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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation) The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047 2011 Open to Public Inspection
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A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012		
B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization OVERLAKE HOSPITAL MEDICAL CENTER Doing Business As Number and street (or P O box if mail is not delivered to street address) Room/suite 1035 116th Ave NE City or town, state or country, and ZIP + 4 Bellevue, WA 98004	D Employer identification number 91-0652651
		E Telephone number (425) 688-5000
		G Gross receipts \$ 450,660,938
	F Name and address of principal officer Craig Hendrickson 1035 116th Ave NE Bellevue, WA 98004	H(a) Is this a group return for affiliates? ☐ Yes ☒ No
		H(b) Are all affiliates included? ☐ Yes ☒ No If "No," attach a list (see instructions)
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () (Insert no) ☐ 4947(a)(1) or ☐ 527	H(c) Group exemption number ▶	
J Website: ▶ www.overlakehospital.org		
K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶		L Year of formation 1953
		M State of legal domicile WA

Part I		Summary	
Activities & Governance	1 Briefly describe the organization's mission or most significant activities The purpose is to operate a hospital for the care of persons,to participate in education,research and other activities designed to promote general health of the community The Hospital's mission is to provide medical excellence every day		
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)		3 18
	4 Number of independent voting members of the governing body (Part VI, line 1b)		4 16
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)		5 2,978
6 Total number of volunteers (estimate if necessary)		6 635	
7a Total unrelated business revenue from Part VIII, column (C), line 12		7a 1,246,074	
b Net unrelated business taxable income from Form 990-T, line 34		7b 45,190	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year 2,201,257	Current Year 5,068,085
	9 Program service revenue (Part VIII, line 2g)	409,517,574	420,550,975
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	9,626,153	11,280,104
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	4,678,150	4,333,025
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	426,023,134	441,232,189
	Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	1,390,016
14 Benefits paid to or for members (Part IX, column (A), line 4)			0
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)		196,249,568	209,581,189
16a Professional fundraising fees (Part IX, column (A), line 11e)			0
b Total fundraising expenses (Part IX, column (D), line 25) ▶0			
17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)		192,929,432	197,410,439
18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)		390,569,016	408,543,989
19 Revenue less expenses Subtract line 18 from line 12		35,454,118	32,688,200
Net Assets or Fund Balances	Beginning of Current Year		End of Year
	20 Total assets (Part X, line 16)	544,703,202	576,465,313
	21 Total liabilities (Part X, line 26)	248,435,151	261,358,736
	22 Net assets or fund balances Subtract line 21 from line 20	296,268,051	315,106,577

Part II Signature Block				
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.				
Sign Here	Signature of officer		2013-05-03 Date	
	Gary McLaughlin CFO Type or print name and title			
Paid Preparer's Use Only	Preparer's signature	Sara Elizabeth J Hyre	Date	Preparer's taxpayer identification number (see instructions)
	Firm's name (or yours if self-employed), address, and ZIP + 4	Clark Nuber PS 10900 NE 4th St Ste 1700 Bellevue, WA 98004		EIN ▶
				Phone no ▶ (425) 454-4919
May the IRS discuss this return with the preparer shown above? (see instructions) ☒ Yes ☐ No				

Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III ☐ Yes ☒ No

1

Briefly describe the organization’s mission

The purpose is to operate a hospital for the care of persons,to participate in education,research and other activities designed to promote general health of the community The Hospital's mission is to provide medical excellence every day

2

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

If “Yes,” describe these new services on Schedule O

3

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

If “Yes,” describe these changes on Schedule O

4

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

4a	(Code) (Expenses \$ 337,026,233 including grants of \$) (Revenue \$ 420,316,639)
	Hospital Services - Overlake Hospital Medical Center is a nonprofit, independently operated regional center serving the eastern Puget Sound region with medical facilities in Bellevue, Issaquah, Kirkland, Redmond and Mercer Island Founded in 1953, today Overlake Hospital is a regional leader in health care, providing advanced medical services in the areas of cardiac care, general and specialty surgery, women's services, cancer care and emergency services The Hospital also has a network of neighborhood clinics in its primary service area There were 19,937 patients admitted for inpatient medical care for a total of 68,297 patient days There were 253,100 outpatient visits out of which 45,286 were for emergency care visits The Hospital delivered 3,982 babies Overlake Medical Clinics provided 164,863 patient visits Overlake Hospital demonstrated a commitment to improving the health of the community by supporting many health-related events, programs, clinical research and made various contributions throughout the year that had a direct benefit to the community The Hospital maintains records to identify and monitor the level of charity care it provides These records include the amount of charges foregone for services Overlake Hospital provided care to 7,234 patients who are uninsured or under insured in the amount of \$20,212,000 (estimated cost of \$7,032,000) The Hospital provided care to Medicaid patients at rates below the cost of providing services The payments were less than cost by \$9,711,000 In keeping with the Hospital's spirit of giving back to the community it served, a total of \$4,924,000 of community benefit service activities were also provided Overlake Staff spent 2,785 hours in the community by participating in, organizing and managing health programs and activities Overlake sponsors community health events and screenings for the general public In January 2012, Overlake held its fourth annual Eastside Vitality Health Fair, performing 2,804 free health screenings to 952 people Screenings included blood pressure checks, blood glucose testing, cholesterol tests, stroke assessments, peripheral artery disease screenings, bone density screenings and skin cancer checks Overlake has been home to the most comprehensive program for cardiovascular and peripheral vascular care on the Eastside for more than 20 years Today, the Hospital's heart care team includes a network of specialists whose collective expertise and training has helped Overlake earn its reputation as an award winning cardiac center The Cancer Center at Overlake is noted for its enhanced services and technology, as well as for its exceptional patient experience The Breast Center at Overlake was the first in the Seattle Metropolitan area to receive a three year full accreditation by the National Accreditation Program for Breast Center Overlake's Women and Infants' Center provides a full continuum of care designed for women in their childbearing years and beyond Overlake offers exceptional care for elderly patients by educating our nurses in effective geriatric care For more than 30 years, Overlake has been the leader in providing quality adult and adolescent psychiatric care to the Puget Sound community Our Specialty School is recognized by the school districts as a leader in helping students who need specialized behavioral services by providing academic, social, emotional and behavioral support The Palliative Care Program completed its first full year helping patients and families face serious illness and navigate their care with kindness and respect Overlake is expanding its network of Medical Clinics throughout the Eastside Overlake understands how busy people's day to day lives can be, that's why the Hospital provides patients with convenient, accessible medical care located close to where they live and work Overlake is proud to be recognized as foremost in the region for our focus on our patients and we have been rewarded for it by patients, families who prefer us for their comprehensive healthcare and through many national awards We were recognized by Healthgrades as one of the top 5% of hospitals in the nation for patient safety for the fifth year in a row We are the only hospital in Greater Seattle named a Top Performer on Key Quality Measures by the Joint Commission and noted as having the Most Advanced Neurointerventional care on the Eastside
4b	(Code) (Expenses \$ 2,043,641 including grants of \$) (Revenue \$ 234,336)
	Education Services - In addition to the excellent care we provide our patients, the Hospital firmly believes education is critical to overall wellness so the organization reaches out to the community to engage and empower its patients in becoming educated healthcare consumers by offering free and low-cost classes for all age groups Health education is an important part of preventive care The Education Program provided 42,507 family contact hours offering classes of a wide range of health related topics including women's health, prenatal care, coping skills, dealing with cancer, positive parenting, safety, asthma, heart disease, diabetes, living wills, incontinence, weight loss, maintaining balance, babysitting for teens, CPR and health lifestyles The Hospital provided 17,458 nursing education hours on a wide range of topics to internal and external staff and nursing residents
4c	(Code) (Expenses \$ 1,552,361 including grants of \$ 1,552,361) (Revenue \$)
	Other Grants and Allocations - Grants to Overlake Hospital Foundation and Overlake Hospital Auxiliaries to cover their expenses
4d	Other program services (Describe in Schedule O)
	(Expenses \$ including grants of \$) (Revenue \$)
4e	Total program service expenses \$ 340,622,235

