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DLN: 93493134036493

Department of the Treasury

Return of Organization Exempt From Income Tax

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

OMB No 1545-0047

	nue Service	► The organization may have to use a copy of this return to satisfy sta			Inspection
A Forth	e 2011 ca	lendar year, or tax year beginning 07-01-2011 and ending 06-30-2012	-	D Employer iden	tification number
Check if		C Name of organization FLAGSTAFF MEDICAL CENTER			
Address	_	Doing Business As	- -	86-0110232 E Telephone nun	
Name cl —	-			(928)779-3	366
Initial re — Termina		Number and street (or P O box if mail is not delivered to street address) Room/suite POST OFFICE BOX 1268		G Gross receipts \$	
– Amende		City or town, state or country, and ZIP + 4	-		
_	on pending	FLAGSTAFF, AZ 860021268			
пррпоск	ion ponumg	F Name and address of principal officer	H(a) In this	s a group return	£
		WILLIAM T BRADEL	affiliat		⊤Yes ▼ No
		1200 N BEAVER ST FLAGSTAFF,AZ 86001	H(h) Are all	affiliates include	d? 「Yes 「No
					see instructions)
[Tax-exe	empt status	✓ 501(c)(3)		exemption num	
l Websi	te:► WW	W FLAGSTAFFMEDICALCENTER COM			
∢ Form of	organization	✓ Corporation Trust Association Other ►	L Year of for	mation 1936 M s	State of legal domicile AZ
Part I	Sum	mary	•	•	
1	,	escribe the organization's mission or most significant activities			
	TO PROV	VIDE PATIENTS WITH EXCEPTIONAL CARE WHILE TRANSFORMING	THE HEALT	TH OF THE COM	IMUNITIES WE
aonemanos 2	<u> </u>				
톨					
₹ ,	Chack th	us box ► If the organization discontinued its operations or disposed of	more than 21	50% of its not ass	ats
		of voting members of the governing body (Part VI, line 1a)	more than 2.		15
		of independent voting members of the governing body (Part VI, line 1b)		4	10
e ₹		mber of individuals employed in calendar year 2011 (Part V, line 2a)		5	(
<u> </u>		mber of volunteers (estimate if necessary)	• •	6	478
		related business revenue from Part VIII, column (C), line 12		7a	672,189
		lated business taxable income from Form 990-T, line 34		7b	0,2,203
		· · · · · · · · · · · · · · · · · · ·	Prior	Year	Current Year
8	Contril	butions and grants (Part VIII, line 1h)		895,347	824,192
≗ 9		m service revenue (Part VIII, line 2g)	3	45,652,747	359,213,831
Beyenue 10		ment income (Part VIII, column (A), lines 3, 4, and 7d)		6,741,488	2,735,190
å 11		revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		1,513,271	1,382,485
12		evenue—add lines 8 through 11 (must equal Part VIII, column (A), line	_		
			3	54,802,853	364,155,698
13		and similar amounts paid (Part IX, column (A), lines 1-3)		439,010	431,558
14		ts paid to or for members (Part IX, column (A), line 4)		0	0
\$ 15	5-10)	es, other compensation, employee benefits (Part IX, column (A), lines	1	57,735,070	154,615,373
是 (16) (16)	a Profes	sional fundraising fees (Part IX, column (A), line 11e)	0		0
ਲੀ∣ਾ	b Total fur	ndraising expenses (Part IX, column (D), line 25) ► 965,674			
_ 17	Other	expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	1	60,572,661	160,428,013
18		expenses Add lines 13-17 (must equal Part IX, column (A), line 25)		18,746,741	315,474,944
19	Reveni	ue less expenses Subtract line 18 from line 12		36,056,112	48,680,754
Fund Basances 70 71 72 72 72 72 72 72 72 72 72 72 72 72 72				of Current ear	End of Year
9 4 20	Total a	issets (Part X, line 16)	5	15,025,482	549,242,471
문법 문항 21		iabilities (Part X, line 26)	1	99,493,255	217,039,517
₩ <u>₽</u> 22	Net as	sets or fund balances Subtract line 21 from line 20	3	15,532,227	332,202,954
Part I	Sign	ature Block			
	e and belief	erjury, I declare that I have examined this return, including accompanying sch f, it is true, correct, and complete. Declaration of preparer (other than officer)	is based on a	II information of t	
Sign	Signa	ture of officer	Dat	13-05-13 te	
Here		KUZMA VICE PRESIDENT/CFO			
		or print name and title			
	Preparer'	3 h	eck if		er identification number
Paid	signature	sel	f- ployed ▶ —	(see instructions)	
alu	1				
Preparer'	S Firm's na	me (or yours և ERNST & YOUNG US LLP			
	, If self-en	nployed),		EIN ▶	
Preparer'	, If self-en			EIN ▶ Phone no ▶ (602	2) 322-3000

						r age z
Par		of Program Servedule O contains a res		lishments lestion in this Part III		
1	Briefly describe the	organization's missio	on .			
_	ROVIDE PATIENTS	WITH EXCEPTIONA	L CARE WHILE	TRANSFORMING THE	HEALTH OF THE COMMU	JNITIES WE SERVE
	D. J. H					
2				rvices during the year	which were not listed on	☐ Yes 🔽 No
	•	ese new services on S				, 105 , 110
3				t changes in how it con	iducts any program	
•					· · · · · · ·	┌ Yes ┌ No
	If "Yes," describe the	ese changes on Sche	dule O			
4	expenses Section 5	01(c)(3) and 501(c)	(4) organızatıons	and section 4947(a)(ee largest program service 1) trusts are required to re n program service reported	port the amount of
	(Code) (Expenses \$	276,577,437	ıncludıng grants of \$	431,558) (Revenue \$	360,534,023)
	SEE SCHEDULE O	, (,,	, , , , , , , , , , , , , , , , , , ,	, , , , , , , , , , , , , , , , , , , ,	,,
4b	(Code) (Expenses \$		ıncludıng grants of \$) (Revenue \$)
	· 					
	-					
4 c	(Code) (Expenses \$		including grants of \$) (Revenue \$)
	0.11	<u> </u>				
4d	· -	ices (Describe in Sc 		· .) (Davianus +	`
	(Expenses \$		cluding grants of) (Revenue \$)
4e	Total program servi	ice expenses ⊩ \$	276,577,43	7		

art IV	Checklis	t of	Required	Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 🕏	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3		No
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts 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	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V	10	Yes	
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			
а	Did the organization report an amount for land, buildings, and equipment in Part X, line10? If "Yes," complete Schedule D, Part VI.	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.	11b		No
C	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX.	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X.	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X.	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If</i> "Yes," complete Schedule D, Parts XI, XII, and XIII	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(II)? If "Yes," complete Schedule E	13		No
	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Part I	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S? If "Yes," complete Schedule F, Part II and IV.	15		No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Part III and IV	16		No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I	17		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	Yes	
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19		No
20a	Did the organization operate one or more hospitals? If "Yes," complete Schedule H	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Par	t 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 \blacksquare	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	Yes	
C	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I	25b		N o
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)			
а	A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28b	Yes	
С	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	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule Ma	29	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? If "Yes," complete Schedule R, Part I	33		No
34	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
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	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI	37		N o
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	
		F	orm 990	(2011)

	,
Part V	Statements Regarding Other IRS Filings and Tax Compliance

	Check if Schedule O contains a response to any question in this Part V		. [고	
			Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0 - if not applicable			
J	Enter the number of Forms W. 2C uncluded in line 15. Enter C. if not applicable.			
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable 1b 0			
С	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable			
2~	gaming (gambling) winnings to prize winners?	1c	Yes	
2a	Statements filed for the calendar year ending with or within the year covered by this			
	return			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b		
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the			
_	year?	3a	Yes	
	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities			
	account)?	4a		Νo
b	If "Yes," enter the name of the foreign country 🕨			
	See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts			
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	Yes	
	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	, 03	No
		5D		
С	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c		No
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the	6a		Νo
Į.	organization solicit any contributions that were not tax deductible?			
D	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7	Organizations that may receive deductible contributions under section 170(c).			
а	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and	7a	Yes	
L	services provided to the payor?	7b	Yes	
	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to	70	165	
	file Form 8282?	7c		Νo
d	If "Yes," indicate the number of Forms 8282 filed during the year			
6	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit			
Č	contract?	7e		Νo
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7 f		Νo
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a	79		
-	Form 1098-C?	7h		
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did			
	the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8		
9	Sponsoring organizations maintaining donor advised funds.			
а	Did the organization make any taxable distributions under section 4966?	9a		
	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
10	Section 501(c)(7) organizations. Enter			
а	Initiation fees and capital contributions included on Part VIII, line 12 10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club			
1.	facilities Section 501(c)(12) organizations Enter			
11 a	Section 501(c)(12) organizations. Enter Gross income from members or shareholders			
	Gross income from other sources (Do not net amounts due or paid to other			
_	sources against amounts due or received from them)			
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a		
	If "Yes," enter the amount of tax-exempt interest received or accrued during the			
-	year 12b			
13	Section 501(c)(29) qualified nonprofit health insurance issuers.			
а	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue			
	qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization	12-		
	allocated to each state	13a		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans			
c	Enter the aggregate amount of reserves on hand			
	13c	ایما		
	Did the organization receive any payments for indoor tanning services during the tax year?	14a		No
D	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.

Se	ection A. Governing Body and Management			
			Yes	No
_				
1a	Enter the number of voting members of the governing body at the end of the tax year			
b	Enter the number of voting members included in line 1a, above, who are independent			
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?.	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	5		No
6	Did the organization have members or stockholders?	6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	-	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
а	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No
Se	ection B. Policies (This Section B requests information about policies not required by the Internal			
Re	evenue Code.)			
			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review the Form 990			
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes	
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes	
13	Did the organization have a written whistleblower policy?	13	Yes	
14	Did the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
а	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)			
				1
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes	
b	If "Yes," 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			11
	organization's exempt status with respect to such arrangements?	16b	Yes	
	ection C. Disclosure			
17	List the States with which a copy of this Form 990 is required to be filed. AZ			
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)			

Own website Another's website V Upon request

- 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
- State the name, physical address, and telephone number of the person who possesses the books and records of the organization 🕨 20 JOHN CORTESE

914 N SAN FRANCISCO SUITE M FLAGSTAFF, AZ 86001

(928) 214-3545

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

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

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

◆ 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

(A) Name and Title	(B) A verage hours per week (describe hours	unles ar	on (d e tha	n on son er a	e bo is b nd a stee	ox, ooth ((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
	for related organizations in Schedule	Individual trustee or director	Institutional Trustee	Officei	Ke) employee	Highest compensated employee	Former		11130)	organizations
(1) ANDREW ALDRIDGE MD DIRECTOR	1 0	х						0	4,200	0
(2) WILLIAM AUSTIN MD DIRECTOR	2 3	х						0	66,517	0
(3) CHRIS BAVASI DIRECTOR/CHAIRMAN	2 5	х		Х				0	0	0
(4) GARY CHRISTENSEN MD DIRECTOR	75	х						0	0	0
(5) JAMES DORMAN DIRECTOR/VICE-CHAIR	3 0	х		Х				0	0	0
(6) WAYNE FOX DIRECTOR	1 75	х						0	0	0
(7) L GEORGE HERSHEY DO DIRECTOR	6	х						0	0	0
(8) WILLIAM JEFFERS DIRECTOR	2 4	х						0	0	0
(9) TODD LEWIS MD DIRECTOR - MEDICAL STAFF PRES	1 0	х						0	30,000	0
(10) ROBERT M MONTOYA DIRECTOR/PAST CHAIR	2 75	х		Х				0	0	0
(11) MOLLY MUNGER DIRECTOR	75	х						0	0	0
(12) STEVE PERU DIRECTOR/SECRETARY/TREASURER	5	х		Х				0	0	0
(13) RICHARD HAYS DIRECTOR	1 5	х						0	15,468	0
(14) GUADALUPE WOODSON FNP DIRECTOR	1 8	х						0	0	0
(15) WILLIAM T BRADEL DIRECTOR/PRESIDENT/CEO	30 0	х		Х				0	624,764	27,853
(16) BERT MCKINNON DIRECTOR (PARTIAL YEAR)	1 9	Х		Х				0	0	0
(17) GREGORY KUZMA VP FINANCE/CFO	14 0			Х				0	401,576	212,390

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

(A) Name and Title	(B) A verage hours per week (describe hours	unles an	on (d e thai	n on son er ai	e bo is bo nd a stee	x, oth)		(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	
	for related organizations in Schedule O)	Individual trustee or director	Institutional Trustee	Officei	Ke) emplojee	Highest compensated employee	Former		11130)	organizations	
(18) JOHN J DEMPSEY EXECUTIVE VP LAW & ETHICS	14 0			Х				0	430,982	175,204	
(19) STEVEN W LEWIS MD CHIEF MEDICAL OFFICER	40 0				х			0	438,562	22,667	
(20) ROGER S SCHULER VP ANCILLARY SERVICES	40 0				Х			0	266,756	198,060	
(21) MARILYNN P BELCHER CNO/VP PATIENT CARE SERVICES	40 0				х			0	240,454	25,399	
(22) RICHARD A SMITH VP DEVELOPMENT	40 0				Х			0	206,696	14,581	
(23) KAI R MCSWAIN VP PROFESSIONAL SERVICES	40 0				Х			0	216,839	24,248	
(24) ERIC D COHEN MD PHYSICIAN	40 0					Х		0	653,090	25,793	
(25) STEVEN M PETERSON MD PHYSICIAN	40 0					Х		0	743,865	22,227	
(26) OMAR R WANI MD PHYSICIAN	40 0					Х		0	743,674	21,608	
(27) JAMES G DWYER MD PHYSICIAN	40 0					х		0	776,754	22,069	
(28) MARK E DONNELLY MD PHYSICIAN	40 0					Х		0	744,217	24,838	
1b Sub-Total			•	•			F				
c Total from continuation sheets	to Part VII, Sect	ion A					•				
d Total (add lines 1b and 1c) .						į.	►	0	6,604,414	816,937	

			Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If</i> " <i>Yes,"</i> complete Schedule <i>J</i> for such individual	3		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual	4	Yes	
		_	165	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule I for such person $\cdot \cdot \cdot \cdot \cdot \cdot$.	5		No

Section B. Independent Contractors

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
FOREST COUNTRY ANESTHESIA PO BOX 53301 PHOENIX, AZ 85072	MEDICAL SERVICES	2,430,000
COMPHEALTH PO BOX 972651 DALLAS, TX 75397	MEDICAL SERVICES	1,661,629
CRITICAL CARE CONSULTANTS PO BOX 967 FLAGSTAFF, AZ 86002	MEDICAL SERVICES	1,375,000
CAREFUSION SOLUTIONS 25082 NETWORK PLACE CHICAGO, IL 60673	MEDICAL SERVICES	1,393,904
NORTHERN ARIZONA ORTHOPAEDICS 1485 N TURQUOISE DRIVE STE 200 FLAGSTAFF, AZ 86001	MEDICAL SERVICES	1,265,070
2 Total number of independent contractors (including but not limited to those listed above	ve) who received more than	

Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►46

Part V		Statement of	Revenue					
					(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512,513,or 514
Contributions, gifts, grants and other similar amounts	1a	Federated camp	aigns 1a					
호호	ь	Membership due	es 1b					
Σ <u>ξ</u>	С	Fundraising ever	nts 1c	148,141				
≝≝	d	Related organiza	ations 1d					
<u>~</u>	e	Government grants		221,047				
瓮	f	All other contribution	ns, gifts, grants, and 1f	455,004				
重量	'	sımılar amounts not	included above					
≘蒙	g		outions included in .378					
물	١.	lines 1a-1f \$	1 - 1 f		824,192			
ပဏ	h	iotai. Add lines	1a-1f		024,172			
<u>a</u>				Business Code				
Ę.	2a	PATIENT SERVICES		622110	326,572,143	326,572,143		
æ	b	PHARMACY		446110	3,434,801	2,798,375	636,426	
9	c	CAFETERIA		722310	1,653,926	1,653,926		
₹	d	MOB/INTERCOMP R	ENT	531120	1,111,909	1,111,909		
Program Service Revenue	e	PHYSICIAN REVENU		900099	26,132,348	26,132,348		
E E	f		m service revenue	200033	308,704	272,941	35,763	
္နို					300,704	2,2,341	55,705	
	g	Total. Add lines	2a-2f	▶	359,213,831			
	3		me (including dividen					
			ramounts)		1,467,340			1,467,340
	4	Income from investi	ment of tax-exempt bond	proceeds 🕨	0			
	5	Royalties			0			
	_	-	(ı) Real	(II) Personal				
	6a	Gross rents Less rental	59,956					
	b	expenses						
	С	Rental income or (loss)	59,956					
	d	· · · · · <u>-</u>	ne or (loss)	•	59,956			59,956
			(ı) Securities	(II) O ther				
	7a	Gross amount from sales of assets other	783,797	1,017,233				
	ь	than inventory Less cost or		533,180				
		other basis and sales expenses		,				
	l c	Gain or (loss)	783,797	484,053				
	d	Net gain or (loss	s)		1,267,850			1,267,850
Other Revenue	8a	Gross income from events (not inclused to 148,1 of contributions) See Part IV, line	uding 1 <u>41</u> reported on line 1c)					
τ.			a	114,270				
<u> </u>	ь	Less direct exp	enses b	111,933				
ŏ	c		ا oss) from fundraising		2,337			2,337
	9a	Gross income fro See Part IV, line	om gaming activities e 19 a					
	ь	Less direct exp						
	c		oss) from gaming acti	vities	o			
	10a	Gross sales of in returns and allow	nventory, less wances					
	Ь	Loca and f	a ode cold b					
	C	Less cost of go	ods sold . . b oss) from sales of inv	entory ►	0			
	⊢	Miscellaneous		Business Code				
	11a			900099	188,625	188,625		
		NON PATIENT		900099	356,454	356,454		
	b	PROGRAM FEES						
	C .	ADMIN PROCES		900099	213,880	213,880		
	d	All other revenue			561,233	561,233		
	e	Total. Add lines			1,320,192			
	12	iotal revenue. S	ee Instructions .	· · •	364,155,698	359,861,834	672,189	2,797,483

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

	heck it Schedule O contains a response to any question in this Part IX	· · · ·			<u></u>
	ot include amounts reported on lines 6b, o, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	431,558	431,558		_
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	6,622,934	5,726,777	792,809	103,348
6	Compensation not included above, to disqualified persons (as defined under section $4958(f)(1)$) and persons described in section $4958(c)(3)(B)$	0			
7	Other salaries and wages	115,231,628	109,933,994	4,831,354	466,280
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	8,598,618	8,206,143	357,931	34,544
9	Other employee benefits	6,752,565	6,444,354	281,083	27,128
10	Payroll taxes	17,409,628	16,614,983	724,703	69,942
11	Fees for services (non-employees)				
а	Management	179,749	179,749	0	0
b	Legal	894,617	49,232	712,044	133,341
c	Accounting	95,915	0	88,095	7,820
d	Lobbying	6,000	0	6,000	0
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	42,537	0	42,537	0
g	Other	34,666,351	34,034,466	602,232	29,653
12	Advertising and promotion	670,104	173,700	481,467	14,937
13	Office expenses	60,313,671	59,276,455	1,011,063	26,153
14	Information technology	698,958	476,196	222,762	0
15	Royalties	0			
16	Occupancy	4,658,820	4,639,620	0	19,200
17	Travel	516,555	282,290	221,412	12,853
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0	·		· ·
19	Conferences, conventions, and meetings	314,402	314,402	0	0
20	Interest	2,975,801	0	2,975,801	0
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	16,038,741	10,891,904	5,135,335	11,502
23	Insurance	698,465	698,465	0	0
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)				
а	EXPENSE REIMBURSEMENT TO NAH	34,157,481	17,078,740	17,078,741	
b	RECRUITING	1,272,688	6,928	1,265,760	
c	CONSULTING	1,201,371	400,022	798,374	2,975
d	COLLECTION EXPENSE	648,450	648,450	0	0
e					
f	All other expenses	377,337	69,009	302,330	5,998
25	Total functional expenses. Add lines 1 through 24f	315,474,944	276,577,437	37,931,833	965,674
26	Joint costs. Check here ► ☐ If following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				m 990 (2011)

