is limited on the accompanying balance sheets was \$5,276,239 and \$5,098,270, respectively.

### **Note 12 - Workers' Compensation**

The Medical Center maintains a self-insurance program for workers' compensation. Insurance policies through commercial carriers are in place to provide coverage for claims in excess of self-insurance limits. The Medical Center is required by the state of Washington to fund a surety bond or establish an escrow account to maintain a self-insured workers' compensation program. The escrow account maintained by the Medical Center at April 30, 2012 and 2011, was approximately \$3,646,000 and \$3,470,000, respectively, and is recorded in funds held by trustees in assets whose use is limited on the accompanying balance sheets. At April 30, 2012 and 2011, the liability for estimated future claims cost, as reduced for excess self-insured limits included in accrued liabilities on the accompanying balance sheets, was \$3,257,737 and \$3,537,308, respectively.

### **Note 13 - Self-Insured Health Plan Liability**

Eligible employees and their covered dependents are provided medical, dental, and vision coverage through a combination of several programs, purchased and self-insured. Health plan coverage is funded through employee and employer contributions. Effective October 1, 2004, the Medical Center adopted a self-insured health plan arrangement, which covers a significant portion of the employees. Self-insured health insurance costs for 2012 and 2011 were \$12,294,380 and \$12,095,561, respectively. The Medical Center has established a reserve for its self-insured health plan costs to offset claims incurred but not submitted. The balance of this reserve at April 30, 2012 and 2011, was \$1,328,909 and \$1,177,060, respectively.

## **HARRISON MEDICAL CENTER**

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **Note 14 - Commitments and Contingencies**

**Operating leases** - The Medical Center leases certain facilities and equipment under operating lease arrangements. Total rental expense in 2012 and 2011 for all operating leases was \$3,763,000 and \$2,855,000, respectively. The following is a schedule by year of future minimum lease payments as of April 30, 2012:

2013	\$ 3,635,000
2014	3,247,000
2015	2,796,000
2016	2,141,000
2017	2,125,000
Thereafter	<u>6,773,000</u>
	 <u>\$ 20,717,000</u>

**Commitments** - The Medical Center has committed to various equipment, improvements, and information technology acquisitions and implementations. As of April 30, 2012, the future commitments for these items total approximately \$5,000,000.

**Litigation and regulatory environment** - The health care industry is subject to numerous 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 programs' participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Medical Center is in compliance with the fraud and abuse regulations, as well as other applicable government laws and regulations. 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.

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

## **HARRISON MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS**

---

### **Note 15 - Concentration of Credit Risk**

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at April 30, 2012 and 2011, was as follows:

	<u>2012</u>	<u>2011</u>
Medicare	40%	37%
Medicaid	9%	12%
Other third-party payors	37%	39%
Self-pay	<u>14%</u>	<u>12%</u>
	<u><u>100%</u></u>	<u><u>100%</u></u>

### **Note 16 - Functional Expenses**

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

	<u>2012</u>	<u>2011</u>
Health care services	\$ 229,190,029	\$ 230,156,874
General and administrative	55,765,605	51,226,131
Physician services	<u>51,617,238</u>	<u>44,830,232</u>
 Total operating expenses	 <u><u>\$ 336,572,872</u></u>	 <u><u>\$ 326,213,237</u></u>

### **Note 17 - Harrison Medical Center Foundation**

The Harrison Medical Center Foundation (the Foundation) is a not-for-profit organization located in Bremerton, Washington. It exists to support Harrison Medical Center with fund-raising activities and to enhance the community's awareness of the Medical Center. Funds are distributed to the Medical Center as determined by the Foundation's board of directors.

# HARRISON MEDICAL CENTER

## NOTES TO FINANCIAL STATEMENTS

---

### **Note 17 - Harrison Medical Center Foundation (continued)**

A summary of the Foundation's assets, liabilities, net assets, results of operations, and changes in net assets follows. The Medical Center's interest in the net assets of the Foundation is reported as a noncurrent asset on the balance sheets.

	As of and for the Year Ended December 31, 2011	As of and for the Year Ended April 30, 2011
<b>Assets</b>		
Cash and investments	\$ 6,918,954	\$ 6,024,268
Pledge of building	12,000,000	12,000,000
Other assets	<u>1,642,527</u>	<u>2,644,946</u>
 Total assets	 <u>\$ 20,561,481</u>	 <u>\$ 20,669,214</u>
 <b>Liabilities</b>		
Unrestricted net assets	\$ 3,410,629	\$ 3,405,904
Temporarily restricted net assets	2,506,343	2,493,681
Permanently restricted net assets	<u>12,658,411</u>	<u>12,823,830</u>
 Total liabilities and net assets	 <u>\$ 20,561,481</u>	 <u>\$ 20,669,214</u>
 Support and revenue		
Expenses	\$ 1,567,124	\$ 11,737,770
	<u>1,679,582</u>	<u>1,839,058</u>
 Excess of support and revenue over expenses	 (112,458)	 9,898,712
 Net assets, beginning of year	 <u>17,263,310</u>	 <u>7,364,598</u>
 Net assets, end of year	 <u>\$ 17,150,852</u>	 <u>\$ 17,263,310</u>

Liabilities include \$6,998 and \$11,097 payable to Harrison Medical Center at December 31, 2011 and April 30, 2011, respectively. These amounts were paid after the end of the year.