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	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? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c	Yes	
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? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	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)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance						
Check if Schedule O contains a response to any question in this Part V ☐						
		Yes	No			
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	304			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes			
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	2,978			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes			
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a				No
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a				No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b				No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c				No
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a				No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b				No
7	Organizations that may receive deductible contributions under section 170(c).					
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a				No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b				No
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c				No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	0			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e				No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f				No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g				No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h				No
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8				No
9	Sponsoring organizations maintaining donor advised funds.					
a	Did the organization make any taxable distributions under section 4966?	9a				No
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b				No
10	Section 501(c)(7) organizations. Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b				
11	Section 501(c)(12) organizations. Enter					
a	Gross income from members or shareholders.	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b				
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a				No
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b				
13	Section 501(c)(29) qualified nonprofit health insurance issuers.					
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a				No
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b				
c	Enter the aggregate amount of reserves on hand.	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a				No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b				No

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.
Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1b	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?		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?		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Did the organization have members or stockholders?	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?	Yes	
7b	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		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	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		No

Section B. Policies

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?		No
10b	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?		No
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	Yes	
11b	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	Yes	
12b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	Yes	
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	Yes	
13	Did the organization have a written whistleblower policy?	Yes	
14	Did the organization have a written document retention and destruction policy?	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?		
15a	The organization's CEO, Executive Director, or top management official	Yes	
15b	Other officers or key employees of the organization	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	Yes	
16b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	Yes	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization. Eric Teshima 1120 112th Ave Ste 202 Bellevue, WA 980044687 (425) 688-5149

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

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

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

[illegible]

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	6,944,381		957,505

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 298

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
Puget Sound Blood Center 921 Terry Ave Seattle, WA 981041256	Blood Services	2,926,523
Hospital Central Services Assoc 1300 E Columbia St Seattle, WA 98122	Linen Services	1,384,715
Gall Landau Young Construction Co PO Box 6728 Bellevue, WA 980080728	Construction	2,291,462
Denali Advanced Integration 17735 NE 65th St Redmond, WA 98052	Software Dev & Maint	2,024,801
Aldrich & Associates Inc 810 240th St SE Bothell, WA 980219397	Construction	2,337,583

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶90

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d	5,068,085				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f					
	g	Noncash contributions included in lines 1a-1f \$ 1,746						
	h	Total. Add lines 1a-1f		5,068,085				
Program Service Revenue			Business Code					
	2a	Program Related Invstmnts	900004	1,325,686	1,325,686			
	b	Other Program Services	900004	1,904,046	1,904,046			
	c	Non Government Payments	900004	276,785,648	276,785,648			
	d	Medicare/Medicaid Payment	900004	140,301,259	140,301,259			
	e	Education Services	611710	234,336	234,336			
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		420,550,975				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		7,265,605			7,265,605	
	4	Income from investment of tax-exempt bond proceeds . .		0				
	5	Royalties		0				
	6a	Gross rents	(i) Real	(ii) Personal				
			492,179					
			492,179					
	d	Net rental income or (loss)		492,179			492,179	
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
			13,390,802	52,446				
			9,322,196	106,553				
			4,068,606	-54,107				
	d	Net gain or (loss)		4,014,499			4,014,499	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from fundraising events . .		0				
	9a	Gross income from gaming activities See Part IV, line 19	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from gaming activities . .		0				
	10a	Gross sales of inventory, less returns and allowances	a					
b	Less cost of goods sold	b						
c	Net income or (loss) from sales of inventory . .		0					
Miscellaneous Revenue		Business Code						
11a	Women's Clinic	446199	383,390			383,390		
b	Laboratory	621500	707,795		642,772	65,023		
c	Catering/Cafeteria	722210	2,372,247		603,302	1,768,945		
d	All other revenue		377,414			377,414		
e	Total. Add lines 11a-11d		3,840,846					
12	Total revenue. See Instructions		441,232,189	420,550,975	1,246,074	14,367,055		

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	1,552,361	1,552,361		
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	3,641,923	1,123,045	2,518,878	
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	164,734,930	142,456,993	22,277,937	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	9,972,856	8,634,018	1,338,838	
9	Other employee benefits	19,439,541	15,917,417	3,522,124	
10	Payroll taxes	11,791,939	9,968,957	1,822,982	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	1,126,961	71,071	1,055,890	
c	Accounting	250,012	17,354	232,658	
d	Lobbying	97,095		97,095	
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	42,782		42,782	
g	Other	36,071,432	26,477,950	9,593,482	
12	Advertising and promotion	1,254,745	7,751	1,246,994	
13	Office expenses	7,853,454	4,508,805	3,344,649	
14	Information technology	6,369,984		6,369,984	
15	Royalties	0			
16	Occupancy	12,136,479	8,941,760	3,194,719	
17	Travel	557,967	259,777	298,190	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	348,715	330,585	18,130	
20	Interest	10,048,071	10,048,071		
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	29,771,700	21,791,590	7,980,110	
23	Insurance	3,426,445	2,490,512	935,933	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	B & O Tax	4,715,935	4,715,752	183	
b	Medicaid Prov Assessmnt	8,828,146	8,828,146		
c	Bad Debt	14,010,337	14,010,337		
d	Medical Supplies	57,287,517	57,248,126	39,391	
e					
f	All other expenses	3,212,662	1,221,857	1,990,805	
25	Total functional expenses. Add lines 1 through 24f	408,543,989	340,622,235	67,921,754	0
26	Joint costs. Check here ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			14,259,230	1	20,314,439
	2	Savings and temporary cash investments			25,402,285	2	23,941,319
	3	Pledges and grants receivable, net				3	0
	4	Accounts receivable, net			51,117,294	4	53,490,543
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L				5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L				6	0
	7	Notes and loans receivable, net			277,253	7	56,645
	8	Inventories for sale or use			5,583,830	8	5,968,141
	9	Prepaid expenses and deferred charges			9,416,155	9	9,884,735
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	382,172,452			
	b	Less accumulated depreciation	10b	188,563,010	188,076,766	10c	193,609,442
	11	Investments—publicly traded securities			236,235,728	11	249,587,217
	12	Investments—other securities See Part IV, line 11			4,045,441	12	2,910,532
	13	Investments—program-related See Part IV, line 11				13	0
	14	Intangible assets			269,640	14	6,265,994
	15	Other assets See Part IV, line 11			10,019,580	15	10,436,306
	16	Total assets. Add lines 1 through 15 (must equal line 34)			544,703,202	16	576,465,313
Liabilities	17	Accounts payable and accrued expenses			53,377,078	17	59,224,594
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities			187,627,242	20	182,618,048
	21	Escrow or custodial account liability Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties				23	761,679
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D			7,430,831	25	18,754,415
	26	Total liabilities. Add lines 17 through 25			248,435,151	26	261,358,736
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here ☒ and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			296,268,051	27	313,510,498
	28	Temporarily restricted net assets				28	1,596,079
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117, check here ☐ and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			296,268,051	33	315,106,577
	34	Total liabilities and net assets/fund balances			544,703,202	34	576,465,313