1 Cash—non-interest-beaning Beginning of year End of year End of year 23 438,860 1 27,188,900 24 40,477,300 3 24 40,477,300	Pa	rt X	Balance Sheet						
2 Savings and temporary cash investments 25,554,027 2 40,497,360 3 10,000 3 40,000,000 4 4 40,000,000 5 6 6 6 6 6 6 6 6 6									
A Accounts receivable, net 4 4 48 902 024		1	Cash—non-interest-bearing	•			23,439,862	1	27,168,803
4 Accounts receivable, net		2	Savings and temporary cash investments				25,554,027	2	40,497,362
Securables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L.		3	Pledges and grants receivable, net		0	3	0		
highest compensated employees Complete Part II of Schedule L		4	Accounts receivable, net		45,992,614	4	49,902,024		
6 Receivables from other disqualified persons (as defined under section 4958 (f)(1)) and persons described in section 4958 (c)(3)(E) Complete Part II of Schedule L		5		s, key	≀ em	nployees, and			
Persons described in section 4958(c)(3)(B) Complete Part II of Schedule L. 0 6 6 0 0 0 0 0 0 0 0			Schedule L				0	5	0
7 Notes and loans receivable, net 2,098,452 7 3,781,007 8 Inventories for sale or use 6,558,112 8 6,301,468 9 Prepaid expenses and deferred charges 1,802,964 9 1,906,627 10a		6		958(f)(1)) and					
10a	60		Schedule L				0	6	0
10a	ë	7	Notes and loans receivable, net				2,099,452	7	3,791,007
10a	82	8	Inventories for sale or use				6,558,112	8	6,301,499
Part V. of Schedule D Less accumulated depreciation 10a 182,032,147 134,418,050 10c 134,335,057 11 Investments—publicly traded securities 265,742,304 11 276,794,384 12 Investments—publicly traded securities 265,742,304 11 276,794,384 12 Investments—program-related See Part IV, line 11 1,984,837 12 2,204,901 13 Investments—program-related See Part IV, line 11 0 13 0 0 14 0 0 15 0 0 14 0 0 0 0 0 0 0 0 0	⋖	9	Prepaid expenses and deferred charges				1,820,964	9	1,906,927
11 Investments—publicly traded securities		10a		10a		316,367,204			
12 Investments—other securities See Part IV, line 11		ь	Less accumulated depreciation	10b		182,032,147	134,418,050	10c	134,335,057
13 Investments—program-related See Part IV, line 11		11	Investments—publicly traded securities				265,742,304	11	275,794,364
14 Intangible assets		12	Investments—other securities See Part IV, line 11				1,984,837	12	2,204,901
15 Other assets See Part IV, line 11		13	Investments—program-related See Part IV, line 11				0	13	0
16 Total assets. Add lines 1 through 15 (must equal line 34)		14	Intangible assets	0	14	0			
17		15	Other assets See Part IV, line 11			•	7,415,260	15	7,340,527
18 Grants payable		16	Total assets. Add lines 1 through 15 (must equal line 34) .				515,025,482	16	549,242,471
19 Deferred revenue 0 19 0 19 0 19 10 10		17	Accounts payable and accrued expenses .	31,701,252	17	26,288,159			
Tax-exempt bond liabilities		18	Grants payable	0	18	0			
Escrow or custodial account liability Complete Part IV of Schedule D		19	Deferred revenue	0	19	0			
Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		20	Tax-exempt bond liabilities				124,331,342	20	124,710,703
23 Secured mortgages and notes payable to unrelated third parties	10	21	Escrow or custodial account liability Complete Part IV of Schedu	le D			0	21	0
23 Secured mortgages and notes payable to unrelated third parties	iiitie	22	Payables to current and former officers, directors, trustees, key						
23 Secured mortgages and notes payable to unrelated third parties	æ		persons Complete Part II of Schedule L				0	22	0
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			Secured mortgages and notes payable to unrelated third parties	s .			250,551	23	249,710
and other liabilities not included on lines 17-24) Complete Part X of Schedule D		24	Unsecured notes and loans payable to unrelated third parties				0	24	0
26 Total liabilities. Add lines 17 through 25		25	and other liabilities not included on lines 17-24) Complete Pai				42 240 440	-	CE 700 045
Organizations that follow SFAS 117, check here and complete lines 27 through 29, and lines 33 and 34. 27 Unrestricted net assets									
through 29, and lines 33 and 34. 27 Unrestricted net assets		26				27	199,493,255	26	217,039,517
Permanently restricted net assets	ices		through 29, and lines 33 and 34.	plete I	line	s 27			
Permanently restricted net assets	<u> a</u>	27							332,202,954
Sines 30 through 34. 30 Capital stock or trust principal, or current funds 30 31 Paid-in or capital surplus, or land, building or equipment fund 31 32 Retained earnings, endowment, accumulated income, or other funds 32 33 Total net assets or fund balances 315,532,227 33 332,202,954	B	l				0			
Sines 30 through 34. 30 Capital stock or trust principal, or current funds 30 31 Paid-in or capital surplus, or land, building or equipment fund 31 32 Retained earnings, endowment, accumulated income, or other funds 32 33 Total net assets or fund balances 315,532,227 33 332,202,954	Z	29	,		0	29	0		
30 Capital stock or trust principal, or current funds	y Fu		- · · · · · · · · · · · · · · · · · · ·	nd con	nple	ete			
33 Total net assets or fund balances		30	Capital stock or trust principal, or current funds					30	
33 Total net assets or fund balances	Şē	31	Paid-in or capital surplus, or land, building or equipment fund					31	
33 Total net assets or fund balances 315,532,227 33 332,202,954 34 Total liabilities and net assets/fund balances 515,025,482 34 549,242,471		32	Retained earnings, endowment, accumulated income, or other for	unds				32	
34 Total liabilities and net assets/fund balances	<u>क</u>	33	Total net assets or fund balances				315,532,227	33	332,202,954
	_	34	Total liabilities and net assets/fund balances				515,025,482	34	549,242,471

- Pa	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		364.1	155,698
2	Total expenses (must equal Part IX, column (A), line 25)	2			174,944
3	Revenue less expenses Subtract line 2 from line 1	3		48,6	580,754
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4		315,5	532,227
5	Other changes in net assets or fund balances (explain in Schedule O)	5		-32,0	010,02
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		332,2	202,954
Pai	TEXII Financial Statements and Reporting Check if Schedule O contains a response to any question in this Part XII			୮	
1	Accounting method used to prepare the Form 990	[Yes	No
	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? \cdot .		2a		No
b	Were the organization's financial statements audited by an independent accountant?		2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of taudit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O		2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were is	hauss		103	
•	on a separate basis, consolidated basis, or both	Jucu			
	Separate basis Consolidated basis Both consolidated and separated basis				
За	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?	e	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the readily or audits, explain why in Schedule O and describe any steps taken to undergo such audits	equired	3b		

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OMB No 1545-0047

2011

Open to Public Inspection

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury Internal Revenue Service

h

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

Public Charity Status and Public Support

► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

Name of the organization

Employer identification number

1 1505	יו וואוק	86-0110232
Pa	rt I	Reason for Public Charity Status (All organizations must complete this part.) See instructions
The	organı	zation is not a private foundation because it is (For lines 1 through 11, check only one box)
1	Γ	A church, convention of churches, or association of churches section 170(b)(1)(A)(i).
2	\sqcap	A school described in section 170(b)(1)(A)(ii). (Attach Schedule E)
3	<u> </u>	A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
4	Γ	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	Γ	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	\vdash	A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
7	<u>'</u>	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	\sqcap	A community trust described in section 170(b)(1)(A)(vi) (Complete Part II)
9	Г	An organization that normally receives (1) more than 331/3% 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 331/3% 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	Γ	An organization organized and operated exclusively to test for public safety Seesection 509(a)(4).
11	Γ	An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See section 509(a)(3). Check the box that describes the type of supporting organization and complete lines 11e through 11h a
е	Γ	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) Yes No
		and (III) below, the governing body of the the supported organization?

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see	(iv) Is the organizat col (i) list your gove docume	e Ion In ted In IrnIng	organizati col (i) of	(v) Old you notify the organization in col (i) of your support? (vi) Is the organization in col (i) organization in the U S ?		e Ion In anized	(vii) A mount of support?
		instructions))	Yes	No	Yes	No	Yes	No	
Total									

(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?

Provide the following information about the supported organization(s)

11g(ii)

11g(iii)

instructions

Sch	edule A (Form 990 or 99	90-EZ)2011						Page 2
	(Complet	e only if you	checked the	box on line 5,	7, or 8 of Part	(b)(1)(A)(iv) I or if the orgar	nızatıon faıle	d to qualify
			<u>organızatıon f</u>	fails to qualify ι	<u>under the tests</u>	listed below, pl	<u>lease comple</u>	ete Part III.)
	ection A. Public Su					Т	1	
Cal	endar year (or fiscal ye in)	ar beginning	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1	Gifts, grants, contribut	ions, and						
	membership fees recei							
	ınclude any "unusual							
_	grants ") Tax revenues levied fo	rtho						
2	organization's benefit a							
	paid to or expended on							
	behalf							
3	The value of services of							
	furnished by a governme the organization withou							
4	Total. Add lines 1 thro	_						
5	The portion of total cor	-						
-	by each person (other	than a						
	governmental unit or p	•						
	supported organization line 1 that exceeds 2%							
	amount shown on line 1							
	(f)	21,0014						
6	Public Support. Subtractine 4	ct line 5 from						
S	ection B. Total Sup	port						
Cal	endar year (or fiscal yea	r beginning	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
_	ın)	_	(4) 2007	(2) 2000	(4) 2005	(4) 2020	(0) 2022	(1) 1 3 4 4
7 8	A mounts from line 4 Gross income from inte	rost –						
0	dividends, payments re							
	securities loans, rents							
	and income from simila	ır						
_	sources							
9	Net income from unrela business activities, wh							
	not the business is reg							
	carried on							
10	Other income (Explain							
	IV) Do not include gai from the sale of capital							
11	Total support (Add line							
	through 10)							
12	Gross receipts from re	lated activities	s, etc (See inst	ructions)			12	
13	First Five Years If the		r the organizati	on's first, second	l, thırd, fourth, or	fıfth tax year as a	501(c)(3) or	
	check this box and sto	p here						▶ □
S	ection C. Computat	ion of Publ	ic Support F	Percentage				
14	Public Support Percen	tage for 2011	(line 6 column	(f) dıvıded by lıne	11 column (f))		14	
15	Public Support Percen	tage for 2010	Schedule A , Pa	rt II, line 14			15	
16a	33 1/3% support test-					line 14 is 33 1/3%	% or more, che	
h	and stop here. The org 33 1/3% support test					6a and line 15 is	33 1/20% or m	ore check this
D	box and stop here. The					oa, and inte 15 IS	1/3%0 UI M	ore, check this
17a	10%-facts-and-circum	-	•		-	ne 13, 16a, or 16	b and line 14	٠,
	ıs 10% or more, and ıf							
	in Part IV how the orga	anızatıon meet	s the "facts and	d circumstances"	test The organiz	zatıon qualıfıes as	a publicly su	
b	organization 10%-facts-and-circum	stances test—	2010. If the ora	anization did not	check a hov on li	ne 13, 16a 16b	or 17a and lin	▶
,	15 is 10% or more, an							-
	Explain in Part IV how	the organizati						
10	supported organization Private Foundation If t		n did not chools	a hov on line 12	16a 16h 17a a	or 17h chack this	hov and coc	► □

▶□

Schedule A (Form 990 or 990-EZ) 2011 Page 3 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 (a) 2007 **(b)** 2008 (c) 2009 (d) 2010 (e) 2011 (f) Total ın) Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ") 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 Gross receipts from activities that are not an unrelated trade or business under section 513 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf The value of services or facilities furnished by a governmental unit to the organization without charge Total. Add lines 1 through 5 7a Amounts included on lines 1, 2, and 3 received from disqualified persons 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 Public Support (Subtract line 7c from line 6) Section B. Total Support Calendar year (or fiscal year beginning (a) 2007 **(b)** 2008 (c) 2009 (d) 2010 (e) 2011 (f) Total ın) Amounts from line 6 Gross income from interest, 10a dividends, payments received on securities loans, rents, royalties and income from similar sources Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 Add lines 10a and 10b C Net income from unrelated 11 business activities not included in line 10b, whether or not the business is regularly carried on Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV) Total support (Add lines 9, 10c, 13 11 and 12) First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here Section C. Computation of Public Support Percentage Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f)) 15 15 Public support percentage from 2010 Schedule A, Part III, line 15 16 16 Section D. Computation of Investment Income Percentage

Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))

19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not

18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions

33 1/3% support tests-2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line

more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization

Investment income percentage from 2010 Schedule A, Part III, line 17

17

18

17

18

▶[

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 A (Form 990 or 990-EZ) 2011

DLN: 93493134036493

OMB No 1545-0047

SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury Internal Revenue Service

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.

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

- 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-B

Provide a description of the organization's direct and indirect political campaign activities on behalf of or

◆ 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	orgai	nızatıon
FLAGST	AFF ME	DICAL	CENTER

Employer identification number

┌ Yes

86-0110232

Part I-A	Complete if t	the organization i	<u>is exempt under</u>	section 501(c)	or is a section 52	7 organization.

- in opposition to candidates for public office in Part IV Political expenditures
- 3 Volunteer hours

art I-B	Complete if	the organizat	<u>ion is exempt un</u>	<u>der section 501(</u>	c)(3).

- 1 Enter the amount of any excise tax incurred by the organization under section 4955
- 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
- Was a correction made?

Did the filing organization file Form 1120-POL for this year?

If "Yes," describe in Part IV

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

- Enter the amount directly expended by the filing organization for section 527 exempt function activities
- Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities
- 3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b
- 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

(e) A mount of political (a) Name (b) Address (c) EIN (d) A mount paid from contributions received filing organization's and promptly and funds If none, enter -0directly delivered to a separate political organization If none. enter -0-

f Grassroots lobbying expenditures

(The term "expenditures" means amounts paid or incurred.) Lia Total lobbying expenditures to influence public opinion (grass roots lobbying) b Total lobbying expenditures to influence a legislative body (direct lobbying) c Total lobbying expenditures (add lines 1a and 1b) d Other exempt purpose expenditures e Total exempt purpose expenditures (add lines 1c and 1d) f Lobbying nontaxable amount Enter the amount from the following table in both columns If the amount on line 1e, column (a) or (b) is: The lobbying nontaxable amount is: Not 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 \$1,000,000 but not over \$1,000,000 \$1,000,000 g Grassroots nontaxable amount (enter 25% of line 1f) Subtract line 1g from line 1a If zero or less, enter -0- i Subtract line 1f from line 1c If zero or less, enter -0- j 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? 4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete all columns below. See the instructions for lines 2a through 2f on page 4.)	ווטפ	edule C (F	01111 9 9 0 01 9 9 0 - EZ) 2 0 1 1					Page ∠
A Check If the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member expenses, and share of excess lobbying expenditures) Check If the filing organization checked box A and "limited control" provisions apply Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.) Organization Total Incurred (The term "expenditures" means amounts paid or incurred.) Organization Total Incurred (The term "expenditures to influence a legislative body (direct lobbying)	Pa	rt II-A		n is exempt under	section 501(c)(3) and fi	iled Form 5768	(election
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Calendar year (or fiscal year beginning in) (a) 2008 (b) 2009 (c) 2010 (d) 2009 Lobbying non-taxable amount		(Sor	ne organizations that made a	section 501(h) el	ection do not	have to co		ne five
beginning in) (a) 2008 (b) 2009 (c) 2010 (d) 20 2a Lobbying non-taxable amount b Lobbying ceiling amount			Lobbying Exp	enditures During	4-Year Avera	ging Period	d	
b Lobbying ceiling amount				(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
	2a	Lobbyin	g non-taxable amount					
	b							
c Total lobbying expenditures	c	Total loi	obying expenditures					
d Grassroots non-taxable amount	d	Grassro	ots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))	e							

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	
L	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				
а	Volunteers?		Νo		
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		Νo		
c	Media advertisements?		Νo		
d	Mailings to members, legislators, or the public?		Νo		
e	Publications, or published or broadcast statements?		Νo		
f	Grants to other organizations for lobbying purposes?	Yes		25,377	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		Νo		
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		Νo		
i	Other activities? If "Yes," describe in Part IV				
j	Total lines 1c through 1i			25,377	
2a	Did the activities in line 1 cause the organization to be not described in section $501(c)(3)$?		No		
b	If "Yes," enter the amount of any tax incurred under section 4912				
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912		Ī		
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		F		
			7-1		

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
1	Were substantially all (90% or more) dues received nondeductible by members?	1		
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2		
3	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". 1 Dues, assessments and similar amounts from members

2	Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
а	Current year	2a	
b	Carryover from last year	2b	
C	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	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?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

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 1i Also, complete this part for any additional information

Identifier	Return Reference	Explanation
· · · , · · · · · · · , · · · - ·	EXPLANATION	FLAGSTAFF MEDICAL CENTER PAID DUES TO THE ARIZONA HOSPITAL AND HEALTHCARE ASSOCIATION A PERCENTAGE OF THIS AMOUNT WAS ESTIMATED TO BE ATTRIBUTABLE TO LOBBYING RELATED TO HEALTH CARE ADVOCACY AT THE FEDERAL, STATE, REGIONAL AND LOCAL LEVELS FLAGSTAFF MEDICAL CENTER ALSO PARTICIPATES IN HEALTHCARE-RELATED LOBBYING ACTIVITIES THROUGH THE SOLE COMMUNITY HOSPITAL COALITION

DLN: 93493134036493

OMB No 1545-0047

Inspection

SCHEDULE D

(Form 990)

2

3

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.

FLAGSTAFF MEDICAL CENTER

Name of the organization **Employer identification number** 86-0110232 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 Total number at end of year Aggregate contributions to (during year) Aggregate grants from (during year) Aggregate value at end of year 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? 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 ✓ Yes conferring impermissible private benefit Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7. 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 Preservation of a certified historic structure Protection of natural habitat Preservation of open space 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 Total number of conservation easements 2a Total acreage restricted by conservation easements 2b Number of conservation easements on a certified historic structure included in (a) 2c

d	Number of conservation easements included in (c) acquired after 8/17/06	2d						
3	Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during							
	the taxable year 🗠							
4	Number of states where property subject to conservation easement is located 🛌							
5	Does the organization have a written policy regarding the periodic monitoring, inspection, henforcement of the conservation easements it holds?	andling o	f violations, and 「	Yes	┌ No			
6	Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation eas	ements d	uring the year 🛌					
7	A mount of expenses incurred in monitoring, inspecting, and enforcing conservation easeme	nts durın	g the year					
	▶ \$							
8	Does each conservation easement reported on line 2(d) above satisfy the requirements of $(170(h)(4)(B)(i))$ and $(170(h)(4)(B)(i))$?	section	Г	Yes	┌ No			
9	In Part XIV describe how the organization reports conservation easements in its revenue;	and exper	ise 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 Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

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

- 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
- 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

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 Revenues included in Form 990, Part VIII, line 1

Assets included in Form 990, Part X

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

Schedule D (Form 990) 2011 Cat No 52283D

Paru	Organizations Maintaining Coll	ections of Art, H	ISTO	ric	ai ireas	ures, or O	tne	r Sillillar ASS	sets (co	<u>ntinuea)</u>
3	Using the organization's accession and other ritems (check all that apply)	ecords, check any of	the f	ollo	owing that a	are a significa	nt u	se of its collecti	on	
а	Public exhibition	d	Γ	-	Loan or ex	change progr	ams			
ь	Scholarly research	е	Г	-	Other					
С	Preservation for future generations									
4	Provide a description of the organization's coll	ections and explain h	ow th	1ev	further the	organization	's ex	remnt nurnose ir	1	
•	Part XIV					_				
5	During the year, did the organization solicit or assets to be sold to raise funds rather than to								_ Yes	┌ No
Par	t IV Escrow and Custodial Arrange	ments. Complete	ıf th	e c	organizatio			<u> </u>		, 140
	Part IV, line 9, or reported an amo	•								
1a	Is the organization an agent, trustee, custodia included on Form 990, Part X?	n or other intermedia	ry for	rco	ontributions	or other ass	etsı	not Γ	- Yes	┌ No
b	If "Yes," explain the arrangement in Part XIV	and complete the follo	owing	j ta	ble	_				
						<u> </u>		Am	ount	
C	Beginning balance						1c			
d	Additions during the year						1d			
e	Distributions during the year						1e			
f	Ending balance						1f			
2a	Did the organization include an amount on Form	n 990, Part X, line 21	. ?					Г	Yes	┌ No
b	If "Yes," explain the arrangement in Part XIV									
Par	t V Endowment Funds. Complete if		1SWE			Form 990, Two Years Back		t IV, line 10. Three Years Back	(a)Four	ears Back
1a	Beginning of year balance	2,426,552	D)i iic		950,655	1,706,50	_	1,227,217	(C) our	Cars back
b	Contributions	1,102,892		1,2	285,728	521,36	 	734,776		
С	Investment earnings or losses	18,115		1	130,323	77,66	3	17,197		
d	Grants or scholarships	388,081		3	319,442	242,11	5	52,946		
e	Other expenditures for facilities and programs	299,259		5	537,702	67,94	5	173,685		
f	Administrative expenses	23,880			83,010	44,82	1	46,050		
g	End of year balance	2,836,339		2,4	126,552	1,950,65	5	1,706,509		
2	Provide the estimated percentage of the year	end balance held as								
а	Board designated or quasi-endowment b	4 000 %								
ь	Permanent endowment • 28 000 %									
С	Term endowment ► 8 000 %									
За	Are there endowment funds not in the possess	ion of the organizatio	n tha	t a	re held and	administered	for	the		
	organization by								Yes	No
	(i) unrelated organizations		•	•			•	3a(i	-	No
ь	(ii) related organizations						•	3a(i 3b	-	No I
4	Describe in Part XIV the intended uses of the	•					•	30		<u> </u>
	t VI Land, Buildings, and Equipmen									
	Description of property		(a) (Cost or other (investment)	(b)Cost or ot basis (other		(c) Accumulated depreciation	(d) Bo	ok value
1 a ∣	and		+		·	5,283	.742			5,283,742
	Buildings		\vdash			173,774		88,306,036	8	5,468,917
	easehold improvements					1,043		726,534		317,326
	Equipment					125,938		90,960,196	3	4,978,616
	Other					10,325		2,039,381		8,286,456
	. Add lines 1a-1e (Column (d) should equal Form	n 990. Part X. column (B). III	ne :	10(c)) -					4,335,057

Part VII Investments—Other Securities. See	<u>Form 990, Part X, line 12</u>	<u>)</u>
(a) Description of security or category	(b) Book value	(c) Method of valuation
(including name of security)		Cost or end-of-year market value
(1)Financial derivatives		
(2)Closely-held equity interests Other		
o tilei		
Total. (Column (b) should equal Form 990, Part X, col (B) line 12)		
Part VIII Investments—Program Related. See		13.
		(c) Method of valuation
(a) Description of investment type	(b) Book value	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, lin		
(a) Descrip	otion	(b) Book value
Tabal (Column /b) -booldl Column /b) -boold	<i>E</i> \	
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1		
Part X Other Liabilities. See Form 990, Part X (a) Description of Liability		
	(b) A mount	
Federal Income Taxes	0	
JNEMPLO Y MENT	54,294	
BCBS IBNR	2,522,040	
BIOMED RESERVE	202,120	
WORKMAN'S COMP LIABILITY	151,808	
CBO PEROT RESERVE	143,750	
OTHER CURRENT LIABILITIES	534,601	
PROFESSIONAL AND GENERAL LIABILITY	2,387,800	
ADDITIONAL MINIMUM PENSION LIABILITY	59,794,532	
Total. (Column (b) should equal Form 990, Part X, col (B) line 25) 🕨	65,790,945	

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1 1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	
Par	Reconciliation of Revenue per Audited Financial Statements With Revenue	per Ret	urn
1	Total revenue, gains, and other support per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
а	Net unrealized gains on investments		
b	Donated services and use of facilities		
c	Recoveries of prior year grants		
d	Other (Describe in Part XIV) 2d		
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	A mounts included on Form 990, Part VIII, line 12, but not on line 1		
а	Investment expenses not included on Form 990, Part VIII, line 7b . 4a		
b	Other (Describe in Part XIV) 4b		
c	Add lines 4a and 4b	4c	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	
Part	Reconciliation of Expenses per Audited Financial Statements With Expenses	s per R	eturn
1	Total expenses and losses per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
а	Donated services and use of facilities	_	
b	Prior year adjustments	_	
C	Other losses	_	
d	Other (Describe in Part XIV)	⊣	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
а	Investment expenses not included on Form 990, Part VIII, line 7b 4a	_	
b	Other (Describe in Part XIV)	4	
c	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	
	t XIV Supplemental Information		
Con	nplete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, P	art IV , lii	nes 1b and 2b,

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

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
SCHEDULE D, PART V, LINE 4	FUNDS	MOST OF THE CURRENT ENDOWMENTS ARE BOARD DESIGNATED CURRENTLY 5% OF THESE FUNDS ARE DESIGNATED FOR DISTRIBUTION BY THE FLAGSTAFF MEDICAL CENTER FOUNDATION COMMITTEE SUCH DISTRIBUTIONS SHOULD 1) ADDRESS COMMUNITY HEALTH CARE NEEDS, 2) ADHERE TO THE CORE MISSION OF THE HOSPITAL, OR 3) REFLECT PROJECTS THAT ARE DEEMED IN THE BEST INTEREST OF THE HOSPITAL
SCHEDULE D, PART X, LINE 2	UNDER FIN 48 (ASC 740)	IN ACCORDANCE WITH ACCOUNTING GUIDANCE, MANAGEMENT HAS REVIEWED ALL OPEN TAX YEARS AND HAS DETERMINED THAT THE CORPORATION HAS NO SIGNIFICANT UNCERTAIN TAX POSITIONS

Additional Data

Software ID:

Software Version:

EIN: 86-0110232

Name: FLAGSTAFF MEDICAL CENTER

Form 990, Schedule D, Part X, - Other Liabilities (a) Description of Liability

1 (a) Description of Elability	(b) A mount			
UNEMPLOYMENT 54				
BCBS IBNR	2,522,040			
BIOMED RESERVE	202,120			
WORKMAN'S COMP LIABILITY	151,808			
CBO PEROT RESERVE	143,750			
OTHER CURRENT LIABILITIES	534,601			
PROFESSIONAL AND GENERAL LIABILITY	2,387,800			
ADDITIONAL MINIMUM PENSION LIABILITY	59,794,532			

efile GRAPHIC print - DO NOT PROCESS

As Filed Data -

DLN: 93493134036493

OMB No 1545-0047

SCHEDULE G (Form 990 or 990-EZ)

Department of the Treasury

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a. Attach to Form 990 or Form 990-EZ. See separate instructions.