During fiscal years 2012 and 2011, the Medical Center recorded as contributions and received cash funding of approximately \$535,072 and \$405,205, respectively, from the Harrison Medical Center Foundation, which funded both capital purchases and operations. During fiscal year 2012, Harrison Medical Center Foundation provided significant support for the Medical Center's nurse residency program.

## **HARRISON MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS**

---

### **Note 17 - Harrison Medical Center Foundation (continued)**

During 2011, the Foundation entered into a pledge agreement with a donor. Under that agreement, the donor pledged the interest in a limited liability company, which owns and operates a building on the Medical Center's Silverdale campus. As a condition of executing that agreement, the Medical Center provided \$3,002,844 to the limited liability company on behalf of the Foundation to pay off the bank note on the building. This amount has been recorded as a noncurrent asset on the balance sheets to reflect the asset that will be given to the Foundation to satisfy the pledge and then to the Medical Center, which is the ultimate beneficiary. Furthermore, the value of the pledged asset was determined to be approximately \$12,000,000 and the value is reflected on the balance sheets through an increase to the beneficial interest in the Foundation of \$8,997,156 and on the statements of changes in net assets as an increase to temporarily restricted net assets in the same amount.

Subsequent to April 30, 2012, the Medical Center was notified that the pledge agreement described above will be modified. The modification changes the pledge from irrevocable to revocable, provided the donor repays the \$3,002,844 associated with the building. The modification will result in a reversal of the pledge and recognition of an operating expense in the amount of \$8,997,156 on the Foundation's records and a corresponding reduction in the Medical Center's beneficial interest in the Foundation in fiscal year 2013. While reversal of the related pledge is required because the agreement became revocable, the related promise to give still exists.

**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 91-0565546  
**Name:** HARRISON MEDICAL CENTER

**Form 990, Special Condition Description:****Special Condition Description****Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)					(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee			
DAVID VETERANE CHAIR	6 00	X		X			0	0	0
JAMES CIVILLA VICE CHAIR	2 00	X		X			0	0	0
JAMES SMALLEY SECRETARY / TREASURER	2 00	X		X			0	0	0
GORDON CROMWELL CHIEF OF STAFF	2 00	X		X			24,920	0	0
FRED BARRETT TRUSTEE	2 00	X					0	0	0
GRIFFITH BLACKMON TRUSTEE	2 00	X					0	0	0
CARL CRAMER TRUSTEE	2 00	X					0	0	0
MARY GARGUILE TRUSTEE	2 00	X					0	0	0
RUTH HANSTEN TRUSTEE	2 00	X					0	0	0
GREGORY HENDERSON TRUSTEE	2 00	X					193	0	0
LINDA STREISSGUTH TRUSTEE	2 00	X					0	0	0
RON MUHLEMAN TRUSTEE	2 00	X					0	0	0
KELLY NELSON TRUSTEE	2 00	X					0	0	0
JOAN SORIANO TRUSTEE	2 00	X					0	0	0
RICK TIIFT TRUSTEE	2 00	X					0	0	0
JOHN WALLEN PAST CHAIR	2 00	X					0	0	0
ADAR PALIS EXEC VP & CAO	50 00			X			422,169	0	69,165
PATRICIA COCHRELL EXEC VP & COO	50 00			X			363,175	0	61,070
SANDON K SAFFIER CHIEF MEDICAL OFFICER	50 00			X			306,648	0	64,799
FORREST G EHLINGER VICE PRESIDENT / CFO	50 00			X			275,043	0	44,874
SCOTT BOSCH PRESIDENT & CEO	60 00			X			770,518	0	221,591
MARIEL KAGAN VP & CHIEF LEGAL OFFICER	50 00				X		296,979	0	57,401
MALCOLM W WINTER PHYSICIAN	40 00					X	1,110,917	0	34,256
RONALD ROBERT REIMER PHYSICIAN	40 00					X	1,059,503	0	29,543
DENNIS MICHAEL WILLERFORD PHYSICIAN	40 00					X	1,030,287	0	38,335

**Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)					(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee Or director	Institutional Trustee	Office	Key employee	Highest compensated employee			
JOSEPH LOWELL JOHNSON PHYSICIAN	40 00				X		795,458	0	36,343
ANNE MURPHY PHYSICIAN	40 00				X		557,298	0	34,839
CYNTHIA MAY CNO & DIR NURSING	40 00					X	216,715	0	31,974
RICHARD SMITH INTERIM CFO	40 00					X	151,957	0	32,229
THOMAS KRUSE VP & CHIEF STRATEGY OFFICER	0 00					X	139,191	0	9,016