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	441,232,189
2	Total expenses (must equal Part IX, column (A), line 25)	2	408,543,989
3	Revenue less expenses Subtract line 2 from line 1	3	32,688,200
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	296,268,051
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-13,849,674
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	315,106,577

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization OVERLAKE HOSPITAL MEDICAL CENTER	Employer identification number 91-0652651
--	--

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support							
Calendar year (or fiscal year beginning in)		(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7	Amounts from line 4						
8	Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9	Net income from unrelated business activities, whether or not the business is regularly carried on						
10	Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11	Total support (Add lines 7 through 10)						
12	Gross receipts from related activities, etc (See instructions)					12	
13	First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage			
14	Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	14	
15	Public Support Percentage for 2010 Schedule A, Part II, line 14	15	
16a	33 1/3% support test—2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		
b	33 1/3% support test—2010. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		
17a	10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization		
b	10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization		
18	Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions		

Part IIIPart III

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

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

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

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization		
b 33 1/3% support tests—2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions		

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

Facts And Circumstances Test

Explanation

SCHEDULE 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.

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization OVERLAKE HOSPITAL MEDICAL CENTER	Employer identification number 91-0652651
--	--

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

1	Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	☐ Yes ☒ No
4a	Was a correction made?	☐ Yes ☒ No
b	If "Yes," describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	☐ Yes ☐ No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-
(1) American Hospital Association	P O Box 34936 Seattle, WA 98124	91-1809445	8,885	
(2) Millennia Public Affairs Inc	21127 47th Dr SE Bothell, WA 98021		46,638	
(3) Washington State Hospital Assoc	Dept5028 P O Box 34936 Seattle, WA 98124		48,218	

Part II-A

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

- A
- Check
- ☐
- if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check
- ☐
- if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a	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														
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
h	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?		☐ Yes ☐ No												

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

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

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1 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	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1 c through 1 i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		52,457
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		44,638
	j Total lines 1 c through 1 i			97,095
	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				
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No		

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	1	
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).	2a	
a	Current year		
b	Carryover from last year		
c	Total		
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
Part II-B, Line 1i	Part II-B, Line 1i - Other Activities Description	Part of the membership dues that are paid to the Washington State Hospital Association and American Hospital Association are used by them for lobbying purposes

SCHEDULE D

(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ **Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b**
▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization
OVERLAKE HOSPITAL MEDICAL CENTER

Employer identification number

91-0652651

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No	

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes ☐ No

6

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

7

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

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

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

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

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

	Amount
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		2,151,141		2,151,141
b Buildings		193,362,108	72,982,553	120,379,555
c Leasehold improvements		4,930,800	3,986,505	944,295
d Equipment		180,035,761	111,593,952	68,441,809
e Other		1,692,642		1,692,642
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				193,609,442

Schedule D (Form 990) 2011

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

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

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
Part XI, Line 8	Part XI, Line 8 Other Changes in Net Assets or Fund Balances	Adjustment in Pension Liability \$0 Consolidation of Joint Venture \$2791605 Changes in Pension Liability \$ -8765374 Change net unrealized gains/losses \$ -7875905

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
OVERLAKE HOSPITAL MEDICAL CENTER

Employer identification number
91-0652651

Part I

Charity Care and Certain Other Community Benefits at Cost

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

7 Charity Care and Certain Other Community Benefits at Cost						
Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			7,033,388		7,033,388	1 720 %
b Medicaid (from Worksheet 3, column a)			23,180,175	13,468,781	9,711,394	2 380 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			30,213,563	13,468,781	16,744,782	4 100 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,412,907	172,500	1,240,407	0 300 %
f Health professions education (from Worksheet 5)			2,170,727		2,170,727	0 530 %
g Subsidized health services (from Worksheet 6)			2,688,447	1,366,345	1,322,102	0 320 %
h Research (from Worksheet 7)			269,080	184,450	84,630	0 020 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			253,544	62,413	191,131	0 050 %
j Total Other Benefits			6,794,705	1,785,708	5,008,997	1 220 %
k Total. Add lines 7d and 7j			37,008,268	15,254,489	21,753,779	5 320 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total						

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1		No
2Enter the amount of the organization's bad debt expense	2	4,874,196	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	4,815,175	
4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.			

Section B. Medicare

5Enter total revenue received from Medicare (including DSH and IME)	5	60,341,840	
6Enter Medicare allowable costs of care relating to payments on line 5	6	82,524,253	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	-22,182,413	
8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☒ Cost to charge ratio ☐ Other			

Section C. Collection Practices

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

Part IVManagement Companies and Joint Ventures (see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1Overlake Surgery Center LLC	Ambulatory Surgical Svcs	43.000 %		57.000 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Section A. Hospital Facilities

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

Name and address

Schedule H (Form 990) 2011

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)

Overlake Hospital Medical Ctr

Name of Hospital Facility:

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a ☐ A definition of the community served by the hospital facility b ☐ Demographics of the community c ☐ 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 f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g ☐ 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 i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs j ☐ Other (describe in Part VI)	1	No
2 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? 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 ☐ Other (describe in Part VI)	5	
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	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 0000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 0000</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a ☐ Income level b ☐ Asset level c ☐ Medical indigency d ☐ Insurance status e ☐ Uninsured discount f ☐ Medicaid/Medicare g ☐ State regulation h ☐ Other (describe in Part VI)	11		No
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a ☒ The policy was posted at all times on the hospital facility's web site b ☒ The policy was attached to all billing invoices c ☒ The policy was posted in the hospital facility's emergency rooms or waiting rooms d ☒ The policy was posted in the hospital facility's admissions offices e ☒ The policy was provided, in writing, to patients upon admission to the hospital facility f ☒ The policy was available upon request g ☒ Other (describe in Part VI)	13	Yes	

Billing and Collections

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

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	☒ The hospital facility used the average of 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? If "Yes," explain in Part VI		No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 16