Open to Public

Internal Revenue Service			1 to Form 99	0 or Form 99	0-EZ. 🏲 See separate instruc	tions.	Inspection
	e of the organization GSTAFF MEDICAL CENTE	R				Employer ide	entification number
						86-011023	2
Pa	rt I Fundraising Ac	tivities. Complet	te if the o	organiza	tion answered "Yes"	to Form 990, Part I	V, line 17.
1	Indicate whether the orga	nızatıon raısed funds	through	any of the	following activities Ch	eck all that apply	
a ☐ Mail solicitations e ☐ Solicitation of non-government grants							
b	Internet and e-mail so	olicitations		f	Solicitation of go	vernment grants	
c	Phone solicitations			g	☐ Special fundraisi	ng events	
d	☐ In-person solicitation	s					
	Did the organization have or key employees listed in If "Yes," list the ten highe to be compensated at leas	n Form 990, Part VII st paid individuals o	() or entity r entities	y in conne (fundraise	ection with professional ers) pursuant to agreem	fundraising services? ients under which the f	┌ Yes ┌ No undraiser is
(i) Name and address of individual or entity (fundraiser)	(ii) Activity	fundrai cust cont contrib	Did ser have ody or trol of outions?	(iv) Gross receipts from activity	(v) A mount paid to (or retained by) fundraiser listed in col (i)	(vi) A mount paid to (or retained by) organization
			Yes	No			
Tota	1			.			
3	List all states in which the licensing	organization is regi	stered or	licensed t	l to solicit funds or has b	een notified it is exem	pt from registration or

Pai	t II	Fundraising Events. Com more than \$15,000 on Form				
			(a) Event #1 TURQUOISE BALL (event type)	(b) Event #2 HOLES FOR HC (event type)	(c) O ther Events 4 (total number)	(d) Total Events (Add col (a) through col (c))
E.	1	Gross receipts	136,236	44,396	81,779	262,411
Part III Part III	2	Less Charitable contributions	90,360	34,281	23,500	148,141
	3	Gross income (line 1 minus line 2)	45,876	10,115	58,279	114,270
	4	Cash prizes	0	500	150	650
ဟ	5	Non-cash prizes	10,500	0	0	10,500
	6	Rent/facility costs	5,000	3,825	5,000	13,825
ă	7	Food and beverages	14,809	2,090	2,500	19,399
t p	8	Entertainment	7,250	0	0	7,250
₫	9	Other direct expenses .	18,803	9,096	32,410	60,309
	10	Direct expense summary Add lin	es 4 through 9 ın column	(d)		(111,933)
		Net income summary Combine lii	nes 3 and 10 in column (d)		2,337
Par	t III	Gaming. Complete if the or \$15,000 on Form 990-EZ, lir		"Yes" to Form 990, Pa	rt IV, line 19, or repo	rted more than
Revenue			(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (Add col (a) through col (c))
	1	Gross revenue				
မှ လ	2	Cash prizes				
bens	3	Non-cash prizes				
面 당	4	Rent/facility costs				
<u>□</u>	5	Other direct expenses				
	6	Volunteer labor	Γ Yes Γ Nο	Г Yes Г No	┌ Yes	
	7	Direct expense summary Add lines	s 2 through 5 in column (d)		()
	8	Net gaming income summary Com	bine lines 1 and 7 in colu	ımn (d)	<u> ► </u>	
a	Is t	er the state(s) in which the organiza he organization licensed to operate No," Explain	gaming activities in each	n of these states?		
		re any of the organization's gaming l	ıcenses revoked, susper	ided or terminated during	the tax year?	

Sche	dule G (Form 990 or 990-EZ) 20	11			Page 3
11	Does the organization operate ga	aming activities with nonmembers? .		Г _{Yes} Г	- No
12	Is the organization a grantor, be	neficiary or trustee of a trust or a mem	per of a partnership or other entity		
	formed to administer charitable (gamıng?		· · · · F Yes F	- No
13	Indicate the percentage of gamii	ag activity operated in		1 1	
a				13a	
b					
14		f the person who prepares the organiza		<u> </u>	
	Name ►				
	Address ►				
	revenue?	ntract with a third party from whom the			- No
		ed by the third party 🟲 \$			
С	If "Yes," enter name and address	S			
	Name 🟲				
	Address ►				
16	Gaming manager information				
	Name 🟲				
	Gaming manager compensation I	\$ \$			
	Description of services provided	>			
17 a		Employee er state law to make charitable distribu		· · ·	- No
b	Enter the amount of distributions	required under state law distributed to	o other exempt organizations or sp		-
_		activities during the tax year > \$		hadala C /	
Par	t IV Complete this part to property instructions.)	provide additional information for	responses to quuestion on Sc	nedule G (see	
	Identifier	ReturnReference	Explana	tion	
		•	•		

OMB No 1545-0047

Open to Public Inspection

SCHEDULE H (Form 990)

Department of the Treasury Internal Revenue Service

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

Hospitals

Name of the organization FLAGSTAFF MEDICAL CENTER

Employer identification number

Pa	Charity Care and	Certain O	ther Comr	nunity Benefits at		0110232			
								Yes	No
1a	Did the organization have a c	harity care po	olicy? If "No,	" skip to question 6a			1a	Yes	
b	If "Yes," is it a written policy	·					1b	Yes	
2	If the organization had multip care policy to the various hos		ındıcate whic	h of the following best	describes application o	of the charity			
	Applied uniformly to all ho	spitals	ls	Applied uniformly	to most hospitals				
3	Answer the following based or organization's patients during			y criteria that applies t	o the largest number o	f the			
а	Did the organization use Fede If "Yes," indicate which of the					are?	3a	Yes	
	Г _{100%} Г _{150%}	_	00% ~		125. %		Sa	165	
_			70 70	O thei					
b	Did the organization use FPG "Yes," indicate which of the fo		= :	=			3b	Yes	
	Г 200% Г 250%	Гзо	оо% Г	350%	0% 🔽 Other_	0 %			
С	If the organization did not use determining eligibility for free test or other threshold, regard	or discounte	d care Inclu	de in the description w	nether the organization				
4	Did the organization's policy	provide free c	r discounted	care to the "medically	ındıgent"?		4		No
5a	Did the organization budget a the tax year?				er its financial assistar	ice policy during	5a	Yes	
b	If "Yes," did the organization	's charity car	e expenses e	exceed the budgeted an	nount?		5b		No
c	If "Yes" to line 5b, as a resul care to a patient who was elig						5c		
6a	Did the organization prepare	a community	benefit repor	tduring the tax year?			6a	Yes	
6b	If "Yes," did the organization	make ıt avaıl	able to the p	ublic?			6b	Yes	
	Complete the following table worksheets with the Schedule		ksheets prov	rided in the Schedule H	instructions Do not s	ubmit these			
7	Charity Care and Certain O	ther Commu	nıty 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 b expense	enefit	(f) Pero total ex	
а	Charity care at cost (from Worksheet 1)			1,831,883	0	1 83	1,883	n	580 %
b	Medicaid (from Worksheet 3, column a)			61,387,358	34,528,830	26,85			510 %
c	Costs of other means-tested government programs (from Worksheet 3, column b)								
d	Total Charity Care and Means-Tested Government Programs			63,219,241	34,528,830	28,69	0,411	9	090 %
е	Other Benefits Community health improvement services and community benefit operations (from								
f	(Worksheet 4) Health professions education			1,476,886	203,174		3,712		400 %
g	(from Worksheet 5) Subsidized health services			1,034,542	0	1,03	4,542	0	330 %
_	(from Worksheet 6) Research (from Worksheet 7)			1,331,765 0	0	1,33	1,765 0	0	420 %
	Cash and in-kind contributions for community benefit (from Worksheet 8)			692,624	0	69	2,624	0	220 %
-	Total Other Benefits			4,535,817	203,174	•	2,643		370 %
k '	Total. Add lines 7d and 7j	I		67,755,058	34,732,004	33,02	3,054	10	460 %

	activities.	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	1 ' '	irect offset revenue	ting	(e) Net communit building expense		(f) Perc total ex	
1	Physical improvements and housing	, ,									
2	Economic development										
3	Community support										
4											
	Environmental improvements Leadership development and training										
	for community members										
	Coalition building Community health improvement										
_	advocacy										
8	Workforce development										
9	Other Total										
	t IIII Bad Debt, Medicar	e. & Collec	tion Practic	<u> </u> :es							
		<u> </u>									
ect 1	ion A. Bad Debt Expense Did the organization report bac Statement No 15?			e with Heathcare Fi	nancıal M	anagem	ent A	ssociation	1	Yes Yes	No
2	Enter the amount of the organi		· ·			2		16,161,724			
3	Enter the estimated amount of patients eligible under the orga	-		•	e to • •	3		1,817,756			
4	Provide in Part VI the text of t In addition, describe the costi rationale for including a portion	ng methodolog	gy used in dete	rmining the amount							
ect	ion B. Medicare										
5	Enter total revenue received fr	om Medicare	(ıncludıng DSH	and IME)		5		126,243,000			
6	Enter Medicare allowable cost	s of care relat	ing to payment	s on line 5		6		116,904,000			
7	Subtract line 6 from line 5 Thi		=			7		9,339,000			
8	Describe in Part VI the extent Also describe in Part VI the co Check the box that describes	osting method	ology or sourc								
	Cost accounting system	▽ c∘	st to charge ra	itio 🔽	Other						
ect	ion C. Collection Practices										
9a	Did the organization have a wr	ıtten debt coll	ection policy d	uring the tax year?				[9a	Yes	
b	If "Yes," did the organization's contain provisions on the colle assistance? Describe in Part \	ction practice	s to be followe	d for patients who a	re known	to quali	fy for	financial	9b	Yes	
Pa	rt IV Management Com	panies and	Joint Ventu	ires (see instruc	tions)						
	(a) Name of entity	(t	 Description of p activity of entit 		(c) Organı profit % o ownersh	r stock	, e	trustees, or key employees' profit % r stock ownership%	pro	:) Physic fit % or wnershi	stock
L SU	RGI-CENTER AT FMC	OUTPATIENT SU	RGERY SERVICES		(57 000 %				33 (000 %
 2											
3							-				
4							\vdash				
5											
5											
7 											
B 9									_		
							-				
11							\vdash		+		
12											
13							1		+		

Part	V Facility Information									
	on A. Hospital Facilities	Licensed	Genera	~ -	Teaching hospital	Ortical access hospital	Resea	ER-24 hours	ER-other	
(list in	order of size from largest to smallest)	sed hos	al medi				Research facility	hours	her	
	nany hospital facilities did the organization operate during x year? 1	hospital	cal & surgical				llty			
Nama	and address									
Name	and address									Other (Describe)
1	FLAGSTAFF MEDICAL CENTER 1200 N BEAVER ST FLAGSTAFF, AZ 86001	×	х					х		
						<u> </u>				
						<u> </u>				
						 				
						 				
						1				
_										

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)

FLAGSTAFF MEDICAL CENTER

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

			Yes	No
Col	mmunity Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1	During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment			
	("Needs Assessment")? If "No," skip to question 8	1		
	If "Yes," indicate what the Needs Assessment describes (check all that apply)			
	a A definition of the community served by the hospital facility			
	b Demographics of the community			
	Existing health care facilities and resources within the community that are available to respond to the health			
	needs of the community			
	d How data was obtained			
	e The health needs of the community			
	Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and			
	minority groups			
	The process for identifying and prioritizing community health needs and services to meet those needs			
	h The process for consulting with persons representing the community's interests			
	Information gaps that limit the hospital facility's ability to assess the community's health needs			
	j Cother (describe in Part VI)			
	Indicate the tax year the hospital facility last conducted a Needs Assessment 20			
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		
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		
5	Did the hospital facility make its Needs Assessment widely available to the public?	5		
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
	a Hospital facility's website			
	b Available upon request from the hospital facility			
	c			
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
	a 🔽 Adoption of an implementation strategy to address the health needs of the hospital facility's community			
	b Execution of the implementation strategy			
	c Development of a community-wide community benefit plan for the facility			
	d Participation in community-wide community benefit plan			
	e Inclusion of a community benefit section in operational plans			
	f Adoption of a budget for provision of services that address the needs identified in the CHNA			
	g Prioritization of health needs in the community			
	h Prioritization of services that the hospital facility will undertake to meet health needs in its community			
	i 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		
Fin	ancial Assistance Policy			
	Did the hospital facility have in place during the tax year a written financial assistance policy that			
8	Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 125 %			
	If "No," explain in Part VI the criteria the hospital facility used			

Pā	rt V Facility Information (continued)			
			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care% If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ✓ Income level			
	b Asset level			
	c Medical indigency			
	d ✓ Insurance status			
	e V Uninsured discount			
	f Medicaid/Medicare			
	— ·			
	b Other (describe in Part VI)			
12		12	\	
	Explained the method for applying for financial assistance?	12 13	Yes Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	165	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a The policy was posted at all times on the hospital facility's web site			
	b The policy was attached to all billing invoices			
	<u>—</u>			
	d The policy was posted in the hospital facility's admissions offices			
	The policy was provided, in writing, to patients upon admission to the hospital facility			
	The policy was available upon request			
	g Other (describe in Part VI)			
	ing and Collections			
14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's			
	policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's			
	FAP			
	a Reporting to credit agency			
	b Lawsuits			
	c Liens on residences			
	d Body attachments or arrests			
	e Cother similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16	Yes	
	If "Yes," check all actions in which the hospital facility or a third party engaged		103	
	a Reporting to credit agency			
	b 🔽 Lawsuits			
	c Liens on residences			
	d Body attachments			
	e Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all			
-/	tha <u>t</u> apply)			
	a Votified patients of the financial assistance policy upon admission			
	b ▼ Notified patients of the financial assistance policy prior to discharge			
	c Notified patients of the financial assistance policy in communications with the patients regarding the patients'			
	bills			
	d V Documented its determination of whether patients were eligible for financial assistance under the hospital			
	facility's financial assistance policy Other (describe in Part VI)			

If "Yes," explain in Part VI

Part V Facility Information (continued)

Police	Dolating	+^	Emergency	Medical Care	
POHCV	Relatinu	LO	emeruency	medical care	

			res	NO
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	18	Yes	
	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			
	The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part			
	VI)			
	d Cother (describe in Part VI)			
Inc	lividuals 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			
	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 it's 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)			
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?	20		No
	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?]
		21	1	No

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Part V	Facility	Information	(continued)
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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?		
Name and address	Type of Facility (Describe)	
1		
2		
3		
4		
5		
5		
7		
В		
9		

Schedule H (Form 990) 2011

Part VI Supplemental Information

Complete this part to provide the following information

- Required descriptions. Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part III, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 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
- 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
- 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.)
- 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 3B	PERCENTAGES USED	125% OF THE FEDERAL POVERTY GUIDE = 100% CHARITY WRITE-OFF 150% OF FPG = 75% WRITE-OFF 175% OF FPG = 50% WRITE-OFF 200% OF FPG = 25% WRITE-OFF 300% OF FPG = 15% WRITE-OFF PART I, LINE 3C CHARITY CARE INCOME LEVELS ARE BASED ON THE FEDERAL POVERTY GUIDE PUBLISHED IN THE FEBRUARY FEDERAL REGISTER ON AN ANNUAL BASIS A TIERED METHOD IS UTILIZED FOR DETERMINING WHETHER A PATIENT IS ELIGIBLE FOR 100%, 75%, 50%, 25%, OR 15% WRITE-OFF OF THE SELF PAY BALANCE OTHER CONSIDERATIONS SUCH AS DISPOSABLE ASSETS ARE CONSIDERED IN THE EVALUATION OF ELIGIBILITY A DISPOSABLE ASSET MAY BE EXPENSIVE JEWELRY, PLEASURE HORSES, RECREATIONAL VEHICLES, ETC

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Identifier	ReturnReference	Explanation		
PART I, LINE 6A		THE INFORMATION FOR THE COMMUNITY BENEFITS REPORT IS GATHERED BY THE COMMUNITY RELATIONS DEPARTMENT WHICH IS A DEPARTMENT OF NORTHERN ARIZONA HEALTHCARE FLAGSTAFF MEDICAL CENTER AND VERDE VALLEY MEDICAL CENTER ARE IDENTIFIED SEPARATELY ON THESE REPORTS		

Identifier	ReturnReference	Explanation
PART I, LINE 7G		FLAGSTAFF MEDICAL CENTER (FMC) OPERATES A STATE DESIGNATED LEVEL I TRAUMA CENTER WHICH IS SUBSIDIZED BY THE HOSPITAL FMC WAS ONE OF THE ORIGINAL SEVEN LEVEL I TRAUMA CENTERS DESIGNATED BY THE STATE OF ARIZONA IN DECEMBER 2005 FMC IS THE ONLY LEVEL I TRAUMA CENTER IN NORTHERN ARIZONA AND IS CRUCIAL TO THE ARIZONA EMERGENCY MEDICAL AND TRAUMA SYSTEM ENSURING TRAUMA PATIENTS RECEIVE LIFE-SAVING SURGICAL TRAUMA CARE AS CLOSE TO THE "GOLDEN HOUR" AS POSSIBLE FMC IS A NATIONALLY VERIFIED TRAUMA CENTER BY THE AMERICAN COLLEGE OF SURGEONS TOTAL TRAUMA VOLUME HAS FLUCTUATED BETWEEN 1,200 - 1,500 PATIENTS PER YEAR FOR THE PAST FIVE YEARS FMC COLLABORATES WITH ALL OF THE HOSPITALS AND LEVEL IV TRAUMA CENTERS IN NORTHERN ARIZONA TO PREVENT TRAUMA INJURY AND TO IMPROVE TRAUMA CARE

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Identifier	ReturnReference	Explanation
PART I, LINE 7, COL F		COST TO CHARGE PERCENTS ARE BASED ON THE IRS WORKSHEET CALCULATIONS

Identifier	ReturnReference	Explanation
PART III, LINE 4		THE FOOTNOTE TO THE FINANCIAL STATEMENTS INDICATES NET PATIENT ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUE HAVE BEEN ADJUSTED TO THE ESTIMATED AMOUNTS EXPECTED TO BE RECEIVED THESE ESTIMATED AMOUNTS ARE SUBJECT TO FURTHER ADJUSTMENTS UPON REVIEW BY THIRD- PARTY PAYORS MANAGEMENT ESTIMATES THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED UPON THE HISTORICAL COLLECTION EXPERIENCE THE COSTING METHODOLOGY USED TO DETERMINE THE BAD DEBT COST COMES FROM THE PERCENTAGE CALCULATED IN SCHEDULE H PART I WORKSHEET 2 FLAGSTAFF MEDICAL CENTER CALCULATION OF FINANCIAL ASSISTANCE COST IS BASED ON ACTUAL FINANCIAL ASSISTANCE WRITE-OFFS BY THE BUSINESS OFFICE MULTIPLIED BY THE COST-TO-CHARGE RATIO ALL OF THE FINANCIAL ASSISTANCE WRITE-OFFS ARE ATTRIBUTABLE TO PATIENTS WHO QUALIFIED UNDER
		THE FINANCIAL ASSISTANCE POLICY AS A NOT-FOR-PROFIT ENTITY, SERVICES ARE PROVIDED TO ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY AND MAKING THIS AVAILABLE TO THE COMMUNITY QUALIFIES BAD DEBT AS A COMMUNITY BENEFIT

Identifier	ReturnReference	Explanation
PART III, LINE 8		IN YEARS WHEN THERE IS A SHORTFALL, THE ENTIRE MEDICARE SHORTFALL SHOULD BE CONSIDERED A COMMUNITY BENEFIT BECAUSE OUR MISSION IS TO IMPROVE THE HEALTH OF THE PEOPLE AND COMMUNITIES WE SERVE WHETHER OR NOT THIS
		SERVICE IS PROVIDED AT A LOSS TO THE HOSPITAL MEDICARE REPRESENTS 37% OF THE HOSPITAL'S GROSS CHARGES AND IS A LOSS FOR THE HOSPITAL THE HOSPITAL PROVIDES CARE REGARDLESS OF THIS SIGNIFICANT LOSS AND THEREBY RELIEVES THE FEDERAL GOVERNMENT OF THE BURDEN OF PAYING THE FULL COST OF THE MEDICARE BENEFICIARIES MANY OF THESE PATIENTS WOULD QUALIFY FOR FINANCIAL
		ASSISTANCE IF THEY WERE NOT IN THE MEDICARE PROGRAM

Identifier	ReturnReference	Explanation
PART III, LINE 9B		ACCORDING TO OUR FINANCIAL ASSISTANCE POLICY, THE FINANCIAL COUNSELORS ASSESS THE PATIENT'S ABILITY TO PAY AT TIME OF ADMISSION/REGISTRATION IF THE PATIENT STATES THAT THEY ARE UNABLE TO PAY OUT-OF-POCKET EXPENSES, A DETERMINATION IS MADE WHETHER COVERAGE IS AVAILABLE THROUGH AHCCCS OR OTHER MEDICAID PROGRAMS IF NO OUTSIDE ASSISTANCE IS AVAILABLE, AN APPLICATION IS GIVEN TO THE PATIENT TO BE SUBMITTED FOR FINANCIAL ASSISTANCE CONSIDERATION IF PATIENT DOESN'T QUALIFY FOR FINANCIAL ASSISTANCE, INCOME LEVELS ARE ASSESSED TO DETERMINE IF THEY QUALIFY FOR LONG-TERM PAYMENT PROGRAM IF THE FINANCIAL ASSISTANCE APPLICATION IS NOT TURNED IN AND PAYMENT HAS NOT BEEN MADE AFTER NUMEROUS FOLLOW UP PHONE CALLS, THE PATIENT ACCOUNT GOES TO BAD DEBT BEFORE PRE-ADMISSION AND IF A PATIENT IS ELIGIBLE FOR FINANCIAL ASSISTANCE, FLAGSTAFF MEDICAL CENTER'S CASHIER COLLECTS 50% OF THE
		ESTIMATED LIABILITY THE REST OF THE 50% IS SET UP ON A SIX-MONTH PAYMENT PLAN WITH A SELF-PAY REPRESENTATIVE OF THE CENTRAL BUSINESS OFFICE

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT		FLAGSTAFF MEDICAL CENTER ASSESSES COMMUNITY HEALTHCARE NEEDS THROUGH A SURVEY DESIGNED AND ADMINISTERED BY THE PROFESSIONAL RESEARCH CONSULTANTS THIS SURVEY WAS LAST CONDUCTED IN 2012 AND WAS A FOLLOW-UP TO OTHER SURVEYS THE HOSPITAL HAS CONDUCTED THE SURVEY INSTRUMENT USED FOR THIS STUDY IS BASED LARGELY ON THE CENTERS FOR DISEASE CONTROL AND PREVENTION BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM, AS WELL AS VARIOUS OTHER PUBLIC HEALTH SURVEYS AND CUSTOMIZED QUESTIONS ADDRESSING GAPS IN INDICATOR DATA RELATIVE TO HEALTH PROMOTION AND DISEASE PREVENTION OBJECTIVES AND OTHER RECOGNIZED HEALTH ISSUES

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE		ACCORDING TO OUR FINANCIAL ASSISTANCE POLICY, THE FINANCIAL COUNSELORS ASSESS THE PATIENT'S ABILITY TO PAY AT TIME OF ADMISSION/REGISTRATION IF THE PATIENT STATES THAT THEY ARE UNABLE TO PAY OUT-OF-POCKET EXPENSES, A DETERMINATION IS MADE WHETHER COVERAGE IS AVAILABLE THROUGH AHCCCS OR OTHER MEDICAID PROGRAMS IF NO OUTSIDE ASSISTANCE IS AVAILABLE, AN APPLICATION IS GIVEN TO THE PATIENT TO BE SUBMITTED FOR FINANCIAL ASSISTANCE CONSIDERATION IF PATIENT DOESN'T QUALIFY FOR FINANCIAL ASSISTANCE, INCOME LEVELS ARE ASSESSED TO DETERMINE IF THEY QUALIFY FOR LONG-TERM PAYMENT PROGRAM IF THE CHARITY APPLICATION IS NOT TURNED IN AND PAYMENT HAS NOT BEEN MADE AFTER NUMEROUS FOLLOW UP PHONE CALLS, THE PATIENT ACCOUNT GOES TO BAD DEBT FLAGSTAFF MEDICAL CENTER WEBSITE HAS A BILLING CONTACT NUMBER BEFORE PRE-ADMISSION, PATIENTS ARE CONTACTED BY FMC'S CASHIER WHEN PATIENTS ARE CONTACTED, THEY ARE EDUCATED ABOUT THE FINANCIAL ASSISTANCE POLICY FMC FINANCIAL COUNSELORS ASSIGNED TO EACH NURSING UNIT ARE
		ABLE TO ANSWER OR ASSIST WITH BILLING QUESTIONS AT EACH PATIENT REGISTRATION DESK ARE DISPLAYS AND BROCHURES OF THE BILLING INFORMATION, INCLUDING THE FINANCIAL ASSISTANCE POLICY

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION		FLAGSTAFF MEDICAL CENTER IS A 267-BED ACUTE CARE HOSPITAL LOCATED IN FLAGSTAFF, AZ FMC OPERATES AS A NOT-FOR-PROFIT TAX-EXEMPT CORPORATION FMC PROVIDES GENERAL MEDICAL AND SURGICAL ACUTE CARE, BEHAVIORAL HEALTH SERVICES, AND A FULL RANGE OF OUTPATIENT SERVICES TO NORTHERN ARIZONA RESIDENTS AND VISITORS KEY SERVICES PROVIDED TO THE COMMUNITY INCLUDE A REGIONAL TRAUMA CENTER, OPEN-HEART SURGERY, HIGH-TECH IMAGING, RADIATION/ONCOLOGY, SURGICAL SERVICES, ORTHOPEDIC SERVICES, AND WOMEN, INFANTS AND CHILDREN'S SERVICES THE HOSPITAL GROSS PAYOR MIX IS AS FOLLOWS MEDICARE 37%, AHCCCS/MEDICAID 26%, COMMERCIAL AND OTHER 31%, AND SELF PAY 6%
		FLAGSTAFF MEDICAL CENTER IS ONE OF THE THREE LARGEST EMPLOYERS IN NORTHERN ARIZONA

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH		FLAGSTAFF MEDICAL CENTER SPONSORS VARIOUS COMMUNITY BUILDING ACTIVITIES IN FISCAL YEAR 2011 THERE WERE MORE THAN 40 COMMUNITY ACTIVITIES THAT QUALIFIED AS COMMUNITY BUILDING ACTIVITIES, INCLUDING BUT NOT LIMITED TO, PHYSICIAN RECRUITMENT, A COMMUNITY NEEDS HEALTH ASSESSMENT, AND WORKING WITH VARIOUS COMMUNITY ORGANIZATIONS SUCH AS AMERICAN CANCER SOCIETY, MUSCULAR DYSTROPHY ASSOCIATION, YMCA, UNITED WAY, BIG BROTHERS AND BIG SISTERS, AND THE COALITION FOR CHILDREN AND YOUTH THERE ARE MANY OTHER EXAMPLES OF HOW FLAGSTAFF MEDICAL CENTER FURTHERS ITS EXEMPT PURPOSE BY PROMOTING HEALTH IN THE COMMUNITY IT SERVES THE FMC CANCER CENTER HOSTS A SERIES OF FREE OR LOW-COST SCREENINGS DESIGNED TO HELP RESIDENTS IN THE COMMUNITY TO IDENTIFY ISSUES AS SOON AS POSSIBLE THIS IS BASED ON THE PREMISE THAT EARLY DETECTION IS OFTEN THE KEY TO SAVING THE LIVES OF CANCER PATIENTS THERE IS A NAVAJO TRANSLATOR PROGRAM WHICH SERVES A LARGE NUMBER OF PATIENTS FROM THE NAVAJO RESERVATION THE INTERPRETER PROGRAM HELPS NAVAJO PATIENTS FEEL AT EASE AS THEY CAN DISCUSS THEIR MEDICAL CONDITION IN THEIR NATIVE LANGUAGE THERE IS ALSO A FIT KIDS OF ARIZONA PROGRAM WHICH STRIVES TO REDUCE THE HEALTH CONSEQUENCES OF CHILDHOOD OBESITY BY PROMOTING HEALTHY LIFESTYLES

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Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM ROLES		FLAGSTAFF MEDICAL CENTER IS AFFILIATED WITH VERDE VALLEY MEDICAL CENTER THE BOARD MEMBER MEETINGS ARE COMBINED THE COMMUNITY BENEFIT REPORT IS SUMMARIZED TOGETHER AND POSTED ON THE HOSPITAL'S WEBSITE

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Schedule I

(Form 990)

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

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

OMB No 1545-0047

DLN: 93493134036493

Department of the Treasury Inspection Internal Revenue Service Name of the organization Employer identification number FLAGSTAFF MEDICAL CENTER 86-0110232 Part I General Information on Grants and Assistance Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States 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 (a) Name and address of **(b)** EIN (c) IRC Code (d) Amount of cash (e) A mount of non-(f) Method of (a) Description of (h) Purpose of grant organization section grant valuation non-cash assistance or assistance cash ıf applicable (book, FMV, or government assistance appraisal, other) See Additional Data Table

2	Enter total number of section 50:	1(c)(3) and governm	ent organizations liste	ed in the line 1 table .	 	 14

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	<u>. </u>
	Use Schedule I-1 (Form 990) if additional space is needed.	

(a)Type of grant or assistance	(b)Number of recipients	(c) A mount of cash grant	(d)A mount 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
SCHEDULE I, PART I, LINE 2	DESCRIPTION OF ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANTS	FLAGSTAFF MEDICAL CENTER FOUNDATION - GRANTS 1) INDIVIDUALS ON THE USER LEVEL ARE RESPONSIBLE FOR SCREENING AND IDENTIFYING THE NEEDS FOR DISTRIBUTION OF GRANT FUNDS 2) DEPARTMENT HEADS AND/OR PROGRAM COORDINATORS MUST VALIDATE AND SIGN ALL REQUESTS FOR PAYMENT OR DISBURSEMENT OF THESE FUNDS 3) WRITTEN REQUESTS ARE REVIEWED BY THE FOUNDATION SPECIALIST FOR OPERATIONS TO VERIFY AVAILABLE FUND BALANCES AND PROPER ACCOUNT NUMBERS 4) THE FOUNDATION SPECIALIST FOR GRANTS THEN INITIALS THE DOCUMENTS AFTER VERIFYING THE CRITERIA FOR DISBURSEMENT 5) THE VICE PRESIDENT OF DEVELOPMENT AUTHORIZES THE DISBURSEMENT OF FUNDS BY SIGNATURE 6) THE FOUNDATION SCANS ALL DOCUMENTS AND SAVES THEM DIGITALLY ON A SECURE SERVER 7) ALL ORIGINAL DOCUMENTS ARE SUBMITTED TO ACCOUNTS PAYABLE FOR FINAL RECORDING AND PAYMENT 8) ORIGINAL DOCUMENTS ARE FILED
		AND ARCHIVED IN A SECURE LOCATION FOR THE REQUIRED LENGTH OF TIME FMC RELIES ON THE GOVERNANCE PRACTICES OF THE RECIPIENT ORGANIZATION TO USE THE FUNDS FOR THE INTENDED PURPOSE

Software ID:

Software Version:

EIN: 86-0110232

Name: FLAGSTAFF MEDICAL CENTER

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	` '	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
NORTHERN ARIZONA TENNIS ASSOCIATIONPO BOX 3455 SEDONA, AZ 86340	86- 0995753	501(c)(3)	6,000				TITLE SPONSORSHIP
SEDONA INTERNATIONAL FILM FESTIVALPO BOX 162 SEDONA,AZ 86339	20- 0351857	501(c)(3)	6,333				SPONSORSHIP

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
HOZHONI FOUNDATION2133 N WALGREEN ST FLAGSTAFF, AZ 86004	86- 0255127	501(c)(3)	9,000				GENERAL OPERATIONS SUPPORT
COCONINO COUNTY COMMUNITY COLLEGE3000 N 4TH ST FLAGSTAFF,AZ	86- 0717956	I SCHOOL	100,000				FUNDING FOR THE NURSING PROGRAM

			1				1
(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
JLB PRO JECTPO BO X 537 FLAGSTAFF, A Z 86002	27- 3224466	501(c)(3)	8,000				BEREAVEMENT SUPPORT
NORTHERN ARIZONA UNIV SCHOOL OF NURSINGPO BOX 15035 FLAGSTAFF, AZ 86011	86- 6004791	SCHOOL	86,000				NURSING PRO GRAM SUPPORT

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
VICTIM WITNESS SERVICES COCONINO COUNTY5200 E CORTLAND BLVD FLAGSTAFF, AZ 86004	86- 0481748	501(c)(3)	9,740				CRISIS RESPONSE
YMCA1001 N TURQUOISE DR FLAGSTAFF,AZ 86001	86- 0096799	501(c)(3)	11,540				CAPITAL CAMPAIGN

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	 (f) Method of valuation (book, FMV,	(g) Description of non-cash	(h) Purpose of grant or assistance
-				`appraisal, other)	assistance	
NORTH COUNTY HEALTHCARE2920 N 4TH ST FLAGSTAFF, AZ 86004	86- 0663432	501(c)(3)	18,822			NACASA PROGRAM ASSISTANCE
UNITED WAY OF NORTHERN ARIZONA1515 E CEDAR AVE FLAGSTAFF, AZ 86004	86- 0211666	501(c)(3)	25,000			ORGANIZATIONAL MATCH

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
NAU ATHLETICS PO BOX 15400 FLAGSTAFF,AZ 86001	86- 6004791	SCHOOL	10,000				SIGN AND GAME SPONSORSHIP
FLAGSTAFF DOWNTOWN BUSINESS ALLIANCEPO BOX 1546 FLAGSTAFF,AZ 86002	86- 1033923	501(c)(3)	17,685				SPONSORSHIP MOVIES ON THE SQUARE

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
AMERICAN CANCER SOCIETY 4550 E BELL RD 126 PHOENIX, AZ 85032	84- 1316555	501(c)(3)	6,750				FUNDRAISING SPONSORSHIP
BIG BROTHERS BIG SISITERSPO BOX 1701 FLAGSTAFF,AZ	23- 7170086	501(c)(3)	8,000				SPONSORSHIP

DLN: 93493134036493

OMB No 1545-0047

Compensation Information

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

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

► Attach to Form 990. ► See separate instructions.

Open to Public Inspection

Name of the organization FLAGSTAFF MEDICAL CENTER

Schedule J (Form 990)

Department of the Treasury

Internal Revenue Service

Employer identification number

86-0110232

Pa	rt I Questions Regarding Compensat	tion			•
				Yes	No
1a		provided any of the following to or for a person listed in Form III to provide any relevant information regarding these items			
	First-class or charter travel	Housing allowance or residence for personal use			
	Travel for companions	Payments for business use of personal residence			
	Tax idemnification and gross-up payments	Health or social club dues or initiation fees			
	Discretionary spending account	Personal services (e g , maid, chauffeur, chef)			
b		e organization follow a written policy regarding payment or escribed above? If "No," complete Part III to explain	1b		
2		to reimbursing or allowing expenses incurred by all tive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the organizorganization's CEO/Executive Director Check a	Il that apply			
	Compensation committee	Written employment contract			
	Independent compensation consultant	Compensation survey or study			
	Form 990 of other organizations	Approval by the board or compensation committee			
4	During the year, did any person listed in Form 99 or a related organization	0, Part VII, Section A, line 1a with respect to the filing organization			
а	Receive a severance payment or change-of-conf	rol payment?	4a		No
ь	Participate in, or receive payment from, a supple	mental nonqualified retirement plan?	4b		No
c	Participate in, or receive payment from, an equit	y-based compensation arrangement?	4c		No
	If "Yes" to any of lines 4a-c, list the persons and	d 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 compensation contingent on the revenues of	A, line 1a, did the organization pay or accrue any			
а	The organization?		5a		No
ь	Any related organization?		5b		No
	If "Yes," to line 5a or 5b, describe in Part III				
6	For persons listed in form 990, Part VII, Section compensation contingent on the net earnings of	A, line 1a, did the organization pay or accrue any			
а	The organization?		6a		No
ь	Any related organization?		6b		No
	If "Yes," to line 6a or 6b, describe in Part III				
7		n A , line 1a , did the organization provide any non-fixed s," describe in Part III	7		No.
8	Were any amounts reported in Form 990, Part VI	II, paid or accured pursuant to a contract that was			
	in Part III	d in Regs section 53 4958-4(a)(3)? If "Yes," describe	8		No
9	If "Yes" to line 8 did the organization also follow	the rebuttable presumption procedure described in Regulations	ٿ		
-	section 53 4958-6(c)?	. and resultable presumption procedure described in Regulations	9		

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)(1)-(111) 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) Nama		(D) Ducalidavin of	W 2	56	(C) Datimaniant and	(D) Nantavahla	(E) Total of columns	(F) Compensation	
(A) Name		(B) Breakdown of (i) Base compensation	(ii) Bonus & (iii) Other reportable compensation compensation		(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(ı)-(D)	reported in prior Form 990 or Form 990-EZ	
(1) WILLIAM T	(I)	0	0	0	0	0	0	O	
BRADEL	(II)	481,998	99,258	43,508	9,800	18,053	652,617	O	
(2) STEVEN W LEWIS	(ı)	0	0	0	0	0	0	0	
MD	(ıı)	370,726	60,232	7,604	9,800	12,867	461,229		
(3) ROGER S SCHULER	(I)	0	0	0	0	0	0	0	
	(II)	210,817	32,709	23,230	184,444	13,616	464,816	0	
(4) MARILYNN P	(I)	0	0	0	0	0	0	0	
BELCHER	(II)	206,825	33,629	0	8,277	17,122	265,853	0	
(5) RICHARD A SMITH	(I)	0	0	0	0	0	0	0	
	(II)	182,374	24,322	0	7,299	7,282	221,277	0	
(6) KAI R MCSWAIN	(I)	0	0	0	0	0	0	0	
	(II)	198,878	17,961	0	7,955	16,293	241,087	0	
(7) ERIC D COHEN MD	(I)	0	0	0	0	0	0	0	
	(II)	650,000	0	3,090	9,800	15,993	678,883	0	
(8) STEVEN M	(I)	0	0	0	0	0	0	0	
PETERSON MD	(II)	599,035	144,830	0	9,958	12,269	766,092		
(9) OMARR WANI MD	(I)	0	0	0	0	0	0	0	
	(II)	600,018	143,656	0	10,031	11,577	765,282	0	
(10) JAMES G DWYER	(I)	0	0	0	0	0	0	0	
MD	(II)	774,384	0	2,370	9,800	12,269	798,823	0	
(11) MARK E	(I)	0	0	0	0	0	0	0	
DONNELLY MD	(II)	390,000	354,217	0	9,800	15,038	769,055	0	
(12) GREGORY KUZMA	(I)	0	0	0	0	0	0	0	
	(II)	330,585	70,991	0	201,289	11,101	613,966	0	
(13) JOHN J DEMPSEY	(I) (II)	0 328,790	0 94,289	0 7,903	0 158,651	0 16,553	0 606,186	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	COMPENSATION INFORMATION	LINE 1A/B ALL COMPENSATION, BENEFITS AND REIMBURSEMENTS ARE PAID BY NORTHERN ARIZONA HEALTHCARE, THE PARENT ORGANIZATION BOARD MEMBER AND OFFICER BUSINESS TRAVEL EXPENSES, SUCH AS AIRLINE AND MEALS, FOR COMPANIONS WERE PAID AND REPORTED ON A W-2 OR 1099 GROSS-UP OF TAXES IS DONE ON ALL EMPLOYEE GIFT CERTIFICATES CURRENTLY, THERE IS NO WRITTEN POLICY FOR THESE ITEMS IN PRACTICE, THE BOARD MEMBER AND OFFICER BUSINESS TRAVEL EXPENSES ARE APPROVED BY THE NEXT HIGHEST LEVEL LINE 3 CEO COMPENSATION IS DERIVED BY THE RELATED PARENT ENTITY - NORTHERN ARIZONA HEALTHCARE
SCHEDULE J, PART II		THE FOLLOWING INDIVIDUALS PARTICIPATE IN A DEFINED BENEFIT RETIREMENT PLAN AS SUCH, ACTUARIAL INCREASES IN THEIR ACCOUNTS ARE REPORTED ON PART II, COLUMN (C) AS DEFERRED COMPENSATION FOR THE CURRENT YEAR, THE INCREASES WERE SUBSTANTIALLY MORE THAN NORMAL DUE TO A DECREASE IN THE DISCOUNT RATE USED IN THE ACTUARIAL ANALYSIS AS FOLLOWS INCREASE DUE INCREASE DUE TO BENEFIT TO DECREASE IN ACCRUAL DISCOUNT RATE TOTAL JOHN J DEMPSEY 57,015 101,636 158,651 GREGORY KUZMA 43,310 157,979 201,289 ROGER S SCHULER 87,397 97,047 184,444

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

DLN: 93493134036493

Open to Public Inspection

Internal Revenue Service

Name of the organization

Department of the Treasury

FLAGSTAFF MEDICAL CENTER

Employer identification number

86-0110232

										8	6-011	0232			
P	Bond Issues														
	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue	Price	(f)) Description	of Purpose	(g) Def	eased	(h) Beha Iss	alf of		Pool ncing
										Yes	No	Yes	No '	Yes	No
A	INDUSTRIAL DEVELOPMENT AUTHORITY OF YAVAPAI COUNTY	86-0376099		07-25-2008	45,70	3,133	SEE	SCHEDULE	0		X		x	х	
В	INDUSTRIAL DEVELOPMENT AUTHORITY OF YAVAPAI COUNTY	86-0376099	985900BTS	01-08-2009	20,32	26,075	SEE	SCHEDULE	0		Х		×		Х
c	INDUSTRIAL DEVELOPMENT AUTHORITY OF YAVAPAI COUNTY	86-0376099	985900CXS	10-12-2011	65,09	4,379	SEE	SCHEDULE	0		Х		×		Х
Pa	rt III Proceeds												I		
						A		E	3		С			D	
1	A mount of bonds retired						0		0			0			
_2	2 A mount of bonds defeased						0		0			0			
3	Total proceeds of issue					45,703	,133	;	20,326,075	65,094,379					
4	Gross proceeds in reserve fund	ds					0		0	0					
5	Capitalized interest from proce	eds				0 0				0					
6	Proceeds in refunding escrow				45,697,693 10,012,616		64,465,319								
7	Issuance costs from proceeds					5,440 227,246			(529,060					
8	Credit enhancement from proc	eeds				0 0				0					
9	Working capital expenditures f	rom proceeds					0		12,780	0					
10	Capital expenditures from proc	eeds					0	:	10,073,433	0					
11	Other spent proceeds						0		0			0			
12	Other unspent proceeds						0		0			0			
13	Year of substantial completion									2011					
					Yes	No		Yes	No	Yes		No	Yes		No
14	Were the bonds issued as part	of a current refund	ng issue?		Х			Х		Χ					
15	15 Were the bonds issued as part of an advance refunding issue?				Х			Х			Х				
16	Has the final allocation of proc	eeds been made?			Х			Х		Х					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?				х			Х		Х					
Pa	rt IIII Private Business Us	 se			l	1		I					ı		
						A		E	3		С			D	
					Yes	No	0	Yes	No	Yes		No	Yes		No

property financed by tax-exempt bonds?

financed property?