Name and address		Type of Facility (Describe)
1	See Additional Data Table	
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
	Part VI - Additional Information	Part I, Line 7The costing methodology for charity care and unreimbursed Medicaid was the cost to charge method using the cost to charge ratio derived from worksheet 2 The community health improvement cost, health professional education, research and cash and in-kind contributions are direct cost and do not include any indirect cost The cost for subsidized health services is derived from a cost accounting system that addresses all patient segments Part III, Line 8The costing methodology for Medicare allowable cost is derived from the 2011 Medicare Cost Report The Hospital believes that all of the Medicare shortfall should be treated as community benefit The IRS community benefit standard includes the provision of care to Medicare patients and the Hospital continues providing care to the Medicare beneficiaries regardless of the shortfall By absorbing the Medicare shortfall, the Hospital thereby relieves the federal government of the burden of paying the full cost for Medicare beneficiaries Part III, Line 9bThe Hospital will place a patient's account on hold when a patient's account is being considered for charity Once a determination has been made that a patient qualifies for charity care, the patient's account is reduced by the charity amount granted and a letter is sent to the patient noting the charity adjustment The patient may appeal the decision if he/she believes there is additional information that should have been considered or the financial situation has changed The patient is responsible for any balance remaining after the charity adjustment, if any, and the collection process will continue in the normal process Part VI, Line 2The Hospital conducted a community needs assessment in April 2011 and is using this as the primary basis for assessing the community health needs in the future In addition, the Hospital distributes feedback forms in all our classes and at our major events, such as our annual community health fair These forms ask attendees a range of questions, including what other classes or services people would like us to offer We also include an item in every issue of Healthy Outlook asking people to contact us if they have requests for particular health classes or lectures Finally, we maintain relationships with other area non-profits and work with them when they identify specific community health needs (e g stroke screenings at Hopelink) Part VI, Line 3Information about assistance programs starts at the point of registration Placards describing the financial assistance programs are at all admitting registration desks Financial assistance can take the form of assistance in qualifying for Medicaid, charity, or prompt pay discounts Financial counselors are available to discuss the financial arrangements for all patients and will discuss the financial assistance program The Financial counselors will also assist patients in completing the Hospital's charity care application if the patients brings in information and needs help completing the application The Hospital engages an outside company to assist patients with applying for Medicaid General information about the assistance programs is then included as part of each patient statement that is sent to a patient and includes the phone number of the Patient Financial Services department to call for assistance In addition, as part of the account follow up, Patient Financial Service Representatives will call patients after their second statement and will discuss patient financial assistance as part of the call Overlake's charity care policy is posted on the Washington State Department of Health's website and on the Hospital's website Part VI, Line 4The Hospital's primary service area is East King County which is bounded by Lake Washington to the west and by the Cascade Mountains to the east and extends north to the King County line, near the City of Bothell, and south to the City of Renton It has a population base of approximately 696,000 residents with an ethnic makeup of 68% white, 18% Asian, 7% Hispanic, and 7% other 10% of the residents are 65 or older and another 28% in the 45 to 64 age bracket Part VI, Line 5The Hospital staff participates in the county wide disaster preparedness group and is the back up to Harborview Medical Center The Hospital has an open medical staff model The Hospital operates an active screening program in which we offer free health screenings at least four times annually at community events The largest one is the annual Overlake Eastside Vitality Community Health Fair, in which we provide over 2,804 free screenings, including cholesterol, stroke risk, diabetes, and skin cancer Screening results and free counseling are provided at the events Those who need to see a physician are given a list of providers, including community medical clinics

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 0	Part V, Line 13g - Other Means Hospital Facility Publicized the Policy	While the written policy does not specifically mention the website and the patient statements, the hospital does do them in practice

Identifier	ReturnReference	Explanation
	Part III, Line 4 - Bad Debt Expense	The Hospital and the Clinics provide an allowance for potential uncollectible patient accounts receivable whereby such receivables are reduced to their estimated net realizable value. The Hospital estimates this allowance based on the aging of accounts receivable, historical collection experience by payor, and other relevant factors. The Clinics estimates this allowance based on the historical collection experience by clinic and other relevant factors. There are various factors that can impact the collection trends, such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients, the increased burden of co-insurance, and deductibles to be made by patients with insurance and business practices related to collection efforts. These factors continuously change and can have an impact on collection trends and the estimation process. The bad debt expense on Schedule H, Part III, lines 2 and 3 are estimated based on the cost to charge ratio. The Hospital believes that approximately 98% of the bad debt expense are related to patients that would be eligible under the Hospital's charity care guidelines had the patient provided the financial information necessary to make the determination. This percentage is based on running credit checks on a sample of accounts that were being sent to bad debts.

Additional Data

Software ID: 11000144
Software Version: 2011v1.5
EIN: 91-0652651
Name: OVERLAKE HOSPITAL MEDICAL CENTER

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

[illegible]

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

Open to Public Inspection

Employer identification number
91-0652651

Part I General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No
- 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

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

[illegible]

- | | | |
|----------|---|----------|
| 2 | Enter total number of section 501(c)(3) and government organizations listed in the line 1 table | 2 |
| 3 | Enter total number of other organizations listed in the line 1 table | 0 |

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
Grantmaker's Description of How Grants are Used		Overlake Hospital Medical Center performs the record keeping for Overlake Hospital Foundation and Overlake Hospital Auxiliaries and monitors its operating expenses as part of the monthly financial review process The grants are reimbursement for expenses already incurred

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest
Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990,
Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization OVERLAKE HOSPITAL MEDICAL CENTER	Employer identification number 91-0652651
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Part I

Questions Regarding Compensation

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

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space needed.

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

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) William Reece MD	(i) (ii)	297,886	416,145	21,528	9,800	10,596	755,955	
(2) Vu Hoang MD	(i) (ii)	387,489	142,952	56,809	33,904	11,234	632,388	
(3) T D Sam Baxter	(i) (ii)	188,453	21,717	26,381	93,531	9,888	339,970	
(4) Robert Binford MD	(i) (ii)	427,187		3,303	14,700	984	446,174	
(5) Richard Clarfeld MD	(i) (ii)	374,755	6,875	83,167	37,364	15,079	517,240	
(6) Richard Bryan	(i) (ii)	205,929	20,816	5,834	70,996	6,050	309,625	
(7) Jody Albright	(i) (ii)	259,213	28,954	23,737	40,909	6,072	358,885	
(8) James Pelton MD	(i) (ii)	297,034	192,352	7,116	14,700	10,464	521,666	
(9) Gary McLaughlin	(i) (ii)	431,466	62,948	75,452	132,724	14,724	717,314	
(10) David Schultz	(i) (ii)	343,726	52,422	23,064	76,767	14,724	510,703	
(11) Craig Hendrickson	(i) (ii)	637,890	112,882	872,718	191,637	12,725	1,827,852	637,296
(12) Catherine Whitaker-Klick	(i) (ii)	256,696	28,774	25,146	38,329	14,724	363,669	
(13) Alan Ertle	(i) (ii)	375,960	42,294	14,811	68,712	6,168	507,945	

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
Sch J, Part III, Additional Information	Part III, Additional Information	Part II Line 1 Column FCraig Henrickson received constructive receipt of \$637,296 for his life insurance coverage under the Executive Flexible Benefit Plan upon vesting on his 65th birthday. This amount was included in taxable income in 2011.
Sch J, Part I, Line 7	Part I, Line 7 Non-Fixed payments not listed above	Management incentive for the CEO, COO and Vice Presidents are contingent on Overlake Hospital Association's consolidated net operating income for the fiscal year being at least 80% of the net operating income budget. The incentive payment is then based on a combination of meeting organization and individual goals. Incentives were paid to William Reece, Vu Hoang and James Pelton on productivity and meeting certain individual quality goals. Incentives were paid to Richard Clarfeld based on meeting certain individual quality goals.
Sch J, Part I, Line 1a	Part I, Line 1a Relevant information in regards to selections on 1a	

Supplemental Information on Tax Exempt Bonds

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
OVERLAKE HOSPITAL MEDICAL CENTER

Employer identification number

91-0652651

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	WA Health Care Facilities	91-1108929	93978E7P1	04-14-2010	99,229,494	See Part VI		X		X		X
B	WA Health Care Facilities Authority	91-1108929	93978EYZ9	06-08-2005	162,497,935	Construction of Facility	X			X		X
C	WA Health Care Facilities Authority	91-1108929	93978EWQ1	06-19-2003	22,708,358	Refund Prior Issue 12/13/89		X		X		X