Was the organization a partner in a partnership, or a member of an LLC, which owned

Are there any lease arrangements that may result in private business use of bond-

Χ

Χ

Χ

Х

Χ

Sche	edule K (Form 990) 2011											Page 2
Par	Private Business Use (Continued)											
			Α			В			С			D
			Yes	No	Yes	No		Yes	No	Y	'es	No
3a	Are there any management or service contracts that may result in private use?	business	×		×				x			
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or counsel to review any management or service contracts relating to the fine property?		х		Х							
С	financed property?			х		х			х			
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or counsel to review any research agreements relating to the financed proper											
4	Enter the percentage of financed property used in a private business use to other than a section 501(c)(3) organization or a state or local government				0 %		0 970 9		%	%		
5	5 Enter the percentage of financed property used in a private business use as a result unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶			0 %			0 %) %		%	9%	
6	Total of lines 4 and 5			0 %			0 %		0 970 °	/o		
7	Has the organization adopted management practices and procedures to er post-issuance compliance of its tax-exempt bond liabilities?	sure the	х		Х			Х				
Pai	rt IV Arbitrage		•			•			•			•
		А	i		В			С		1	D	
		Yes	No	Yes	No		Yes		No	Yes		No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		x		x				X			
2	Is the bond issue a variable rate issue?	X		Х					Х			
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		х		х				x			
b	Name of provider	0		0	•	0						
С.	Term of hedge											

Was the hedge superintegrated? Was a hedge terminated? Were gross proceeds invested in a GIC? Χ 4a Χ Χ Name of provider b Term of GIC C Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied? Were any gross proceeds invested beyond an available temporary 5 period? Χ Χ Χ Did the bond issue qualify for an exception to rebate? Χ Χ Χ

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

Part VI Supplemental Information

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

Ident if ier	Return Reference	Explanation
SEE	0	
SCHEDULE O		

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DLN: 93493134036493

OMB No 1545-0047

Schedule L

(Form 990 or 990-EZ)

Department of the Treasury Internal Revenue Service

Transactions with Interested Persons

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

► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

Open to Public **Inspection**

	of the organization FF MEDICAL CENTER								mployer i 6-01102		tion numb	er
Part I	Excess Benefit Trar Complete if the organizat) organ	zations d	only).	ıne 40b	
1	(a) Name of disq					(b) Description of transaction						(c) rected?
											Yes	No
2 En	ter the amount of tax ımpos	ed on ti	he orgai	nization man	agers or	disqualified person	one du	ring the v	vear unde			
	ction 4958		· ·			· · · · ·		_	· · ·	· \$ ——		
3 En	ter the amount of tax, if any	, on line	e 2, abo	ve, reımburs	ed by th	e organization .			•	· \$		
Part I	Loans to and/or F	rom	Intere	sted Pers	sons.							
	Complete if the organiz	zation a T	nswere	d "Yes" on F	orm 990	, Part IV, line 26	, or Fo	rm 990-l			a T	
(a) Nan	ne of interested person and purpose	or fro	oan to om the zation?	(c)O riginal		(d)Balance due	(e) In default?		(f) Approved by board or committee?		(g) Writ	
		То	From	' '			Yes No		Yes	No	Yes	No
								+				
					. .				1			
Total . Part II	Grants or Assistar				► \$	Persons						
rait II	Complete if the orga						, line	27.				
ı	(a) Name of interested pers			b) Relationsh	np betwe	een interested per ganization			nount of g	rant or ty	/pe of assı	stance

Part IV Business Transactions Involving Interested Persons.

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

Complete if the organization	ili alisweled Tes Oli	TOTTI 330, Part IV, III	16 Z0a, Z0b, 01 Z0c.		
(a) Name of interested person	(b) Relationship between interested person and the (c) A mount of transaction		(d) Description of transaction	organi	aring of zation's nues?
	organization			Yes	No
(1) FOREST COUNTRY ANESTHESIA	CHRISTENSEN / PARTNER	2,430,000	MEDICAL SERVICES FOR FMC		No
(2) VICKIE LEWIS	STEVE LEWIS SPOUSE	181,050	COMPENSATION		No
(3) KATHY KUZMA	GREGORY KUZMA SPOUSE	67,522	COMPENSATION		No
(4) GKC ENTERPRISES	CHRISTENSEN / PARTNER	86,123	REDEMPTION OF INTEREST		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

Schedule L (Form 990 or 990-EZ) 2011

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DLN: 93493134036493

OMB No 1545-0047

Open to Public Inspection

Department of the Treasury Internal Revenue Service

SCHEDULE M

(Form 990)

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

NonCash Contributions

Name of the organization FLAGSTAFF MEDICAL CENTER

Employer identification number

					86-0110232			
Pa	rt 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	(d) Method of det contribution	termını	_	
1	Art—Works of art	Х		1,610	OPINIONS OF EXPE	RTS		
2	Art—Historical treasures .							
3	Art—Fractional interests							
4	Books and publications	Х		5,650	REPLACEMENT COS	ST		
5	Clothing and household goods	Х		8,603	REPLACEMENT COS	ST.		
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—O ther							
18	Collectibles							
19	Food inventory	Х		3,180	COST/SELLING PRI	CE		
20	Drugs and medical supplies .							
21	Taxıdermy							
22	Historical artifacts							
23	Scientific specimens							
24	Archeological artifacts							
	POST PARTUM							
25	Other►(<u>KITS</u>)	X	110	27,500	REPLACEMENT COS	>		
26	HEARING Other►(<u>AIDS</u>)	X	10	2 300	OPINIONS OF EXPE	RTS		
20	FIT KIDS			2,500	OT INTONO OT EXTE	-1(15		
27	Other►(PRIZES)	X	0	3,155	COST/SELLING PRI	CE		
	PLANTS,							
	FLO WERS, &							
	Other►(<u>GIFTS</u>)	<u> </u>	385	· · · · · · · · · · · · · · · · · · ·	COST/SELLING PRI	CE		
29	Number of Forms 8283 received for which the organization compl				29	1		0
	5						Yes	No
30a	 During the year, did the organization must hold for at least three year 							
	for exempt purposes for the enti	re holding p	period?			30a		No
b	If "Yes," describe the arrangem	ent in Part :	II					
31	Does the organization have a gif	•		•		31	Yes	
32a	Does the organization hire or us contributions?	e third part	ies or related organizations	to solicit, process, or sell i		32a		No
ь	If "Yes," describe in Part II				Γ			
33	If the organization did not report describe in Part II	revenues	ın column (c) for a type of p	roperty for which column (a) is checked,			

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.

Identifier	Return Reference	Explanation
NUMBER OF CONTRIBUTIONS OR ITEMS CONTRIBUTED	, ,	THE NUMBER OF CONTRIBUTIONS OR ITEMS CONTRIBUTED IS NOT ASCERTAINABLE FOR THE FOLLOWING DUE TO VOLUME ART - WORKS OF ART FOOD INVENTORY FIT KIDS PRIZES BOOKS, CLOTHING

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As Filed Data -

DLN: 93493134036493

Department of the Treasury Internal Revenue Service

(Form 990 or 990-EZ)

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047 Open to Public

Inspection

Name of the organization FLAGSTAFF MEDICAL CENTER	Employer identifi	ication number
	86-0110232	

ldentifier	Return Reference	Explanation
FORM 990, PART I, LINE 6	VOLUNTEER RESPONSIBILITIES	FMC VOLUNTEERS PROVIDE CLERICAL ASSISTANCE IN MULTIPLE DEPARTMENTS AND SUPPORT SERVICES SUCH AS WHEELCHAIR ASSISTANCE AND ESCORTING PATIENTS AND FAMILIES WHO ENTER AT THE MAIN ENTRY THEY VOLUNTEER AT THE INFORMATION DESK AND GIFT SHOP AND MAKE DELIVERIES OF GIFTS, READING MATERIALS AND MAIL TO PATIENT ROOMS THEY PROVIDE LOBBY MUSIC, NAVAJO AND SPANISH INTERPRETATION, SPIRITUAL CARE, AND CARING CANINE AND CARING CLOWN VISITS TO PATIENTS THEY ROCK BABIES IN THE SPECIAL CARE NURSERY, PROVIDE MENDED HEARTS PATIENT AND FAMILY SUPPORT, AND ASSIST IN THE FOUNDATION AND AT SPECIAL EVENTS VOLUNTEERS ASSIST IN OTHER DEPARTMENTS SUCH AS THE CANCER CENTER, BIOMEDICAL ENGINEERING, MAIL ROOM, NUTRITION SERVICES, PHARMACY, WOMEN AND INFANTS' CENTER, PHY SICAL THERAPY, FIT KIDS, BARIATRIC CLINIC, EMERGENCY AND SURGICAL SERVICES AND THE TAYLOR HOUSE

Identifier	Return Reference	Explanation
FORM 990 PART III LINE 4A	DESCRIPTION OF PROGRAM SERVICE ACCOMPLISHMENTS	ONE OF THE NICEST THINGS ABOUT LIVING IN NORTHERN ARIZONA IS YOU DON'T HAVE TO TRAVEL TO GET EXCELLENT HEALTHCARE. SINCE 1936, FLAGSTAFF MEDICAL CENTER (FMC), A MEMBER OF NORTHERN ARIZONA HEALTHCARE. HAS PROVIDED HIGH QUALITY HEALTHCARE SERVICES TO RESIDENTS AND VISITORS TO NORTHERN ARIZONA. WE ARE DEDICATED TO PATIENT-CENTERED CARE. WITH A PERSONAL TOUCH FMC IS LICENSED BY MEDICARE AND THE STATE OF ARIZONA. FOUNDED BY DR. CHARLES SECHRIST AS FLAGSTAFF HOSPITAL, THE 25-BED HOSPITAL WAS DONATED TO THE COMMUNITY OF FLAGSTAFF IN 1955. TODAY, FLAGSTAFF MEDICAL CENTER REMAINS A NOT-FOR-PROFIT HOSPITAL, GOVERNED BY A VOLUNTEER BOARD OF DIRECTORS. WE TREAT EVERY PATIENT, REGARDLESS OF THEIR ABILITY TO PAY. EVERY YEAR, FLAGSTAFF MEDICAL CENTER INVESTS IN YOUR COMMUNITY HOSPITAL TO ENSURE WE ARE PROVIDING THE BEST, SAFEST CARE, CLOSE TO HOME. WE PROVIDE KEY SERVICES TO NORTHERN ARIZONA RESIDENTS AND VISITORS, INCLUDING A REGIONAL TRAUMA CENTER, OPEN-HEART SURGERY, HIGH-TECH IMAGING, A CANCER CENTER, SURGICAL SERVICES, ORTHOPEDIC SERVICES, WOMEN, INFANTS' AND CHILDREN'S SERVICES, AND MORE, FMC CURRENTLY HAS - 267 INPATIENT BEDS - 238 PHY SICIANS ON OUR ACTIVE MEDICAL STAFF. 14,621 ANNUAL INPATIENT HOSPITAL ADMISSIONS - 60,150 INPATIENT DAYS - 107,498 ANNUAL OUTPATIENT HOSPITAL VISITS - 39,605 ANNUAL EMERGENCY DEPARTMENT VISITS - 17,448 BABIES BORN THIS YEAR AT FMC FLAGSTAFF MEDICAL CENTER'S MISSION AND VISION———————————————————————————————————

ldentifier	Return Reference	Explanation
FORM 990, PART VI, QUESTION 6		NORTHERN ARIZONA HEALTHCARE CORPORATION IS THE SOLE CORPORATE MEMBER OF FLAGSTAFF MEDICAL CENTER

ldentifier	Return Reference	Explanation
FORM 990, PART VI, QUESTION 7A	DESCRIPTION OF CLASSES OF PERSONS AND THE NATURE OF THEIR RIGHTS	THE FLAGSTAFF MEDICAL CENTER (FMC) GOVERNANCE COMMITTEE NOMINATES FOR POSITIONS ON THE FMC BOARD OF DIRECTORS DIRECTORS ARE ELECTED BY THE BOARD OF DIRECTORS OF THE SOLE CORPORATE MEMBER FROM THE NOMINATIONS THAT HAVE BEEN PROVIDED THE SOLE CORPORATE MEMBER BLECTS THOSE PERSONS NOMINATED UNLESS THE BOARD OF DIRECTORS OF THE SOLE CORPORATE MEMBER BY A SUPER MAJORITY VOTE DETERMINES THAT A NOMINEE'S ELECTION WOULD BE DETRIMENTAL TO THE BEST INTERESTS OF FMC OR THE SOLE CORPORATE MEMBER FORM 990, PART VI, LINE 7B DECISIONS REQUIRING APPROVAL & TYPE OF VOTING RIGHTS AS SOLE CORPORATE MEMBER, NORTHERN ARIZONA HEALTHCARE CORPORATION APPROVES THE BOARD OF DIRECTORS THAT ARE ELECTED BY THIS ENTITY ALSO AS SOLE CORPORATE MEMBER, NORTHERN ARIZONA HEALTHCARE CORPORATION HAS RESERVED THE RIGHT AND AUTHORITY TO APPROVE OR DISAPPROVE THOSE ACTS OR POWERS AS SET FORTH IN THE "RESERVED POWERS CHART" THAT IS PART OF THE BY LAWS

ldentifier	Return Reference	Explanation
FORM 990, PART VI, QUESTION 11B	REVIEW OF THE FORM 990 BY THE ORGANIZATION'S GOVERNING BODY	THE FORM 990 IS PREPARED BY AN ACCOUNTING FIRM BASED ON DATA GATHERED BY THE CONTROLLER AND THE ORGANIZATION'S FINANCIAL OPERATIONS GROUP THE CFO REVIEWS THE DRAFT FORM 990 AND PROVIDES ADDITIONAL COMMENTS THE FINAL DRAFT VERSION OF THE FORM 990 IS PROVIDED TO THE BOARD OF DIRECTORS AND KEY OFFICERS PRIOR TO THE MAY 15 DUE DATE FOR THE FORM 990 ANY ADDITIONAL COMMENTS SUGGESTED BY THE GOVERNING BODY ARE THEN INCORPORATED INTO THE FINAL VERSION OF THE FORM 990 TO BE FILED WITH THE IRS BY THE FINAL DUE DATE. IF ANY SUGGESTED CHANGES ARE MATERIAL OR SIGNIFICANT, AN ADDITIONAL DRAFT IS DISTRIBUTED TO THE GOVERNING BODY PRIOR TO FILING

ldentifier	Return Reference	Explanation
FORM 990, PART VI, QUESTION 12C	DESCRIPTION OF PROCESS TO MONITOR TRANSACTIONS FOR CONFLICT OF INTEREST	THE ORGANIZATION REGULARLY MONITORS AND ENFORCES COMPLIANCE WITH ITS CONFLICT OF INTEREST POLICY (BOARD POLICY 6 1) THIS IS ACCOMPLISHED BY A NUMBER OF MECHANISMS FIRST, THE CONFLICT OF INTEREST QUESTIONNAIRE IS REVIEWED BY THE GOVERNANCE COMMITTEE OF THE BOARD AS PART OF THE QUESTIONNAIRE, SELF-DISCLOSURE IS REQUIRED BY BOARD MEMBERS IN ADDITION, INDIVIDUAL DISCLOSURE BY BOARD MEMBERS OCCURS AT BOARD MEETINGS WHEN NECESSARY (I.E. A BOARD MEMBER WILL EXCLUDE HIMSELF FROM VOTING ON AN ISSUE IN WHICH HE MAY HAVE A CONFLICT OF INTEREST)

ldentifier	Return Reference	Explanation
FORM 990, PART VI, QUESTIONS 15A & 15B	COMPENSATION PROCESS	THE PROCESS FOR DETERMINING COMPENSATION OF THE ORGANIZATION'S CEO AND OTHER OFFICERS INCLUDES THE PREPARATION OF COMPARABLE DATA BY TOWERS WATSON, AN INDEPENDENT CONSULTING FIRM IN ADDITION, THIS INFORMATION IS REVIEWED BY THE GOVERNANCE COMMITTEE OF THE BOARD AND IS DOCUMENTED IN BOARD MINUTES THE MOST RECENT REVIEW WAS PERFORMED IN AUGUST 2012

ldentifier	Return Reference	Explanation
PART VI,	AVAILABILITY OF CERTAIN DOCUMENTS TO THE GENERAL PUBLIC	THE ORGANIZATION'S FINANCIAL STATEMENTS ARE AVAILABLE THROUGH THE ARIZONA DEPARTMENT OF HEALTH SERVICES IN ADDITION, THEY ARE AVAILABLE THROUGH THE ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) AS PART OF THE ORGANIZATION'S CONTINUING DISCLOSURE DOCUMENTS THAT ARE REQUIRED BY ITS PUBLIC DEBT REQUIREMENTS THE ORGANIZATION DOES NOT MAKE ITS GOVERNING DOCUMENTS OR ITS CONFLICT OF INTEREST POLICY AVAILABLE TO THE PUBLIC

Identifier	Return Reference	Explanation
FORM 990, PART VII	HOURS DEVOTED TO RELATED ORGANIZATIONS	CHRIS BAVASI SERVES ON THE BOARD OF NORTHERN ARIZONA HEALTHCARE CORPORATION ("NAHC") AND FLAGSTAFF MEDICAL CENTER ("FMC") HE DEVOTED 2.5 HOURS PER WEEK TO EACH ORGANIZATION GARY CHRISTENSEN SERVES ON THE BOARD OF NAHC AND FMC. HE DEVOTED 0.75 HOURS PER WEEK TO EACH ORGANIZATION JAMES DORMAN SERVES ON THE BOARD OF NAHC AND FMC. HE DEVOTED 3. HOURS PER WEEK TO EACH ORGANIZATION WAYNE FOX SERVES ON THE BOARD OF NAHC AND FMC. HE DEVOTED 1.75 HOURS PER WEEK TO EACH ORGANIZATION ROBERT M MONTOY A SERVES ON THE BOARD OF NAHC AND FMC. HE DEVOTED 2.75 HOURS PER WEEK TO EACH ORGANIZATION MOLLY MUNGER SERVES ON THE BOARD OF NAHC AND FMC. SHE DEVOTED 0.75 HOURS PER WEEK TO EACH ORGANIZATION BERT MCKINNON SERVES ON THE BOARD OF NAHC AND FMC. HE DEVOTED 1.9 HOURS PER WEEK TO FMC AND 4.0 HOURS TO NAHC GREGORY KUZMA IS THE VP AND CHIEF FINANCIAL OFFICER OF NAHC, FMC AND VVMC. HE DEVOTED 20 HOURS PER WEEK TO NAHC, 14 HOURS TO FMC, AND 6 HOURS PER WEEK TO VERDE VALLEY MEDICAL CENTER ("VVMC") WILLIAM BRADEL DEVOTED 30 HOURS PER WEEK TO NAHC AS THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF FMC. HE DEVOTED 10 HOURS PER WEEK TO NAHC AS CO-CEO JOHN DEMPSEY IS THE EXECUTIVE VP OF LAW & ETHICS OF NAHC, FMC AND VVMC. HE DEVOTED 20 HOURS PER WEEK TO NAHC, 14 HOURS TO FMC, AND 6 HOURS PER WEEK TO VAMC. ALL COMPENSATION IS PAID BY NAHC.