Part II	Proceeds
----------------	-----------------

		A		B		C		D	
1	Amount of bonds retired			83,260,000		16,425,000			
2	Amount of bonds defeased								
3	Total proceeds of issue	99,229,862		169,310,100		22,708,445			
4	Gross proceeds in reserve funds	8,293,020		6,516,940					
5	Capitalized interest from proceeds			852,750					
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	1,660,010		2,136,381		371,287			
8	Credit enhancement from proceeds			8,175,568		966,000			
9	Working capital expenditures from proceeds	210,770							
10	Capital expenditures from proceeds	20,000,000		145,694,524					
11	Other spent proceeds	75,000,000				21,371,159			
12	Other unspent proceeds								
13	Year of substantial completion	2010		2008		1990			
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X			X	X			
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		
16	Has the final allocation of proceeds been made?	X		X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X				
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶			0 110 %					
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶			0 920 %					
6	Total of lines 4 and 5			1 030 %					
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X					

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		
2	Is the bond issue a variable rate issue?		X	X			X		
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X		X		
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X	X			X		
b	Name of provider			IXIS Funding Corp					
c	Term of GIC			3 1000					
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?			X					
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
6	Did the bond issue qualify for an exception to rebate?	X			X	X			

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
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Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
OVERLAKE HOSPITAL MEDICAL CENTER

Employer identification number
91-0652651

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Kathryn Crossland	See Part V	30,105	Employed Physician		No
(2) Puget Sound Physicians PLLC	See Part V	937,910	UC Phys/M Director Fees		No
(3) Washington Federal Savings	See Part V	224,419	Leasing Clinical Space		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
		Part IV Line 1 Column (c)Entity in which Jim Doud, Trustee, is a Board Member Part IV Line 2 Column (c)Entity in which Tom Miller, MD, Trustee is a Partner with 5 5% ownership Part IV Line 3 Column (c)Family relationship with Walter Smith, MD, Trustee

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

**Open to Public
Inspection**

Name of the organization
OVERLAKE HOSPITAL MEDICAL CENTER

Employer identification number

91-0652651

Identifier	Return Reference	Explanation
	Part VII, Section A, Line 1	Cecily Hall devoted 1 hour to a related organization Jim Doud devoted 3 hours to a related organization John Murphy devoted 2 hours to a related organization Patricia Bedient devoted 50 hour to a related organization Bertrand Valdman devoted 1 hour to a related organization Larry Hebner devoted 1 hour to a related organization Robert Campbell devoted 50 hour to a related organization Tom Cleveland devoted 2 hours to a related organization Gregory Collins devoted 1 hour to a related organization Patty Edwards devoted 3 hours to related organizations Janine Florence devoted 50 hour to a related organization Kemper Freeman, Jr devoted 1 hour to a related organization Kathleen Gibson, MD, devoted 1 hour to a related organization John Hayhurst devoted 50 hour to a related organization Ken Johnsen devoted 1 hour to a related organization Linda Mahaffey devoted 3 5 hours to related organizations Douglas Martin devoted 1 hour to a related organization Tom Miller, MD devoted 1 hour to a related organization Nolan New man devoted 50 hour to a related organization Walter Smith devoted 1 hour to a related organization Russell Stockdale devoted 50 hour to a related organization Craig Hendrickson devoted 20 hours to related organizations Gary McLaughlin devoted 20 hours to related organizations

Identifier	Return Reference	Explanation
	Form 990, Part V Line 7g & 7h	Overlake Hospital Medical Center did not receive any contributions of intellectual property, cars, boats, airplanes, or other vehicles

Identifier	Return Reference	Explanation
	Form 990, Part IV Line 12 - Fin Stmts	The financial statements of Overlake Hospital Medical Center are audited on a consolidated basis. This IRS Form 990 for Overlake Hospital Medical Center only contains the activities of the Hospital while the activities of the related organizations are reported on separate IRS Form 990s.

Identifier	Return Reference	Explanation
	Form 990, Part I Line 6 - Volunteers	Volunteers provided 167,116 hours of service to Overlake Hospital Medical Center during the year. Volunteers provide assistance for patients and guests at point of entry with information, way-finding, and transportation services. In the nursing units, volunteers help answer call lights and provide comfort to support and facilitate the physical, emotional, mental and spiritual health and self-healing of the patient. Included in the total volunteers are 21 board members that volunteered their time as board members during the year.

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 19	Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	Overlake Hospital makes its disclosure of governing documents, conflict of interest policy, and audited financial statements available through the Hospital's administration office. The Overlake Hospital Medical Center consolidated financial statements are also available on the Overlake Medical Center's website.

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 15b	Form 990, Part VI, Line 15b Compensation Review and Approval Process for Officers and Key Employees	Overlake's policy and process for Executive Compensation is fully documented in the "Executive Compensation Administration and Compliance Manual" which was last updated on 4/1/12. This manual details the charter of the Compensation Committee of the Board, the compensation philosophy and how salary increases, incentives and benefits and perquisites are administered. Compensation Committee members are independent board members as required by the Charter and By-laws. The process includes an independent consultant who works directly for the Compensation Committee and a review of comparable data from external sources. All compensation related decisions for the CEO, COO and Vice Presidents are discussed, deliberated and voted on by the Compensation Committee and documented in the minutes of the meeting.

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 12c	Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	Board members and management annually signs a statement which affirms that such person 1) has received a copy of the Conflict of Interest Policy2) has read and understands the policy3) has agreed to comply with the policy, and4) understands that the corporation is a charitable organization and that in order to maintain their federal tax exemption they must avoid conflicts of interest and engage primarily in activities which accomplish one or more of their tax-exempt functions A lists of all financial interests or other relationships with any organization that has, or can reasonably expected to have, a transaction with the corporation, competes against the corporation, or whose interest materially conflicts with the interest of the corporation is submitted annually to the Overlake Hospital Medical Center Compliance Officer for review The Compliance Officer summarizes any conflicts of interest and discusses these results with the Chair of the Audit & Compliance Committee, CEO, Overlake Hospital Medical Center VP Human Resources and General Counsel This information is also shared with the Chair-Elect, Committee Chairs, and the CFO At Board Meetings, members are expected to recuse themselves from voting on issues when there is a conflict of interest

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 11	Form 990, Part VI, Line 11 Form 990 Review Process	The 990 is prepared internally and reviewed by an independent accounting firm The 990 is then reviewed by the President & CEO, CFO, VP Human Resources, VP of Risk Management/Safety, and Overlake Hospital Medical Center Finance Committee The 990 is sent to the Overlake Hospital Medical Center Board members prior to submission to the IRS

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 7b	Form 990, Part VI, Line 7b Describe Decisions of Governing Body Approval by Members or Shareholders	Overlake Hospital Association, as sole member, must approve (a) any sale or lease of all or substantially all of the assets of the corporation,(b) any increased indebtedness exceeding five percent of the gross patient service revenue during a fiscal year of the corporation,(c) the annual budget of the corporation and any material amendments thereto,(d) the auditors of the corporation, and(e) any amendments to the articles of incorporation and bylaws of the corporation

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 7a	Form 990, Part VI, Line 7a How Members or Shareholders Elect Governing Body	Overlake Hospital Association has the right to appoint and remove Overlake Hospital Medical Center's Trustees

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 6	Form 990, Part VI, Line 6 Explanation of Classes of Members or Shareholder	Overlake Hospital Association is the sole member of Overlake Hospital Medical Center

SCHEDULE R
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ 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.

Name of the organization
OVERLAKE HOSPITAL MEDICAL CENTER

Employer identification number
91-0652651

Part I

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) Washington Imaging ServicesLLC 1035 116th Ave NE Bellevue, WA 98004 91-1730052	Medical Imaging	WA	3,956,546		Overlake Hospital Medical Center
(2) Overlake Medical Clinics LLC 1035 116th Ave NE Bellevue, WA 98004 91-1932954	Medical Clinics	WA	23,346,385	15,465,461	Overlake Hospital Medical Center

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Overlake Hospital Association 1035 116th Ave NE Bellevue, WA 98004 91-1274134	Provide Support	WA	501(c)(3)	11-Type II	N/A	Yes	
(2) Overlake Hospital Auxiliaries 1035 116th Ave NE Bellevue, WA 98004 23-7297831	Fund Raising	WA	501(c)(3)	9	Overlake Hospital Medical Center	Yes	
(3) Overlake Hospital Foundation 1035 116th Ave NE Bellevue, WA 98004 91-1050325	Fund Raising	WA	501(c)(3)	7	Overlake Hospital Medical Center	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) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

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

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

Part V

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

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

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity

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

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

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

e Loans or loan guarantees by related organization(s)

f Sale of assets to related organization(s)

g Purchase of assets from related organization(s)

h Exchange of assets with related organization(s)

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

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

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

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

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

n Sharing of paid employees with related organization(s)

o Reimbursement paid to related organization(s) for expenses

p Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

No

No

Yes

No

No

Yes

Yes

No

Yes

No

No

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

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

Schedule R (Form 990) 2011

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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Software ID: 11000144
Software Version: 2011v1.5
EIN: 91-0652651
Name: OVERLAKE HOSPITAL MEDICAL CENTER

Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved (\$)	(d) Method of determining amount involved
(1) Overlake Hospital Association	p	876,533	Cash
(2) Overlake Hospital Association	n	250,113	Other
(3) Overlake Hospital Association	j	4,502,162	Cash
(4) Overlake Hospital Association	d	8,430,269	Other
(5) Overlake Hospital Auxiliaries	n	190,337	Cash
(6) Overlake Hospital Auxiliaries	c	1,013,320	Cash
(7) Overlake Hospital Auxiliaries	b	315,550	Cash
(8) Overlake Hospital Foundation	n	320,898	Cash
(9) Overlake Hospital Foundation	m	97,015	Cash
(10) Overlake Hospital Foundation	c	4,054,765	Cash
(11) Overlake Hospital Foundation	b	1,236,811	Cash



OVERLAKE HOSPITAL MEDICAL CENTER

Consolidated Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Trustees
Overlake Hospital Medical Center

We have audited the accompanying consolidated balance sheets of Overlake Hospital Medical Center (the Hospital) (a Washington not-for-profit corporation) as of June 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Overlake Hospital Medical Center as of June 30, 2012 and 2011, and the results of operations and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 15, 2012

OVERLAKE HOSPITAL MEDICAL CENTER

Consolidated Balance Sheets

June 30, 2012 and 2011

(In thousands)

Assets	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 21,239	15,796
Hospital accounts receivable, net of allowance for bad debts of \$9,343 in 2012 and \$11,396 in 2011	49,996	49,668
Clinic accounts receivable, net of allowance for bad debts of \$440 in 2012 and \$354 in 2011	3,494	1,449
Current portion of pledges receivable	853	598
Current portion of assets whose use is limited	8,708	10,177
Supplies inventory, at cost	5,968	5,584
Prepaid expenses	5,116	4,203
Other current assets	7,504	10,243
Total current assets	<u>102,878</u>	<u>97,718</u>
Assets whose use is limited		
Restricted by donors	5,568	5,089
Management designated	3,554	3,585
Funds held under bond indenture and collateral agreements	23,518	24,986
Less current portion	<u>(8,708)</u>	<u>(10,177)</u>
Total assets whose use is limited, net of current portion	<u>23,932</u>	<u>23,483</u>
Investments	249,611	236,251
Long-term portion of pledges receivable, net	71	94
Other long-term receivables, net	2,934	—
Land, buildings, and equipment, net	193,752	188,254
Other assets		
Investment in joint ventures	2,911	4,045
Deferred financing costs, net	4,815	5,252
Other assets	6,266	270
Total other assets	<u>13,992</u>	<u>9,567</u>
Total assets	<u>\$ 587,170</u>	<u>555,367</u>

OVERLAKE HOSPITAL MEDICAL CENTER

Consolidated Balance Sheets

June 30, 2012 and 2011

(In thousands)

Liabilities and Net Assets	2012	2011
Current liabilities		
Current portion of long-term debt	\$ 3,893	5,415
Current portion of capital leases	621	—
Accounts payable	15,312	12,954
Accrued liabilities	36,849	32,769
Accrued interest payable	4,633	4,762
Payable to third-party agencies	2,618	3,091
Total current liabilities	63,926	58,991
Long-term debt, net of current portion	178,725	182,212
Long-term capital leases, net of current portion	141	—
Other long-term liabilities	18,754	7,431
Total liabilities	261,546	248,634
Net assets		
Unrestricted net assets	317,048	300,253
Temporarily restricted net assets	3,695	1,855
Permanently restricted net assets	4,881	4,625
Total net assets	325,624	306,733
Total liabilities and net assets	\$ 587,170	555,367

See accompanying notes to consolidated financial statements

OVERLAKE HOSPITAL MEDICAL CENTER

Consolidated Statements of Operations and Changes in Net Assets

Years ended June 30, 2012 and 2011

(In thousands)

	2012	2011
Operating revenues (losses)		
Net patient service revenues	\$ 417,087	405,087
Other operating revenues	7,797	9,109
Contribution revenues	2,228	2,054
(Loss) gain on disposal of assets	(54)	1,682
Net operating revenues	<u>427,058</u>	<u>417,932</u>
Operating expenses		
Salaries	169,271	158,069
Registry	2,652	4,017
Employee benefits	41,347	39,168
Supplies	64,595	67,420
Purchased services	40,158	37,354
Interest	9,828	9,943
Depreciation and amortization	30,027	22,701
Provision for uncollectible accounts	14,010	18,639
Rent, leases, and utilities	13,147	10,195
Marketing, insurance, taxes, and other	23,890	23,601
Total operating expenses	<u>408,925</u>	<u>391,107</u>
Excess of revenues over expenses from operations	<u>18,133</u>	<u>26,825</u>
Nonoperating revenues, net		
Investment income	11,340	7,968
Total nonoperating revenues, net	<u>11,340</u>	<u>7,968</u>
Excess of revenues over expenses	29,473	34,793
Other changes in unrestricted net assets		
Net assets released for capital acquisitions	1,032	226
Change in pension liability	(8,765)	4,692
Change in net unrealized (losses) gains on investments	(7,902)	27,196
Appropriation of endowment assets for expenditure	165	98
Consolidation of joint venture	2,792	—
Increase in unrestricted net assets	<u>16,795</u>	<u>67,005</u>
Changes in temporarily restricted net assets		
Contributions	4,139	1,894
Investment income	145	167
Change in net unrealized (losses) gains on investments	(18)	675
Net assets released from restrictions	(2,426)	(1,559)
Increase in temporarily restricted net assets	<u>1,840</u>	<u>1,177</u>
Change in permanently restricted net assets		
Contributions	256	20
Increase in permanently restricted net assets	<u>256</u>	<u>20</u>
Increase in net assets	18,891	68,202
Net assets, beginning of year	306,733	238,531
Net assets, end of year	<u><u>\$ 325,624</u></u>	<u><u>306,733</u></u>