ldentifier	Return Reference	Explanation
FORM 990, PART XI, LINE 5	EXPLANATION OF OTHER CHANGES IN NET ASSETS	INCREASE IN UNFUNDED PENSION LIABILITY \$(31,203,000) UNREALIZED GAIN/LOSS IN INVESTMENT (427,938) PARTNERSHIP K-1 BOOK AND TAX DIFFERENCES (65,353) ELIMINATIONS (313,736) TOTAL \$(32,010,027) ====================================

ldentifier	Return Reference	Explanation
SCHEDULE K, PART I	SUPPLEMENTAL INFORMATION	LINE A - THE NAME OF THE ISSUE IS HOSPITAL REVENUE REFUNDING BONDS (NORTHERN ARIZONA HEALTHCARE SYSTEM) SERIES 2008A THIS ISSUE REFUNDS BONDS FROM 12/12/96 AND 10/31/02 TOTAL ISSUANCE PRICE WAS \$57,096,705 WHICH WAS ALLOCATED \$45,703,133 TO FLAGSTAFF MEDICAL CENTER AND \$11,393,572 TO VERDE VALLEY MEDICAL CENTER LINE B - THE NAME OF THE ISSUE IS \$52,795,000 HOSPITAL REVENUE BONDS (NORTHERN ARIZONA HEALTHCARE SYSTEM) SERIES 2008B THIS ISSUE REFUNDS BONDS FROM 1/27/05 TOTAL ISSUANCE PRICE WAS \$52,795,000 WHICH WAS ALLOCATED \$20,326,075 TO FLAGSTAFF MEDICAL CENTER AND \$32,468,925 TO VERDE VALLEY MEDICAL CENTER THE 2008B BONDS WERE ALSO USED, IN PART, TO FINANCE "NEW MONEY" PROJECTS \$10,073,432 WAS USED FOR BUILDINGS AND LONG-LIVED EQUIPMENT LINE C - THE NAME OF THE ISSUE IS HOSPITAL REVENUE REFUNDING BONDS (NORTHERN ARIZONA HEALTHCARE SYSTEM) SERIES 2011 THIS ISSUE REFUNDS THE 1996A AND 1998 SERIES BONDS TOTAL ISSUANCE PRICE WAS \$78,923,520 WHICH WAS ALLOCATED \$65,111,905 TO FLAGSTAFF MEDICAL CENTER AND \$13,811,616 TO VERDE VALLEY MEDICAL CENTER

ldentifier	Return Reference	Explanation
FORM 990, PART V, QUESTION 5A	PARTY TO PROHIBITED TAX SHELTER TRANSACTION	FLAGSTAFF MEDICAL CENTER IS FILING THREE FORMS 8886, REPORTABLE TRANSACTION DISCLOSURE STATEMENT, ON A PROTECTIVE BASIS TO REPORT ITS INTERESTS IN THE FOLLOWING LIMITED PARTNERSHIPS JORDAN FAMILY INVESTMENTS LP, NAAM ENTERPRISES LP, AND GKC ENTERPRISES LP (INTEREST REDEEMED 1/9/2012) FLAGSTAFF MEDICAL CENTER IS FILING ONE FORM 8886 TO REPORT ITS INTEREST IN DUDDIE FAMILY LIMITED PARTNERSHIP FLAGSTAFF MEDICAL CENTER IS NOT REQUIRED TO DISCLOSE THE DUDDIE FAMILY LP ON FORM 8886-T, DISCLOSURE BY TAX-EXEMPT ENTITY REGARDING PROHIBITED TAX SHELTER TRANSACTION, BECAUSE IT RECEIVED THE DONATED LIMITED PARTNERSHIP INTEREST PRIOR TO MAY 17, 2006 TREAS REG 1 6033-5(D)(4) ("[D]ISCLOSURE IS NOT REQUIRED WITH RESPECT TO ANY PROHIBITED TAX SHELTER TRANSACTION ENTERED INTO BY A TAX-EXEMPT ENTITY ON OR BEFORE MAY 17, 2006")

ldentifier	Return Reference	Explanation
8886, 1 F	THE DUDDIE FAMILY LIMITED PARTNERSHIP	LINE6 A-C NOTE THE TAX ADVICE PROVIDED BY BRINST & YOUNG LLP, FENNEMORE CRAIG, P.C., AND POLSINELLI SHUGHART FO; WAS LIMITED TO ADVICE PERTAINING TO THE DISCLOS URE OF THE TRANSACTION DESCRIBED IN THIS FORM 8881 THE SERVICES RROVIDED BY BRINST & YOUNG LLP, FENNEMORE CRAIG, P.C., AND POLSINELLI PC DID NOT INVOLVE ANY TAX ADVICE PERTAINING TO THE DISCLOSURE OF THE TRANSACTION DESCLOSURE AND RELATED CBLIGATIONS THE FIRST & YOUNG LLP, FENNEMORE CRAIG, P.C., AND POLSINELLI PC RID ATTAMPY HE BEYOND ITS REPORTABLE TRANSACTION DESCLOSURE AND RELATED CBLIGATIONS THE FIRST PAID BY THE TAXPAYER TO PERST & YOUNG LLP, FENNEMORE CRAIG, P.C., AND POLSINELLI PC RELATE ONLY TO POST. TRANSACTIONAL TAX ADVICE CONCERNING ITS DISCLOSURE OBLIGATIONS AND ITS WITHDRAWAL FROM THE DUDDIE FAMILY LIMITED PARTINESS. ILP. (THE POLSON AND POLSON FOR FORM 886 (5) THE FETER SON GRANDCHLIBERS THRUST TREY.) DONDON SON THE PERSON AND PAID AND THE PERSON GRANDCHLIBERS THRUST TREY. THE PARTINESSHEP, ON OR ABOUT DECEMBER 31, 1990 ON OR ABOUT JANUARY 30, 1997, FOUNDATION, EIN 94-2840279, MORS ADMINISTRATIVELY DISSCLYED AND FLAGSTAFF MEDICAL CENTER INC. ("FLAGSTAFF"), BY 8-2620279, WAS ADMINISTRATIVELY DISSCLYED AND FLAGSTAFF MEDICAL CENTER INC. ("FLAGSTAFF"), BY 8-2620279, WAS ADMINISTRATIVELY DISSCLYED AND FLAGSTAFF MEDICAL CENTER INC. ("FLAGSTAFF"), BY 8-2620279, WAS ADMINISTRATIVELY DISSCLYED AND FLAGSTAFF MEDICAL CENTER INC. ("FLAGSTAFF"), BY 8-2620279, WAS ADMINISTRATIVELY DISSCLYED AND FLAGSTAFF MEDICAL CENTER INC. ("FLAGSTAFF"), BY 8-2620279, WAS ADMINISTRATIVELY DISSCLYED AND FLAGSTAFF WEDICAL CENTER INC. ("FLAGSTAFF"), BY 8-2620279, WAS ADMINISTRATIVELY DISSCLYED AND FLAGSTAFF WEDICAL CENTER INC. ("FLAGSTAFF"), BY 8-2620279, WAS ADMINISTRATIVELY DISSCLYED AND FLAGSTAFF WEDICAL CENTER INC. ("FLAGSTAFF"), BY 8-2620279, WAS ADMINISTRATIVELY DISSCLYED AND FLAGSTAFF WEDICAL CENTER INC. ("FLAGSTAFF"), BY 8-2620279, WAS ADMINISTRATIVE OF STATEMPRING AND FLAGSTAFF WEDICAL CENTER INC. ("FLAGSTAFF"), BY 8-2620279, WAS ADMINISTRATIVE AND FLAGSTAFF WEDI

Identifier	Return Reference	Explanation
FORM 8886, 1 OF 4	THE DUDDIE FAMILY LIMITED PARTNERSHIP	ND THAT FLAGSTAFF, AS A MERE ASSIGNEE OF FOUNDATIONS INTEREST IN THE PARTINERSHIP, LACKED STANDING TO ASSERT ITS CLAIMS, AND GRANTED DEFENDANTS' MOTION FOR JUDGMENT ON THE FLEADING S. THE TRIAL COURT FURTHER DENIED FLAGSTAFFS MOTION TO AMEND THE FLEADINGS TO JOIN THE FOUNDATION AS A PLAINTIFF IN THE LAWSUIT THE TRIAL COURT ENTERED JUDGMENT IN FAVOR OF THE D. EFENDANTS. AS A RESULT OF THE TRIAL COURTS RULING, FLAGSTAFF IS PRECLUDED FROM DISSOLVING THE PARTINERSHIP AND HAS NO RIGHTS TO REVIEW THE BOOKS AND RECORDS OF THE PARTINERSHIP FLAGSTAFF HAS NOT, NOR DOES IT, EXPECT ANY TAX BENEFITS FROM THE TRANSACTION, INCLUDING DEDUC TIONS, EXCLUSIONS FROM GROSS INCOME, NONRECOGNITION OF GAIN, TAX CREDITS, ADJUSTMENTS (OR THE ABSENCE OF ADJUSTMENTS) TO THE BASIS OF PROPERTY, LOSS, OR TAX CREDITS, ADJUSTMENTS (OR THE ABSENCE OF ADJUSTMENTS) TO THE BASIS OF PROPERTY, LOSS, OR TAX CREDITS FLAGSTAFF IS EXEMPT FROM FEDERAL INCOME TAXATION UNDER IR C SECTION 501(C)(3) FLAGSTAFF ONLY EXPECTS DISTRIBUTIONS FROM THE PARTINERSHIP IN ITS CAPACITY AS AN ASSIGNEE OF FOUNDATIONS LIMITED PARTINER INTEREST IN THE PARTINERSHIP IN FREFEORE, FLAGSTAFF IS UNABLE TO PROVIDE AN ESTIMATE OF ANY SUCH EXPECTED TAX BENEFITS ADDITIONALLY, THERE SHOULD BE NO DISCLOSURE TO THE EXTENT THAT FLAGSTAFF IS VIEWED AS ENTERING INTO THE PARTINERSHIP SOLELY. PRIOR TO FEBRUARY 28, 2000 THE ORIGINAL TEMP TREAS REGS ISSUED FEBRUARY 28, 2000 UNDER TREAS REG SECTION 1 6011-4T MAY GOVERN FLAGSTAFFS PARTICIPATION IN THE PARTINERSHIP PLESE TREAS REGS REQUIRE DISCLOSURE ONLY FOR LARGE TRANSACTIONS THAT PROVIDE TAX SAVINGS IN EXCESS OF CERTAIN DOLLAR THRESHOLDS (THE "PROJECTED TAX EFFECT TEST") THE PROJECTED TAX EFFECT TEST, AS DESC RIBED IN THESE REGULATIONS, REQUIRE A TRANSACTION TO BE REPORTED WHERE IT IS EXPECTED TO REDUCE THE TAXPAYERS FEDERAL INCOME TAX LIABILITY AS REPORTED ON ANY TAX RETURN FILED ON OR BEFORE FEBRUARY 28, 2000 BECAUSE FLAGSTAFF IS A TRANSACTION TO FEBRUARY 28, 2000 "TRANSACTION IS NOT TREAT TRATS THE PROTOCE THE DIFFERENT SECTION TO THE PARTIN

Identifier Return Reference	Explanation
FORM 8886, 2 ENTERPRISES LTD PARTNERSHI	OF THE TRANSACTION DESCRIBED IN THIS FORM 8886 THE SERVICES PROVIDED BY ERNST & YOUNG LLP,

Identifier Return Reference	Explanation
FORM 8886, 2 OF 4 ENTERPRISES LTD PARTNERSHIP	TAX LIABILITY AS REPORTED ON ANY TAX RETURN FILED ON OR BEFORE FEBRUARY 28, 2000 BECAUSE FLAGSTAFF IS A TAX-EXEMPT I R C SECTION 501(C)(3) ENTITY, FLAGSTAFF'S PARTICIPATION IN T HE PARTNERSHIP WAS NOT EXPECTED TO REDUCE ITS TAX LIABILITY AT ALL. THEREFORE, UNDER TEMP TREAS REG SECTION 1 6011-4T, FLAGSTAFF MAY NOT HAVE A DISCLOSURE REQUIREMENT WITH RESP ECT TO ITS INVESTMENT IN THE PARTNERSHIP PRIOR TO FEBRUARY 28, 2000 ** SINCE 2001, TEMP TREAS REG SECTION 1 6011-4T HAS BEEN MODIFIED A NUMBER OF TIMES BEFORE BEING FINALIZED I N 2003 BASED ON THE VARIOUS EFFECTIVE DATES FOR THE DIFFERENT SECTIONS THAT HAVE CHANGED, IT APPEARS THAT THE FEBRUARY 28, 2000 INITIAL TEMP TREAS REG SECTION 1 6011-4T IN T D 8877 MAY GOVERN THE DISCLOSURE OBLIGATIONS OF FLAGSTAFF WITH RESPECT TO ITS PARTICIPATION IN THE PARTNERSHIP THROUGH ITS LIMITED PARTNERSHIP INTEREST THAT WAS OBTAINED PRIOR TO FE BRUARY 28, 2000, ON OR ABOUT DECEMBER 31, 1990 FLAGSTAFF HAS NOT, NOR DOES IT, EXPECT ANY TAX BENEFIT FROM THE TRANSACTION, INCLUDING DEDUCTIONS, EXCLUSIONS FROM GROSS INCOME, NON RECOGNITION OF GAIN, TAX CREDITS, ADJUSTMENTS (OR THE ABSENCE OF ADJUSTMENTS) TO THE BASIS OF PROPERTY, LOSS, OR TAX CREDITS FLAGSTAFF IS EXEMPT FROM FEDERAL INCOME TAXATION UNDER I R C SECTION 501(C)(3) FLAGSTAFF ONLY EXPECTS DISTRIBUTIONS FROM THE PARTNERSHIP IN IT S CAPACITY AS LIMITED PARTNER

Identifier	Return	Explanation
	Reference	
FORM 8886, 3 OF 4	JORDAN FAMILY INVESTMENTS LIMITED PARTNERSHIP	LINE 6 A.C NOTE THE TAX ADVICE PROVIDED BY ERNST & YOUNS LLP, FENNEMORE CRAIG, P.C., AND POLSINELLI PC (PKA POLSINELLI SHJGHART PC) WAS LIMITED TO RECENT ADVICE PRETAINING TO THE DISCLOSURE OF THE TRANSACTION DESCRIBED IN THIS FORM 8886 THE SEXY CISE PROVIDED BY ERNST & YOUNG LLP, FENNEMORE CRAIG, P.C., AND POLSINELI PC DID NOT INVOLVE ANY TAX ADVICE PRETA INNIG TO THE STRUCTURENO OF THE TRANSACTION DISCLOSURE AND RISE REVORDS OR ADVISION THE TAX PAYED BY OND TIS REPORTABLE TRANSACTION DISCLOSURE AND RELATED CELEGATIONS THE FEES PAID BY THE TAXPAYER TO FIRST & YOUNG LLP, PCINCHILLPC, AND FENNEMORE CRAIG, P.C. RELATE COIL, Y TO POST TRANSACTIONAL TAX ADVICE CONCERNING ITS DISCLOSURE OBLIGATIONS AND ITS WITHDRAWA L FROM THE JORDAN AND ADVICE CONCERNING ITS DISCLOSURE OBLIGATIONS AND ITS WITHDRAWA L FROM THE JORDAN AND MILE WITHDRAWA IS TO THE FOUNDATION DONORS BRITERED NITO THE TRANSACTION THE PARTNERS HE AND MILE ADVICE THE STANDARD AND THE MICHAEL E. JORDAN AS A LIMITED PARTNER, TRANSFERRED A PERCENTAGE OF HIS OWNERSHIP INTEREST TO THE FOUNDATION DONORS BRITERED INTO THE TRANSACTION THE PARTNERSHIP, ON OR ABOUT DECEMBER 1, 1990 SOME TIME AFTER THE TRANSACTION WAS BRITERED INTO THE BOY ON OR ABOUT NOVEMBER 1, 2000 FOUNDATION, EMPEZ-2500279, ADOPTED ARTICLES OF DIS SOLUTION, AND ON OR ABOUT NOVEMBER 1, 2000 FOUNDATION, EMPEZ-2500279, ADOPTED ARTICLES OF DIS SOLUTION, AND ON OR ABOUT NOVEMBER 1, 2000 FOUNDATION, EMPEZ-2500279, ADOPTED ARTICLES OF DIS SOLUTION, AND ON OR ABOUT NOVEMBER 1, 2000 FOUNDATION, EMPEZ-2500279, ADOPTED ARTICLES OF DIS SOLUTION, AND ON OR ABOUT ADVISED THE PROCINCL CENTER, PC. ("FLAGSTAFF"), EMPEZ-2500279, ADOPTED ARTICLES OF DIS SOLUTION, AND ON OR ABOUT NOVEMBER 1, 2000 FOUNDATION, EMPEZ-2500279, ADOPTED ARTICLES OF DIS SOLUTION, AND ON OR ABOUT NOVEMBER 1, 2000 FOUNDATION, EMPEZ-2500279, ADOPTED ARTICLES OF DIS SOLUTION, AND ON OR ABOUT AND ATTER PROVIDED TO THE INTERESTS OF THE FOUNDATION IN THE REMAINS ASSETS OF THE FOUNDATION IN THE PARTNERSHIP AS A LIMITED PARTNERSHIP AND ATTER TOWNS

Identifier	Return Reference	Explanation
FORM 8886, 3 OF 4	JORDAN FAMILY INVESTMENTS LIMITED PARTNERSHIP	OF TAXABLE YEARS HOWEVER, A LISTED TRANSACTION IS NOT TREATED AS A REPORTABLE TRANSACTION IF IT HAS AFFECTED THE TAXPAYER'S FEDERAL INCOME TAX LIABILITY AS REPORTED ON ANY TAX RET URN FILED ON OR BEFORE FEBRUARY 28, 2000 BECAUSE FLAGSTAFF IS A TAX-EXEMPT IR C SECTION 501(C)(3) ENTITY, FLAGSTAFF'S PARTICIPATION IN THE PARTNERSHIP WAS NOT EXPECTED TO REDUCE ITS TAX LIABILITY AT ALL THEREFORE, UNDER TEMP TREAS REG SECTION 1 6011-4T, FLAGSTAFF MAY NOT HAVE A DISCLOSURE REQUIREMENT WITH RESPECT TO ITS INVESTMENT IN THE PARTNERSHIP PRIOR TO FEBRUARY 28, 2000 * * SINCE 2001, TEMP TREAS REG SECTION 1 6011-4T HAS BEEN MO DIFIED A NUMBER OF TIMES BEFORE BEING FINALIZED IN 2003 BASED ON THE VARIOUS EFFECTIVE DA TES FOR THE DIFFERENT SECTIONS THAT HAVE CHANGED, IT APPEARS THAT THE FEBRUARY 28, 2000 IN ITIAL TEMP TREAS REG SECTION 1 6011-4T IN T D 8877 MAY GOVERN THE DISCLOSURE OBLIGATIONS OF FLAGSTAFF WITH RESPECT TO ITS PARTICIPATION IN THE PARTNERSHIP THROUGH ITS LIMITED PARTNERSHIP INTEREST THAT WAS OBTAINED PRIOR TO FEBRUARY 28, 2000, ON OR ABOUT DECEMBER 31, 1990 FLAGSTAFF HAS NOT, NOR DOES IT, EXPECT ANY TAX BENEFIT FROM THE TRANSACTION, INCLUD ING DEDUCTIONS, EXCLUSIONS FROM GROSS INCOME, NONRECOGNITION OF GAIN, TAX CREDITS, ADJUSTM ENTS (OR THE ABSENCE OF ADJUSTMENTS) TO THE BASIS OF PROPERTY, LOSS, OR TAX CREDITS FLAGS TAFF IS EXEMPT FROM FEDERAL INCOME TAXATION UNDER IR C SECTION 501(C)(3) FLAGSTAFF ONLY EXPECTS DISTRIBUTIONS FROM THE PARTNERSHIP IN ITS CAPACITY AS LIMITED PARTNER

Identifier	Return Reference	Explanation
FORM 8886, 4 OF 4	Reference NAAM ENTERPRISES LIMITED PARTNERSHIP	INTEGRA -C NOTE THE TAX A DIVICE PROVIDED BY ERNST & YOUNG LLP, FEINLEMORE CRAIG, P.C., AND POLSINELLI PC (PKA POLSINELLI SHUGHART PC) WAS LIMITED TO RECENT ADVICE PERTANING TO THE DISCLOSURE OF THE TRANSACTION DESCRIBED IN THIS FORM 8886. THE SERVICES PROVIDED BY BRINST & YOUNG LLP, FEINLEMORE CRAIG, P.C., AND POLSINELLI PC, DID NOT INVOLVE ANY TAX ADVICE PERTA INING TO THE STRUCTURING OF THE TRANSACTION DESCLOSED IN THIS FORM 8886 OR ADVISING THE TAX PRAYER BY OND ITS REPORTABLE TRANSACTION DESCLOSED IN THIS FORM 8886 OR ADVISING THE TAX PRAYER BY OND ITS REPORTABLE TRANSACTION DISCLOSED IN THIS FORM 8886 OR ADVISING THE TAX PRAYER TO ERNST 8. YOUNG LLP, POLSINELLI PC, AND FEINLEMORE CRAIG, P.C. RELATE ONLY TO POST. TRANSACTION ALL TAX ADVICE CONCERNING IS DISCLOSING CORLIGATIONS. AND ITS WITHDRAWAL I FROM NAME SHERRESES LIMITED PARTNERSHIP LINE TIS.—CONTRILLATION FROM PORM 8886 AT AN UNKNOWN DATE, HARRIS HALLAN SINGHLY ALSA AND HAR BHAJAN KAUR KHALSA, IN THER CAPACITY AS LIMITED PARTNERSHIP LINE TIS.—CONTRILLATION FROM PORM 8886 AT AN UNKNOWN DATE, HARRIS HERDED A PERCENTAGE OF THEIR OWNERSHIP NITEREST TO THE FOUNDATION DO NORS ENTERED INTO THE TRANSACTION, HE PARTNERSHIP. ON OR ABOUT DECEMBER 1, 1990 ON OR AS BUT NOVEMBER 1, 2000, FOUNDATION, EN 94-2540279, WAS A DIMINISTRATIVELY DISSOLUTED AND FLACES TAFF MEDICAL CENTER, INC. "FLACESTAFF", EN 86-0110232, THE THEN SOLE MANDER OF THE FOUNDATION AFTER ROYSION FOR ALL LIABILITIES OF THE FOUNDATION PON TIS DISSOLUTION FLACESTAFF IS THE SUCCESSOR OR UNITY TO FOUNDATION AFTER ROYSION FOR ALL LIABILITIES OF THE FOUNDATION PON TIS DISSOLUTION FLACESTAFF IS THE SUCCESSOR OR UNITY TO FOUNDATION AND HER PREVAILED STATE AND ADDITIONS TO THE PARTNERSHIP FOUNDATION FLACESTAFF IS THE SUCCESSOR OR UNITY TO FOUNDATION AND HER PROVIDED TO THE PARTNERSHIP AS AN INITIAL CAPITAL. CONTREBUTION FROM FOUNDATION FLACESTAFF IN THE SOLUTION FLACESTAFF

Identifier	Return Reference	Explanation
FORM 8886, 4 OF 4	NAAM ENTERPRISES LIMITED PARTNERSHIP	EMENT WITH RESPECT TO ITS INVESTMENT IN THE PARTNERSHIP PRIOR TO FEBRUARY 28, 2000 ** SIN CE 2001, TEMP TREAS REG SECTION 1 6011-4T HAS BEEN MODIFIED A NUMBER OF TIMES BEFORE BE ING FINALIZED IN 2003 BASED ON THE VARIOUS EFFECTIVE DATES FOR THE DIFFERENT SECTIONS THA T HAVE CHANGED, IT APPEARS THAT THE FEBRUARY 28, 2000 INITIAL TEMP TREAS REG SECTION 1 6011-4T IN T D 8877 MAY GOVERN THE DISCLOSURE OBLIGATIONS OF FLAGSTAFF WITH RESPECT TO IT S PARTICIPATION IN THE PARTNERSHIP THROUGH ITS LIMITED PARTNERSHIP INTEREST THAT WAS OBTAINED PRIOR TO FEBRUARY 28, 2000, ON OR ABOUT DECEMBER 31, 1990 FLAGSTAFF HAS NOT, NOR DOES IT, EXPECT ANY TAX BENEFIT FROM THE TRANSACTION, INCLUDING DEDUCTIONS, EXCLUSIONS FROM GR OSS INCOME, NONRECOGNITION OF GAIN, TAX CREDITS, ADJUSTMENTS (OR THE ABSENCE OF ADJUSTMENT S) TO THE BASIS OF PROPERTY, LOSS, OR TAX CREDITS FLAGSTAFF IS EXEMPT FROM FEDERAL INCOME TAXATION UNDER IR C SECTION 501(C)(3) FLAGSTAFF ONLY EXPECTS DISTRIBUTIONS FROM THE PARTNERSHIP IN ITS CAPACITY AS LIMITED PARTNER