See accompanying notes to consolidated financial statements

OVERLAKE HOSPITAL MEDICAL CENTER

Consolidated Statements of Cash Flows

Years ended June 30, 2012 and 2011

(In thousands)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 18,891	68,202
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	30,027	22,701
Provision for uncollectible accounts	14,010	18,639
Loss (gain) on disposal of assets	54	(1,682)
Restricted contributions received for capital and permanently restricted purposes	(2,812)	(513)
Net realized and unrealized (gain) loss on investments	4,233	(28,017)
Equity earnings in joint ventures, net of distributions	(890)	(2,982)
Changes in operating assets and liabilities		
(Increase) decrease in		
Hospital accounts receivable, net	(13,663)	(20,235)
Clinic accounts receivable, net	(2,720)	(272)
Pledges receivable, net	(232)	(289)
Supplies inventory	(384)	(795)
Prepaid expenses	(913)	(79)
Other current assets	2,739	(5,495)
Other long-term receivables	(2,934)	—
Increase (decrease) in		
Accounts payable	2,493	1,938
Accrued liabilities	4,080	6,258
Accrued interest payable	(129)	1,386
Payable to third-party agencies	(473)	(1,123)
Other long-term liabilities	11,323	(5,816)
Net cash provided by operating activities	<u>62,700</u>	<u>51,826</u>
Cash flows from investing activities		
Purchase of land, buildings, and equipment	(32,384)	(25,889)
Proceeds from disposal of assets	52	1,823
Proceeds from sale of assets whose use is limited	15,160	22,832
Purchase of assets whose use is limited	(14,175)	(24,273)
Proceeds from sale of investments	34,992	23,370
Purchase of investments	(52,550)	(53,319)
Distributions from joint ventures	2,024	3,036
Purchase of other assets	(7,800)	(100)
Net cash used in investing activities	<u>(54,681)</u>	<u>(52,520)</u>
Cash flows from financing activities		
Restricted contributions received for capital and permanently restricted purposes	2,812	513
Financing fees	—	(2)
Assignment of debt from acquisition	917	—
Principal payments on long-term debt	(5,709)	(5,180)
Principal payments on capital lease obligations	(596)	—
Net cash used in by financing activities	<u>(2,576)</u>	<u>(4,669)</u>
Net increase (decrease) in cash and cash equivalents	5,443	(5,363)
Cash and cash equivalents, beginning of year	<u>15,796</u>	<u>21,159</u>
Cash and cash equivalents, end of year	<u>\$ 21,239</u>	<u>15,796</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 9,957	8,557
Purchase of land, building, and equipment included in accounts payable	1,443	1,578
Additions to capital leases	1,358	—

See accompanying notes to consolidated financial statements

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

(1) Description of Organization and Summary of Significant Accounting Policies

(a) Organization

Overlake Hospital Medical Center (the Hospital) is a 501(c)(3) not-for-profit corporation located in Bellevue, Washington. The Hospital is affiliated with other healthcare-related organizations. The Hospital's primary service area is from Bothell to Renton and from the Cascade mountains to Lake Washington, including Mercer Island. The Hospital provides inpatient, outpatient, and emergency care services.

Controlled Affiliates of the Hospital

The following entities are controlled affiliates of the Hospital and therefore included in these consolidated financial statements:

Overlake Medical Clinics, LLC (the Clinics) was formed to establish, own, and operate primary care clinics and other outpatient healthcare entities. The Hospital is the sole member of the Clinics.

Overlake Hospital Foundation (the Foundation) is a 501(c)(3) not-for-profit corporation. The purpose of the Foundation is to (a) receive grants, bequests, donations, and contributions on behalf of, (b) provide fund-raising and other support to, and (c) make contributions to Overlake Hospital and its related tax-exempt corporations. The Hospital is the sole member of the Foundation.

Overlake Hospital Auxiliaries (the Auxiliaries) is a 501(c)(3) not-for-profit corporation. The purpose of the Auxiliaries is to promote, support, and advance the well-being of the Hospital through a variety of ways, including serving as goodwill ambassadors to the community, conducting fund-raising activities, maintaining membership strength, and providing services to the Hospital for the benefit of its patients and their families. The Auxiliaries are controlled by the Hospital.

Washington Imaging Services, LLC (WIS) was a joint venture that the Hospital had a 27% ownership interest in 2011. On July 8, 2011, the Hospital purchased the remaining ownership interest from the other owners. On October 31, 2011, the Hospital dissolved WIS and incorporated the medical imaging operations into the Hospital.

Other Affiliates of the Hospital

The following entities are affiliates of the Hospital, but are not controlled and are therefore not included within these consolidated financial statements:

Overlake Hospital Association (the Association) is a 501(c)(3) not-for-profit corporation and is the sole member of the Hospital. The Association's purpose is to promote and conduct health-related activities.

Overlake Medical Tower LLC (the Medical Tower) was formed to acquire, own, develop, and operate a medical office building and garage complex on the Hospital's campus. The Association is the sole member of the Medical Tower.

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

Overlake Issaquah Medical Services, LLC (OIMS) was formed to hold the real estate interests in Issaquah, and to coordinate and oversee the programs operated at that site. OIMS is expected to lease property in the Issaquah area. The Association is the sole member of OIMS.

(b) *Use of Estimates*

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates include the provision for contractual allowances and uncollectible accounts, fair value of financial instruments, reserves for employee benefit obligations, and self-insurance reserves for professional liability and workers' compensation.

(c) *Basis of Presentation*

The consolidated financial statements include the accounts of the Hospital and its controlled affiliates. All significant intercompany transactions between the Hospital and its controlled affiliates have been eliminated in consolidation.

(d) *Cash and Cash Equivalents*

Included in cash and cash equivalents are cash equivalents of approximately \$2.100 and \$1.100 as of June 30, 2012 and 2011, respectively, which are invested in money market savings and highly liquid debt instruments with original maturities of three months or less at the date of purchase.

The Hospital maintains cash and cash equivalents on deposit at financial institutions, which at times exceed the limits insured by the Federal Deposit Insurance Corporation. This exposes the Hospital to potential risk of loss in the event the financial institution becomes insolvent.

(e) *Provision for Uncollectible Accounts*

The Hospital and the Clinics provide an allowance for potential uncollectible patient accounts receivable whereby such receivables are reduced to their estimated net realizable value. The Hospital estimates this allowance based on the aging of accounts receivable, historical collection experience by payor, and other relevant factors. The Clinics estimate this allowance based on the historical collection experience by clinic and other relevant factors. There are various factors that can impact the collection trends, such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients, the increased burden of co-insurance, and deductibles to be made by patients with insurance and business practices related to collection efforts. These factors continuously change and can have an impact on collection trends and the estimation process.