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DLN: 93493134036493

OMB No 1545-0047

SCHEDULE R (Form 990)

Related Organizations and Unrelated Partnerships

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

Open to Public

Department of the Treasury Internal Revenue Service					Ope In	n to Pul Ispectio	blic on
Name of the organization FLAGSTAFF MEDICAL CENTER				Employer id 86-011023	entification number		
Part I Identification of Disregarded Entities (Co	omplete if the organizati	on answered "Yes'	' on Form 990, Pa				
(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 Orgon more related tax-exempt organizations dur	ganizations (Complete ing the tax year.)	out the organization	n answered "Yes"	on Form 990, Pa	art IV, line 34 becau	se it had	l one
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3)		Section 5	(g) 512(b)(1 atrolled nization
(1) NORTHERN ARIZONA HEALTHCARE						Tes	HO
POST OFFICE BOX 1268 FLAGSTAFF, AZ 86001 74-2410946	HEALTHCARE	AZ	501(C)(3)		9 NA		No
(2) VERDE VALLEY MEDICAL CENTER							
269 SOUTH CANDY LANE COTTONWOOD, AZ 86326 86-0100882	HEALTHCARE	AZ	501(C)(3)		3 NAH	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h Disprop allocat	rtionate	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j Gene mana parti	ral or aging	(k) Percentage ownership
							Yes	No		Yes	No	
(1) ALLIANCE MED LAB 20-0584165	DISSOLVED 3/26/12	AZ	NA	RELATED	0	0		No	0			0 %
(2) TASC LLC 86-0913157	AMBULATORY SV	AZ	NA	RELATED	-48,713	850,190		No	0	Yes		67 000 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total Income	(g) Share of end-of-year assets	(h) Percentage ownership
		l					dula D (Farm 000) 2011

(4)

(5)

(6)

	· · · · · · · · · · · · · · · · · · ·						
P	Transactions With Related Organizations (Complete if the organization answered "Y	es" on Form 990, Pa	rt IV, line 34, 35, 3	5A, or 36.)			
	Note. Complete line 1 if any entity is listed in Parts II, III or IV					Yes	No
1 [During the tax year, did the orgranization engage in any of the following transactions with one or more related org	anızatıons lısted ın Par	ts II-IV?				
а	Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity				1a		No
b	Gift, grant, or capital contribution to related organization(s)				1b		No
c	Gift, grant, or capital contribution from related organization(s)				1 c		No
d	Loans or loan guarantees to or for related organization(s)				1d		No
e	Loans or loan guarantees by related organization(s)				1e		No
f	Sale of assets to related organization(s)				1f		No
g	Purchase of assets from related organization(s)				1g		No
h	Exchange of assets with related organization(s)				1h		No
i	Lease of facilities, equipment, or other assets to related organization(s)				1i	Yes	
j	Lease of facilities, equipment, or other assets from related organization(s)				1j	Yes	
k	Performance of services or membership or fundraising solicitations for related organization(s)				1k		No
ı	Performance of services or membership or fundraising solicitations by related organization(s)				11		No
n	n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)				1m		No
n	Sharing of paid employees with related organization(s)				1n	Yes	
c	Reimbursement paid to related organization(s) for expenses				10		No
p	Reimbursement paid by related organization(s) for expenses				1p	Yes	
·							
q	Other transfer of cash or property to related organization(s)				1q	Yes	
	Other transfer of cash or property from related organization(s)				1r		No
2	If the answer to any of the above is "Yes," see the instructions for information on who must complete this line,	including covered relat	cionships and transact	ion thresholds			
	(a)	_ (b)	(c)		(d)		
	Name of other organization	Transaction type(a-r)	Amount involved	Method of dete	ermır olved		ount
(1)	VERDE VALLEY MEDICAL CENTER	Р	14,781,602	FINANCIAL STMT			
2)							
3)							
		1					

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	org	(e) Are all partners section 501(c)(3) janizations?	(f) Share of total income	(g) Share of end-of-year assets			(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	Gene man part	j) eral or aging ener?	(k) Percentage ownership
			,	Yes	No			Yes	No		Yes	No	

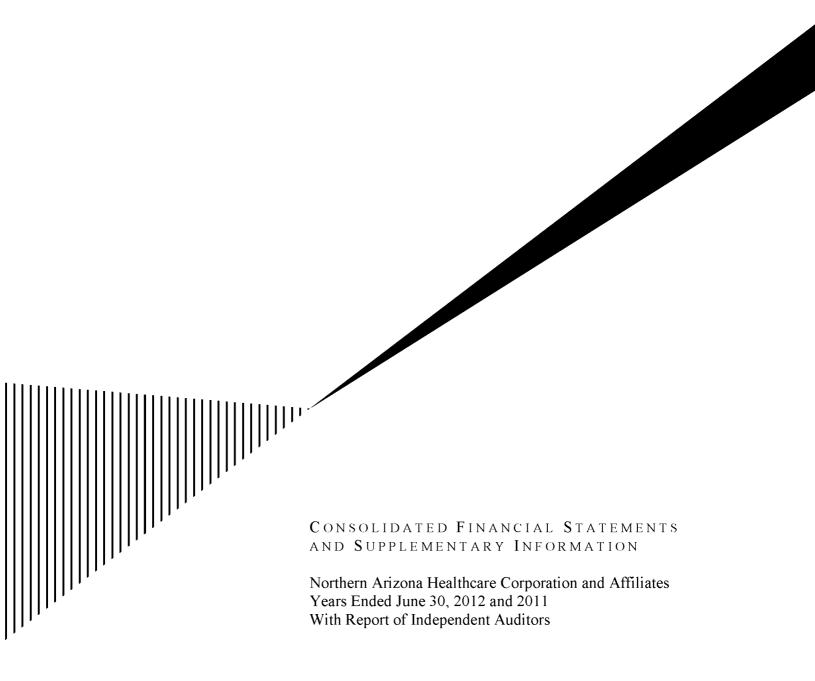
Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier Return Reference Explanation

Schedule R (Form 990) 2011



Ernst & Young LLP



Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2012 and 2011

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Report of Independent Auditors

Board of Directors Northern Arizona Healthcare Corporation

We have audited the accompanying consolidated statements of financial position of Northern Arizona Healthcare Corporation and Affiliates (the Corporation) as of June 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended These financial statements are the responsibility of the Corporation'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 Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audits included 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 Corporation'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 consolidated financial position of Northern Arizona Healthcare Corporation and Affiliates at June 30, 2012 and 2011, and the consolidated results of their activities and their cash flows for the years then ended in conformity with U S generally accepted accounting principles

September 13, 2012

1205-1359918

Ernst + Young LLP

Consolidated Statements of Financial Position

	June 30				
		2012		2011	
		2012 2011 (In Thousands) \$ 88,021 \$ 75,930 65,798 61,789 8,609 8,871 - 2,390 7,844 9,911 170,272 158,891 391,066 372,153 237,816 234,147 19,859 18,239			
Assets					
Current assets					
Cash and cash equivalents	\$	88,021	\$	75,930	
Accounts receivable, less allowance for doubtful accounts of					
\$71,193 in 2012 and \$58,973 in 2011		65,798		61,789	
Inventories		8,609		8,871	
Third-party payor settlements		_		2,390	
Prepaid expenses and other		7,844		9,911	
Total current assets		170,272		158,891	
Assets whose use is limited		391,066		372,153	
Property and equipment, net		237,816		234,147	
Deferred charges and other assets		19,859		18,239	
Total assets	\$	819,013	\$	783,430	
Liabilities and net assets					
Current liabilities					
Accounts payable	\$	11,836	\$	12,540	
Accrued expenses	•	32,049	*	35,631	
Current portion of long-term debt		6,585		3,105	
Third-party payor settlements		2,926		_	
Total current liabilities		53,396		51,276	
Long-term debt, less current portion		172,632		178,190	
Accrued pension liability		94,612		59,430	
Other liabilities		4,451		4,712	
Total liabilities		325,091		293,608	
Net assets		493,922		489,822	
Total liabilities and net assets	\$	819,013	\$	783,430	

See accompanying notes.

Consolidated Statements of Activities

	Year Ended June 30				
	2012	2011			
	(In Thou	isands)			
Revenue					
Net patient service	\$ 577,015	\$ 541,512			
Provision for doubtful accounts	(71,733)	(48,599)			
Net patient service revenue, less provision for doubtful accounts	505,282	492,913			
Other	12,056	11,835			
Total revenue	517,338	504,748			
Expenses					
Salaries and wages	197,824	195,705			
Employee benefits	51,985	53,555			
Professional fees	20,040	19,303			
Supplies, services and other	160,812	160,800			
Depreciation and amortization	33,241	33,114			
Interest	3,954	5,233			
Total expenses	467,856	467,710			
Income from operations	49,482	37,038			
Investment income, net	4,432	29,560			
Loss on extinguishment of debt	(2,651)	_			
Impairment loss	_	(2,140)			
Contributions	797	704			
Other	494	1,085			
Excess of revenue over expenses	52,554	66,247			
(Increase) decrease in unfunded pension liability	(48,454)	20,486			
Increase in net assets	4,100	86,733			
Net assets at beginning of year	489,822	403,089			
Net assets at end of year	\$ 493,922	\$ 489,822			

See accompanying notes.

Consolidated Statements of Cash Flows

	•	Year Ende 2012	d J	une 30 2011
		(In Thou	ısar	nds)
Operating activities				
Increase in net assets	\$	4,100	\$	86,733
Adjustments to reconcile increase in net assets to				
net cash provided by operating activities				
Increase in investments designated as trading		(18,913)		(38,469)
Increase (decrease) in unfunded pension liability		48,454		(20,486)
Provision for doubtful accounts		71,733		48,599
Depreciation and amortization		33,241		33,114
Impairment charge		_		2,140
Loss on extinguishment of debt		2,651		_
Net change in current assets and current liabilities,				
exclusive of cash and cash equivalents		(85,655)		(46,917)
(Decrease) increase in other liabilities		(261)		6,077
Net cash provided by operating activities		55,350		70,791
Investing activities				
Purchases of property and equipment		(36,787)		(34,224)
(Increase) decrease in deferred charges and other assets		(2,953)		1,033
Net cash used in investing activities		(39,740)		(33,191)
Financing activities				
Proceeds from issuance of long-term debt		78,921		_
Payments of long-term debt		(82,440)		(9,466)
Net cash used in financing activities		(3,519)		(9,466)
Increase in cash and cash equivalents		12,091		28,134
Cash and cash equivalents at beginning of year		75,930		47,796
Cash and cash equivalents at end of year	\$	88,021	\$	75,930
Supplemental each flow information				
Supplemental cash flow information Cash paid for interest	\$	3,691	\$	5,203

See accompanying notes.

Notes to Consolidated Financial Statements

June 30, 2012

1. Organization

Description of Business

Northern Arizona Healthcare Corporation (the Corporation) is a not-for-profit tax-exempt corporation that provides home health and hospice operations and administrative and other services to affiliated organizations. The Corporation controls the activities of the following affiliated organizations

- Flagstaff Medical Center, Inc (FMC), a not-for-profit tax-exempt corporation located in Flagstaff, Arizona, provides general medical and surgical acute care, behavioral health services, and a full range of outpatient services
- Verde Valley Medical Center (VVMC), a not-for-profit tax-exempt corporation located in Cottonwood, Arizona, provides general medical and surgical acute care, senior behavioral health service, and a full range of outpatient services

FMC and VVMC constitute the Obligated Group as defined in the Master Trust Indenture dated November 1, 1996, between Flagstaff Medical Center, Inc., Verde Valley Medical Center and Bank of New York Mellon Trust Company N A, as Master Trustee

The Corporation and its affiliated organizations have investments in joint ventures, which include

- Northern Arizona Senior Living Community, LLC, d/b/a The Peaks (The Peaks) is 50% owned by the Corporation The Peaks operates a senior living, mentoring, and skilled nursing facility located in Flagstaff, Arizona The Peaks is accounted for using the equity method of accounting
- The Ambulatory Surgi-Center at Flagstaff Medical Center, LLC (TASC) is an ambulatory surgery center which provides primarily outpatient surgery services to patients as an alternative to providing these services at a hospital facility As of June 30, 2012, TASC is 67% owned by FMC, and the accounts of TASC have been consolidated in the accompanying consolidated financial statements

Subsequent to June 30, 2012, the Corporation formed the Northern Arizona Healthcare Provider Group LLC (NAHPG LLC) NAHPG LLC is a physician organization comprising the employed physicians of FMC and VVMC FMC and VVMC each own a 50% interest in NAHPG LLC

Notes to Consolidated Financial Statements (continued)

1. Organization (continued)

Mission Statement

The primary mission of the Corporation is to improve the health of the people and communities that the Corporation serves

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Corporation and each of its controlled affiliates All significant intercompany accounts and transactions have been eliminated in consolidation

Use of Estimates

The preparation of the Corporation's consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements Estimates also affect 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 all highly liquid investments with an original maturity of three months or less, excluding amounts whose use is limited by the Corporation's Board of Directors (the Board) designation or other arrangements under trust agreements

Fair Value of Financial Instruments

Carrying value of financial instruments classified as current assets and current liabilities approximates fair value based on the liquidity of these financial instruments and the short-term maturities of these instruments. The fair values of other financial instruments are disclosed in their respective notes

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Patient Accounts Receivable

Net patient accounts receivable and net patient service revenue have been adjusted to the estimated amounts expected to be received based on contracted rates for the services rendered These estimated amounts are subject to further adjustments upon review by third-party payors For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard or discounted rates Historically, a significant portion of the uninsured patients will be unable or unwilling to pay for the services provided Accordingly, the Corporation records an allowance for doubtful accounts and provision for doubtful accounts, related to uninsured patients, in the period the services provided based on historical collection experience Management regularly reviews payment data for each major payor in evaluating the sufficiency of the allowance for doubtful accounts During 2012, the Corporation experienced an increase in self-pay patients and a reduction in self-pay collections, primarily due to reductions in eligibility and coverage enacted by the Arizona Health Care Cost Containment Program (AHCCCS), Arizona's state Medicaid program These changes resulted in an increase to the provision for doubtful accounts for the year ended June 30, 2012

Inventories

Inventories, consisting principally of supplies, are stated at the lower of cost (first-in, first-out method) or market

Assets Whose Use is Limited

Assets whose use is limited include investments set aside by the Board for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes. In addition, assets whose use is limited include assets held by a trustee under bond indenture agreements

Investments in equity securities, with readily determinable fair values, and all investments in U S Treasury securities, corporate debt securities and registered investment funds are measured at fair value in the accompanying consolidated statements of financial position (see Note 5) The Corporation has determined that all investments held at June 30, 2012 and 2011, are designated as trading securities Accordingly, both realized and unrealized gains or losses on investments have been included in the excess of revenue over expenses

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Investment income, including realized gains and losses on investments, unrealized gains and losses on investments, interest and dividends, are included in excess of revenues over expenses

Property and Equipment

Property and equipment are recorded at cost, if purchased, or fair value on the date received, if donated Depreciation expense is recorded on a straight-line basis over the estimated useful life of each class of depreciable asset, which range from 3 to 40 years Equipment under capital lease obligations is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment Such amortization is included in depreciation and amortization in the accompanying consolidated statement of activities Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets

Long-Lived Asset Impairment

The Corporation reviews long-lived assets for impairment when events or changes in business conditions indicate that their carrying value may not be recoverable. The Corporation considers assets to be impaired and writes them down to fair value if expected associated cash flows are less than the carrying amounts. Fair value is determined to be the present value of the associated assets cash flows. During 2011, the Corporation recorded an impairment loss of approximately \$2,140,000 related to land held in Camp Verde, Arizona. There were no impairment losses recorded during 2012.

Net Patient Service Revenue

The Corporation has agreements with third-party payors that provide for payments at amounts different from its established rates Payment arrangements include prospectively determined rates per discharge, discounts from established charges, and per diem payments

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known. For the

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

year ended June 30, 2012 and 2011, the Corporation recorded an increase to net patient service revenue of \$6,600,000 and \$1,400,000, respectively, relating to retroactive adjustments and settled appeals

Community Benefit

The Corporation provides a broad range of benefits to the northern Arizona community it serves, including offering various community-based social service programs and a number of health-related educational programs. These services are provided to improve the general standards of health for the community. In addition, the Corporation provides care to all patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. A patient is classified as a charity patient by reference to certain policies established by the Corporation as to the ability of the patient to pay. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not recorded as revenue Partial payments to which the Corporation is entitled from public assistance and other programs, on behalf of patients, that meet the charity care policy of the Corporation are reported as net patient service revenue.

The Corporation estimates charity care costs based on the most recent cost to charge ratio reported in FMC's and VVMC's general ledger. The cost to charge ratio includes both direct and indirect costs incurred at FMC and VVMC. For the year ended June 30, 2012 and 2011, costs incurred by the Corporation in the provision of charity care, community benefit services rendered, and the unpaid costs of programs with the AHCCCS and Medicare program amounted to \$85,753,000 and \$85,104,000, respectively. The following is a summary of the Corporation's net community benefit for the years ended June 30.

	 2012		2011
	(In Th	ousa	nds)
Charity care provided	\$ 2,758	\$	1,392
Other community benefit	6,991		5,307
Unpaid costs of AHCCCS program	 63,302		46,331
	 73,051		53,030
Unpaid costs of Medicare program	12,702		32,074
	\$ 85,753	\$	85,104

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Tax Status

The Corporation is a not-for-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements. The Corporation's management is not aware of any events that would cause the Corporation to lose its tax-exempt status. Management has reviewed all open tax years and has determined that the Corporation has no significant uncertain tax positions.

New Accounting Pronouncements

In August 2010, an accounting standard was released relating to charity care disclosures. The accounting standard requires companies to disclose the amount and methods used to determine the cost of charity care provided. Charity care will be measured based on the direct and indirect costs of providing charity care. The Corporation has adopted this accounting standard in the accompanying consolidated financial statements as of July 1, 2011.

In August 2010, an accounting standard was released relating to the accounting and disclosure of insurance claims and related insurance recoveries. The accounting standard requires companies to report the estimated ultimate cost of insurance claims as a liability and any anticipated insurance recoveries to be reported as an asset on the statement of financial position. The insurance liability cannot be reported net of anticipated insurance recoveries. The Corporation has adopted this accounting standard in the accompanying consolidated financial statements as of July 1, 2011. As of June 30, 2012, the Corporation has recorded \$500,000 liability and a corresponding insurance recovery of \$500,000 for the estimated ultimate costs of its insurance programs relating to professional and general liability claims. The Corporation is insured for workers compensation claims under a first dollar coverage plan whereby the insurer has assumed full legal risk for the workers compensation claims. Accordingly, the Corporation has not recorded any insurance recovery or claim liability associated with workers compensation claims.

In May 2011, an accounting standard was released that further amends fair value measurement and disclosure requirements in U S generally accepted accounting principles. The accounting standard requires additional disclosures relating to transfers of any financial instruments between Level 1 and Level 2 of the fair value hierarchy, disclosure of the fair value hierarchy level for items that not recorded at fair value in the financial statements but are required to disclose the fair value of the item, and disclosure of additional quantitative information about the unobservable inputs used in the fair value measurement of financial instruments categorized

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

within Level 3 of the fair value hierarchy. The accounting standard is effective for the Corporation on July 1, 2012. Management does not expect the adoption of the accounting standard to have a material impact on the consolidated financial statements, however, additional disclosures surrounding fair value measurements of the Corporation's investment portfolio may be required.

Subsequent Events

There are two types of subsequent events recognized subsequent events, which provide additional evidence about conditions that existed at the balance sheet date, and nonrecognized subsequent events, which provide evidence about conditions that did not exist at the balance sheet date but arose before the financial statements were issued Recognized subsequent events are required to be recognized in the financial statements, and nonrecognized subsequent events are required to be disclosed. In the preparation of the accompanying financial statements, the Corporation has evaluated subsequent events through the date the financial statements were available for issuance, September 13, 2012 (See Notes 1 and 10 for disclosed subsequent events)

3. Net Patient Service Revenue

A summary of the payment arrangements with major third-party payors follows

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. All outpatient services rendered to Medicare beneficiaries are paid at prospectively determined rates. FMC and VVMC's Medicare reimbursement is subject to final settlement with the Medicare program, based on the annual hospital specific rate per discharge. Final settlement with the Medicare program is determined after submission of annual cost reports by the Corporation and audit thereof by the Medicare fiscal intermediary. Approximately 32% of the Corporation's net patient service revenue was derived from the Medicare program in 2012 and 2011.

Notes to Consolidated Financial Statements (continued)

3. Net Patient Service Revenue (continued)

The Medicare cost reports of the Corporation have been audited by the fiscal intermediary through June 30, 2007 Management believes that estimated accrued settlements related to unaudited cost reports are adequate Estimates are continually monitored and reviewed, and as settlements are made or estimates adjusted, differences are reflected in current operations Laws and regulations governing the Medicare program are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term

AHCCCS – Inpatient and outpatient services rendered to AHCCCS program beneficiaries are reimbursed under per diem and fee schedule or discounted charge methodologies, respectively Approximately 8% and 12% of the Corporation's net patient service revenue was derived from the AHCCCS program in 2012 and 2011, respectively

Other Payors – The Corporation also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates per discharge or discounts from established charges Approximately 47% and 48% of the Corporation's net patient service revenue was derived from other third-party payors in 2012 and 2011, respectively

Self-pay – Inpatient and outpatient services rendered to self-pay patients are recorded at the Corporation's standard rates Approximately 13% and 8% of the Corporation's net patient service revenue was derived from self-pay patients in 2012 and 2011, respectively Self-pay patients include patients without insurance and patients with deductibles and coinsurance associated with third-party payor coverage Management records a provision for doubtful accounts related to self-pay patients, at the time services are provided, based on historical collection experience

Notes to Consolidated Financial Statements (continued)

4. Concentration of Credit Risk

The Corporation grants credit without collateral to its patients, most of whom are insured under third-party payor agreements which include (i) Medicare, (ii) AHCCCS, (iii) private payors (self-pay), and (iv) others, including commercial carriers and health maintenance organizations. The following table summarizes the percent of gross accounts receivable from all payors as of June 30

	2012	2011
Medicare	32%	27%
AHCCCS	16	24
Self-pay	19	15
Other third-party payors	33	34
	100%	100%

Self-pay and other amounts due consist of receivables from various payors, including individuals involved in diverse activities subject to differing economic conditions. Management does not believe there are any significant credit risks associated with accounts receivable, except for self-pay accounts. Management continually monitors and adjusts its allowances (contractual and doubtful accounts) associated with these receivables.

5. Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability

As a basis for considering such assumptions, the Corporation utilizes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows

• Level 1 Pricing is based on observable inputs such as quoted prices in active markets Financial assets in Level 1 include money markets, U S Treasury securities, registered investment funds and listed equity securities

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

- Level 2 Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities Financial assets in Level 2 include corporate debt securities
- Level 3 Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve considerable judgment and interpretations, including but not limited to private and public comparables, third-party appraisals, discounted cash flow models, and fund manager estimates. The Corporation has no assets measured at Level 3

Assets measured at fair value are based on one or more of three valuation techniques The three valuation techniques are identified in the tables below The valuation techniques are as follows

- (a) *Market approach* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities
- (b) Cost approach Amount that would be required to replace the service capacity of an asset (replacement cost)
- (c) *Income approach* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models)

Northern Arizona Healthcare Corporation and Affiliates Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

The following table outlines the fair value techniques used for financial assets recorded at fair value, on a recurring basis, as of June 30, by the level of observable input and the valuation technique

	Balance at June 30 2012		Quoted Prices In Active Markets for Identical Assets (Level 1)			Significant Other Observable Inputs (Level 2)	Significant nobservable Inputs (Level 3)	Valuation Technique (a,b,c)
				(In The	ousa.	nds)		
Assets whose use is limited								
Money market	\$	149,642	\$	149,642	\$	_	\$ _	a
Equities, primarily U S								
equities		24,995		24,995		_	_	a
U S Treasury securities		34,715		34,715		_	_	a.c
Government mortgage-								
backed securities		81,115		_		81,115	_	a
Corporate debt securities.								
primarily U S holdings		18,079		_		18,079	_	a.c
Registered investment								
funds								
US equities		60,748		60,748		_	_	a
International equities		21,772		21,772		_	_	a
Total assets whose use is		·		·				_
lımıted	\$	391,066	\$	291,872	\$	99,194	\$ _	_

Northern Arizona Healthcare Corporation and Affiliates Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

	Balance at June 30 2011		Quoted Prices In Active Markets for Identical Assets (Level 1)			Significant Other Observable Inputs (Level 2)	Ur	Significant nobservable Inputs (Level 3)	Valuation Technique (a,b,c)	
Assets whose use is limited				(In The	ousa	mas)				
Money market	\$	221,207	\$	221,207	\$	_	\$	_	a	
Equities, primarily U S										
equities		38,857		38,857		_		_	a	
U S Treasury securities		31,141		31,141		_		_	a.c	
Corporate debt securities.										
primarily US holdings		10,759		_		10,759		_	a.c	
Registered investment										
funds										
US equities		46,382		46,382		_		_	a	
International equities		23,807		23,807		_		_	a	
Total assets whose use is									-	
lımıted	\$	372,153	\$	361,394	\$	10,759	\$	_	_	

6. Assets Whose Use Is Limited

A summary of assets whose use is limited at June 30, follows

	2012		2011	
	(In Thousands)			
Restricted by the Board for capital improvements Bond project fund restricted for property construction and	\$ 390,482	\$	369,910	
equipment acquisition Restricted for use in debt service reserve funds to provide	584		584	
for the repayment of bonds	_		1,659	
	\$ 391,066	\$	372,153	
	 · ·			

Notes to Consolidated Financial Statements (continued)

6. Assets Whose Use Is Limited (continued)

A summary of investment income, net, for the years ended June 30, follows

		2012		2011
		ousands)		
Interest income	\$	3,655	\$	3,178
Realized gain, net		1,713		5,093
Unrealized (loss) gain, net		(936)		21,289
	\$	4,432	\$	29,560

7. Property and Equipment

A summary of property and equipment, at June 30, follows

	2012		2011
	(In The	OUSG	mds)
Land and improvements	\$ 21,146	\$	19,770
Buildings and improvements	268,295		261,760
Equipment	239,809		214,629
	529,250		496,159
Less accumulated depreciation	305,839		278,745
	223,411		217,414
Construction in progress	14,405		16,733
	\$ 237,816	\$	234,147

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt

A summary of long-term debt, at June 30, follows

	2012	2012		
	(In The	อนรสห	ds)	
Series 1998 Hospital Revenue Bonds, collateralized by property and equipment, bearing interest that was fixed annually at rates ranging from 4.75% to 5.0%. The unamortized discount was approximately \$1,194,000 at June 30, 2011. The average interest rate for the years ended June 30, 2012 and 2011 was 4.8%. The 1998 Hospital Revenue Bonds were redeemed in October 2011.	\$ _	\$	63,156	
Series 1996A Hospital Revenue Bonds, collateralized by property and equipment, bearing interest that was fixed annually at 5 25%. The unamortized bond discount was approximately \$277,000 at June 30, 2011. The average interest rate for the years ended June 30, 2012 and 2011 was 5 3%. The 1996A Hospital Revenue Bonds were redeemed in October 2011.	-		15,057	
Series 2008A Hospital Revenue Refunding Bonds, collateralized by property and equipment, bearing a variable rate of interest that is based on the Federal Funds Rate as defined by the related bond agreement Principal is due in semiannual installments ranging from \$870,000 to \$1,596,705 through July 2033. The average interest rate for the years ended June 30, 2012 and 2011 was 10%	51,322		52.182	
Series 2008B Hospital Revenue Bonds, collateralized by a direct-pay letter of credit, bearing a variable rate of interest that is determined weekly as defined by the bond agreement. Principal is due in annual installments up to \$4,575,000 through December 2039. The average interest rate for the years ended June 30, 2012 and 2011 was 1.0% and 1.2%, respectively.	48,945		49.980	
Series 2011 Hospital Revenue Bonds, collateralized by property and equipment, bearing interest rates fixed annually ranging from 2% to 5% as defined in the bond agreement. Principal is due in annual installments ranging from \$1,000,000 to \$6,480,000 through October 2026. The unamortized premium was approximately \$6,207,000 at June 30, 2012. The bond premium is amortized using straight-line method over the life of the bonds, which approximates the effective interest method. The average interest rate for the year ended June 30, 2012 was 4.7%	78,382		_	
Other	568		920	
	179,217		181,295	
Less current portion	 6,585		3,105	
Long-term debt	 172,632	\$	178,190	

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt (continued)

The bond agreements relating to certain loans place restrictions on the operations of the Obligated Group members, which among other things includes minimum debt service coverage ratios, minimum liquidity ratios, limits on encumbrances and liens, and minimum insurance coverage At June 30, 2012, the Obligated Group was in compliance with these debt covenants

The Series 2008B Hospital Revenue Bonds are demand securities that are secured by a direct pay letter of credit Any draws on the direct pay letter of credit are to be repaid over a two-year period commencing 18 months after the draw date. The direct pay letter of credit terminates in December 2014. There were no draws on the direct pay letter of credit as of June 30, 2012.

In October 2011, the Corporation issued the Series 2011 Hospital Revenue Bonds The proceeds were used to redeem and repay the Series 1998 Hospital Revenue Bonds and the Series 1996A Hospital Revenue Bonds A loss on debt extinguishment, amounting to \$2,651,000, has been recorded for the year ended June 30, 2012, primarily relating to the write off of the Series 1998 and 1996A Hospital Revenue Bonds unamortized bond issue costs and unamortized discount

The estimated fair value of the Corporation's long-term debt, at June 30, 2012 and 2011, approximated \$183,382,000 and \$187,351,000, respectively. The estimated fair value was determined based on quoted market values

Principal maturities of long-term debt for each of the next five years ended June 30 and in the aggregate thereafter follow

	(In Thousands)
2013	\$ 6,585
2014	7,282
2015	7,349
2016	7,572
2017	7,775
Thereafter	142,654
	\$ 179,217

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt (continued)

A summary of bond interest costs, for the years ended June 30, follows

		2012	2011			
	(In Thousands)					
Interest cost						
Charged to operations	\$	3,954	\$	5,233		
Capitalized		108		122		
Total	\$	4,062	\$	5,355		

9. Pension Plans

Defined Benefit Pension Plan

The Corporation has a noncontributory defined benefit pension plan (Pension Plan), which covers substantially all of its employees whose employment began prior to July 1, 2000 The Pension Plan is frozen to employees that commenced employment after July 1, 2000 The Pension Plan provides a defined benefit based on years of service and final average salary The Corporation uses a measurement date of June 30 for the Pension Plan

The Corporation recognizes the funded status (i e, the difference between the fair value of plan assets and the projected benefit obligation) of its Pension Plan on the consolidated statements of financial position, with a corresponding adjustment to net assets. The following table sets forth the Corporation's defined benefit pension plan funded status as of June 30 (using measurement dates of June 30, 2012 and 2011, respectively), as provided by consulting actuaries

	 2012		2011
	(In The	วนรด	inds)
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 159,648	\$	158,596
Service cost	5,260		5,869
Interest cost	9,170		8,941
Actuarial loss (gain)	43,848		(9,336)
Benefit payments	(4,801)		(4,422)
Benefit obligation at end of year	\$ 213,125	\$	159,648

Notes to Consolidated Financial Statements (continued)

9. Pension Plans (continued)

	 2012		2011
	(In The	วบรด	ınds)
Change in plan assets			
Fair value of plan assets at beginning of year	\$ 100,218	\$	86,117
Actual return on plan assets	535		12,816
Employer contribution	22,561		5,707
Benefit payments	 (4,801)		(4,422)
Fair value of plan assets at end of year	\$ 118,513	\$	100,218
Accrued pension liability	\$ (94,612)	\$	(59,430)
Unrecognized net actuarial loss	108,155		59,684
Unrecognized prior service cost	112		129

The accumulated benefit obligation for the defined benefit plan was \$184,017,000 and \$135,090,000 at June 30, 2012 and 2011, respectively

Net pension cost includes the following components for the years ended June 30

		2012		2011		
	(In Thousands)					
Service cost	\$	5,260	\$	5,869		
Interest cost		9,170		8,941		
Expected return on plan assets		(9,124)		(7,383)		
Recognized net actuarial loss		3,964		5,701		
Amortization of prior service cost		17		17		
Net periodic pension cost	\$	9,287	\$	13,145		

Weighted-average assumptions used to determine benefit obligations, at June 30, were

	2012	2011
Discount rate	4.3%	5 8%
Rate of compensation increase	3.0	3 0
Expected return on plan assets	7.5	8 5

Notes to Consolidated Financial Statements (continued)

9. Pension Plans (continued)

The Pension Plan's asset allocation and investment strategies are designed to earn returns on plan assets consistent with a reasonable and prudent level of risk Investments are diversified across classes, sectors, and manager style to minimize the risk of large losses. The Corporation uses investment managers specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines, which include allowable and/or prohibited investment types. The Corporation regularly monitors manager performance and compliance with investment guidelines.

The target allocations for plan assets are 50-80% equity securities, 20-40% fixed income securities, and 0-10% cash Equity and registered investment fund securities include U S and international investments and range from large-cap to small-cap companies Fixed income securities include corporate debt securities of companies from diversified industries, mortgage-backed securities, and U S Treasury securities The expected rate of return actuarial assumption considers the historical long-term rate of return of assets across all of these asset classes

The fair values of the Pension Plan's assets at June 30, by asset category and fair value hierarchy level, are as follows

Asset Category	I	Balance at June 30	I Ma Iden	oted Prices n Active arkets for itical Assets Level 1)	O	ignificant Other bservable Inputs (Level 2)	Un	ignificant observable Inputs (Level 3)	Valuation Technique (a,b,c)
				(In The	ousar	ids)			
June 30, 2012									
Money markets	\$	26,990	\$	26,990	\$	_	\$	_	a
US Treasury securities		12,214		12,214		_		_	a.c
Government mortgage-									
backed securities		17,498		_		17,498		_	a
Municipal bonds		2,325		_		2,325		_	a,c
Corporate debt securities.									
primarily US holdings		2,249		_		2,249		_	a.c
Equities, primarily U S									
equities		12,772		12,772		_		_	a
Registered investment									
funds									
US equities		33,432		33,432		_		_	a
International equities		11,033		11,033		_		_	a
•	\$	118,513	\$	96,441	\$	22,072	\$	_	-
US equities	\$	11,033	\$	11,033	\$	- - 22,072	\$		- - -

Northern Arizona Healthcare Corporation and Affiliates Notes to Consolidated Financial Statements (continued)

9. Pension Plans (continued)

Asset Category	Balance at June 30		June 30 (Level 1)		•	Significant Other Observable Inputs (Level 2)		Significant nobservable Inputs (Level 3)	Valuation Technique (a,b,c)
I 20 2011			(In The	ousa	inds)				
June 30, 2011									
Money markets	\$	32,665	\$ 32,665	\$	_	\$	_	a	
U S Treasury securities		10,713	10,713		_		_	a,c	
Municipal bonds		2,375	_		2,375		_	a.c	
Corporate debt securities, primarily U S holdings		2,303	_		2,303		_	a,c	
Equities, primarily U S									
equities		13,067	13,067		_		_	a	
Registered investment funds									
US equities		27,048	27,048		_		_	a	
International equities		12,047	12,047		_		_	a	
	\$	100,218	\$ 95,540	\$	4,678	\$	-	- -	

The Corporation will be required to contribute \$10,348,000 to its Pension Plan in fiscal year 2013

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands)

2013	\$ 5,021
2014	5,448
2015	5,940
2016	6,538
2017	7,272
Years 2018 – 2023	51,092

Notes to Consolidated Financial Statements (continued)

9. Pension Plans (continued)

401(k) Plan

The Corporation sponsors a 401(k) plan (the 401(k) Plan) for the Corporation's employees The 401(k) plan allows employees to contribute funds through a pre-tax option and an after-tax option Both options follow the same guidelines for employee and Corporation contributions All of the Corporation's employees may participate in the 401(k) Plan, however, only employees with hire dates subsequent to June 30, 2000, are eligible for contributions from the Corporation For employees with hire dates subsequent to June 30, 2000, the Corporation will match 50% of each employee's contribution up to 4% of his or her salary For employees with hire dates subsequent to June 30, 2000, the Corporation also contributes 2% of each employee's salary to the 401(k) Plan, regardless of the employee's contribution This 2% contribution is a discretionary contribution and employees must still be employed on December 31st of that year in order to be eligible for the discretionary contribution Employees immediately vest in their own contributions to the 401(k) Plan, vest in the employer pay period match after three years, and vest in the year-end discretionary employer contributions after three years of qualifying service The Corporation's contributions to the 401(k) Plan totaled \$4,352,000 in 2012 and \$4,094,000 in 2011

10. Commitments and Contingent Liabilities

Health Care Regulatory Environment

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. 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. Other than normative operational or licensure citations or shortcomings of the nature commonly found in surveys of hospitals and other customary regulatory matters that are subject to the active attention of the Corporation's administration and legal department, management believes the Corporation is in compliance with fraud and abuse laws and 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

Notes to Consolidated Financial Statements (continued)

10. Commitments and Contingent Liabilities (continued)

Insurance

The Corporation retains a layer of liability for employee health and dental benefits up to \$200,000 per employee, or dependent, and has purchased insurance for claims incurred per employee or dependent in excess of this amount. The Corporation has recorded \$3,943,000 and \$3,970,000 for employee health and dental benefit obligations as of June 30, 2012 and 2011, respectively

The Corporation purchases professional and general liability insurance to cover medical malpractice claims for physicians and professional and general liability insurance for the hospitals. 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. Through June 30, 2002, the Corporation's professional and general liability insurance had a per claim self-insured retention of \$50,000 under a claims-made insurance policy. Effective July 1, 2002, the Corporation began retaining liability for professional and general liability claims up to \$1,000,000 per claim under a claims-made insurance policy. In August 2012, the Corporation increased the professional and general liability claim coverage to \$1,000,000 per claim and \$2,000,000 aggregate.

The Corporation records a liability for estimates of future payments related to the self-insured retention amounts for professional and general claims that have not been paid as of year-end A portion of this estimated payable represents an estimate of claims incurred but not reported (IBNR) to the Corporation The IBNR claims estimate is developed using actuarial assumptions based upon payment patterns, historical development, and other relevant factors Those estimates are subject to the effects of trends in claim severity and frequency Although considerable variability is inherent in such estimates, management believes that the reserves of unpaid claims are adequate The estimates are periodically reviewed and adjusted as necessary as experience develops or new information becomes known, such adjustments are included in current operations Related to professional and general liability claims, at June 30, 2012 and 2011, the Corporation recorded an undiscounted estimated self-insurance obligation of approximately \$5,260,000 and \$6,676,000, respectively, in accrued expenses and other liabilities in the accompanying consolidated statements of financial position The Corporation recorded a change in estimate, as a result of favorable claim experience, to decrease the self-insurance obligation and expense by approximately \$1,900,000 for the year ended June 30, 2012

Supplementary Information



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Independent Auditors' Report on Supplementary Information

Board of Directors Northern Arizona Healthcare Corporation

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and the consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

September 13, 2012

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Ernst + Young LLP

Northern Arizona Healthcare Corporation and Affiliates Consolidating Statement of Financial Position

(In Thousands)

June 30, 2012

	C'onsolidated		Intercompany Eliminations		NAHC Administration	NAHC Home Health and Hospice		Subtotal Obligated Group		VVMC		FMC
Assets												
Current assets												
Cash and eash equivalents	\$	88.021	\$	- :	\$ 2.535	\$ 2.630)	\$82.856	\$	15,190	\$	67.666
Accounts receivable, net		65.798		_	=	59-	ļ	65,204		15,302		49.902
Inventories		8,609		_	_	25	5	8,584		2.283		6,301
Prepaid expenses and other		7,844		(1.804)	2,365	-	-	7.283		1.585		5.698
Total current assets		170,272		(1.804)	4,900	3,249)	163,927		34,360		129,567
Assets whose use is limited		391,066		_	_	-	-	391,066		113,067		277,999
Property and equipment, net		237,816		_	28,946	503	;	208,367		74,032		134,335
Deferred charges and other assets		19,859		_	3,473	-	-	16,386		9,046		7,340
Total assets	\$	819,013	\$	(1,804)	\$ 37,319	\$ 3,752	\$	779,746	\$	230,505	\$	549,241
Liabilities and net assets												
Current liabilities												
Accounts payable	\$	11.836	\$	(1.804)	\$ 930	\$ 90	\$	12.620	\$	4.727	\$	7.893
Accrued expenses		32.049		_	4.077	396	5	27.576		7,704		19.872
Current portion of long-term debt		6,585		_	_	-	-	6,585		1.905		4.680
Third-party payor settlements		2,926		_	_	-	-	2,926		1,346		1,580
Total current liabilities		53,396		(1.804)	5,007	480	5	49,707		15,682		34.025
Long-term debt, less current portion		172,632		_	-	-	-	172,632		52,557		120,075
Accrued pension liability		94.612		_	6,150	-	-	88,462		28,667		59,795
Other liabilities		4,451		_	16	-	-	4,435		1.292		3,143
Total liabilities		325,091		(1,804)	11,173	480	5	315,236		98,198		217,038
Net assets	_	493,922		_	26.146	3,260	5	464,510		132,307		332,203
Total liabilities and net assets	\$	819,013	\$	(1,804)	\$ 37,319	\$ 3,752	\$	779,746	\$	230,505	\$	549,241

Consolidating Statement of Activities

(In Thousands)

Year Ended June 30, 2012

				NAHC				
				Home	Subtotal			
	Consolidated		NAHC	Health and	Obligated			
			Administration	Hospice	Group	VVM	VVMC	
Revenue								
Net patient service	\$	577,015	\$	\$ 4,850	\$ 572,165	\$ 16	9.887 \$	402,278
Provision for doubtful accounts		(71,733)	=	(72)	(71.66)	(2	5.072)	(46.589)
Net patient service revenue less provision for doubtful accounts		505,282	=	4,778	500,50-	14	4.815	355,689
Other		12.056	1.568	=	10.483	}	2.613	7.875
Total revenue		517,338	1,568	4.778	510,992	2 14	7.428	363,564
Expenses								
Salaries and wages		197.824	11,104	2,900	183,820) 6	1.224	122,596
Employee benefits		51,985	2,451	797	48,73	7 1	5.757	32,980
Professional fees		20,040	1	41	19.998	3	3,130	16,868
Supplies, services and other		160,812	30,668	1.214	128,930) 3	5,663	92,267
Depreciation and amortization		33,241	6,973	4	26,26-	1	0.111	16,153
Interest		3,954	_	-	3,95	1	993	2,961
Corporate expense allocation from NAHC		_	(49.629)	582	49.04	7 1.	4.561	34,486
Total expenses		467,856	1,568	5,538	460,750) 14	2,439	318.311
Income (loss) from operations		49.482	-	(760)	50,242	2	1.989	45,253
Investment income, net		4,432	_	_	4,432	2	2,163	2.269
Loss on extinguishment of debt		(2.651)	_	_	(2,65)	1)	(557)	(2.094)
Contributions		797	_	5	792	2	374	418
Other		494		1	49.	3	_	493
Excess (deficiency) of revenue over expenses		52,554	-	(754)	53,308	3	5,969	46,339
Increase in unfunded pension liability		(48.454)	(3.091)	-	(45,36)	3) (1-	4,160)	(31,203)
Increase (decrease) in net assets		4,100	(3.091)	(754)	7.94:	5 (7.191)	15,136
Net assets at beginning of year		489.822	30,162	3,359	456,30	14).769	315,532
Net asset transfers (to) from affiliates		_	(925)	661	26-	1 (1.271)	1,535
Net assets at end of year	\$	493,922	\$ 26,146	\$ 3.266	\$ 464,510	\$ 13	2.307 \$	332,203

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