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

(f) *Pledges Receivable*

Pledges of financial support are recorded at fair value by the Foundation and Auxiliaries when a donor's unconditional promise to give has sufficient definition with respect to the amount and planned timing of the donation. Conditional promises to give and intentions to give are reported at fair value at the earlier of when the contingency is met or the date the gift is received. An allowance for uncollectible pledges is recorded based on an estimated percentage of pledges that may not be collectible based on historical experience. The Foundation and Auxiliaries anticipate collection of net pledges receivable over the next one to five years. Significant pledges over \$250,000, not scheduled to be collected within one year, are discounted.

(g) *Assets Whose Use is Limited*

Certain assets of the Hospital, the Foundation, and the Auxiliaries are held in trust under indenture agreements, are restricted by donor stipulations, or are management designated. Assets that have been management designated are subject to change in the future. These assets consist primarily of cash, accrued interest, money market funds, bond mutual funds, and equity mutual funds, and are recorded at fair value.

(h) *Investments*

Investments consist primarily of cash, money market funds, bond mutual funds, equity mutual funds, and an unregistered equity mutual fund, and are recorded at fair value.

(i) *Other-than-Temporary Impairment*

The Hospital reviews investments each period and assesses whether an other-than-temporary impairment has occurred. Each investment within the portfolio is evaluated individually. Major factors that are considered are 1) fair value of the investment is below cost, 2) loss has been sustained over an extended period of time, and 3) whether the Hospital intends to sell or could be required to sell the investment security, or, if not, whether it has the ability to hold an investment for a reasonable period of time sufficient for a forecasted recovery of fair value up to or beyond the cost of the investment. Additional factors that might be considered include, but are not limited to 1) credit risk of the investment, 2) decline attributable to adverse conditions specifically related to the investment, its industry, or geography, 3) investment has been downgraded by a rating agency, 4) dividends have been reduced or eliminated or scheduled interest has not been paid, 5) changes in the value of the investment after the close of the period, 6) trading in the investment has been suspended, and 7) discussion with investment advisor.

A decline in the market value of any available-for-sale security below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to market value. The impairment is charged to earnings and a new cost basis for the security is established.

(j) *Land, Buildings, and Equipment*

Land, buildings, and equipment acquisitions over \$3 and a useful life of at least two years are recorded at cost. Improvements and replacements of buildings and equipment are capitalized.

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maintenance and repairs are expensed. The cost of land, buildings, and equipment sold or retired and the related accumulated depreciation are removed from the records and any resulting gain or loss is recorded. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets or lease term if shorter. Equipment under capital lease obligations is amortized on the straight-line method over the period of the lease term or the estimated useful life of the equipment, whichever is shorter. Such amortization is included in depreciation and amortization in the consolidated financial statements.

The fair value of a long-lived asset may change due to a number of factors such as a significant decrease in the market price of a long-lived asset, a significant adverse change in the manner in which the asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a change in expected useful life due to changes regarding obsolescence, planned replacement, or disposal. When management becomes aware of a situation that could cause the fair value of a long-lived asset to be lower than the book value, the asset is reviewed to determine whether an impairment has occurred and records an impairment and revises the estimated useful life as needed.

(k) *Deferred Financing Costs*

The Hospital defers the costs of obtaining financing and amortizes these costs over the term of the related debt using the effective-interest method.

(l) *Other Assets*

In connection with the 2010 purchase of the Bellevue Heart and Vascular Center (renamed Outpatient Heart Center), there were payments of \$739 for definite-lived assets and \$258 for indefinite-lived assets. The Hospital originally amortized the definite-lived assets over the expected useful lives of two to seven years using the straight-line method. The Hospital tests the intangible asset and goodwill for impairment as of June 30 and also monitors for triggering events in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350. Due to declining volumes, the Hospital made a decision to close the Outpatient Heart Center in September 2011. As a result, the Hospital shortened the lives of the remaining intangible assets and recognized an intangible asset impairment of \$72 and a goodwill impairment of \$258 in 2011.

In connection with the July 2011 purchase of the remaining interest in WIS, there were payments of \$7,760 for working capital, fixed assets net of long-term debt, intangible assets, and goodwill. The Hospital amortizes the definite-lived assets over the expected useful lives of one to six years using the straight-line method. The Hospital tests the intangible asset and goodwill for impairment as of June 30 and also monitors for triggering events in accordance with FASB ASC 350.

(m) *Net Patient Service Revenues*

A significant portion of the patient service charges of the Hospital, for the years ended June 30, 2012 and 2011, are derived from Medicare patients (28% and 29%, respectively), Medicaid patients (3%

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and 3%, respectively), or patients covered under commercial insurance and other negotiated contracts (66% and 64%, respectively)

The Hospital is paid for services to Medicare inpatients under the Prospective Payment System, which provides for reimbursement based on diagnosis-related groupings (DRGs). Such DRG payments are prospectively established and may be greater or less than the Hospital's actual charges for its services. The majority of Medicare outpatient services are reimbursed based on ambulatory payment classifications (APCs). APC payments are prospectively established and may be greater or less than the Hospital's actual charges for its services. Payments for Medicare outpatient laboratory services and certain therapeutic services are based on a fee schedule. Capital payments are based on a federal rate.

The Hospital is paid for services provided to Medicaid inpatients under a DRG-based system. Payments for Medicaid outpatient services are reimbursed on a percentage of actual charges or a fee schedule.

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at 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 accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Hospital's net patient service revenue increased by \$698 and decreased by \$163 during 2012 and 2011, respectively, as a result of retroactive adjustments under reimbursement agreements with third-party payors.

For services that are paid under cost-reimbursed contractual arrangements with Medicare, the Hospital is paid at an interim rate during the year. The difference between the interim rate and the actual reimbursement based on defined allowable costs results in a receivable from or a payable to third-party agencies.

The Medicare program's administrative procedures preclude final determination of amounts receivable from or payable to the Medicare program until after the Hospital's annual cost reports have been audited or otherwise reviewed and settled by Medicare. The estimated settlement receivable/payable for unsettled cost reports is included in the accompanying consolidated financial statements.

(n) Charity Care

The Hospital provides service to eligible patients at reduced or no cost based upon the individual patient's financial resources. The Hospital's policy provides for 100% charity to patients with income up to 200% of the federal poverty guidelines and from 30% to 98% charity to patients with income from 201% to 400% of the federal poverty guidelines. Records are kept to identify, approve,

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and monitor those costs that are incurred under the charity care policy. Because the Hospital does not expect payment, estimated charges for charity care are not included in revenue. In addition to the approved charity care described above, the Hospital believes that other uncollected accounts would be approved under its charity care policy if information about the patient's financial resources were shared with the Hospital. Such amounts are not considered charity care.

(o) Private Pay Discounts

The Hospital offers patients with no insurance prompt pay discounts for medically necessary services. A 30% prompt pay discount is granted for full payment within 30 days of the first billing statement and a 15% discount is granted for full payment within 60 days of the first billing statement. Prompt pay discounts are recorded as an adjustment to patient service charges.

(p) Donor-Restricted Gifts

Gifts received from or pledged by donors are reported as either temporarily or permanently restricted contributions if they are received with donor stipulations that limit the use of the donated assets or contain a time restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or restricted purpose is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets.

(q) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose. Permanently restricted net assets are assets that have been restricted by donors to be maintained by the Hospital in perpetuity.

(r) Excess of Revenues over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets that are excluded from excess of revenues over expenses include net assets released for capital acquisitions, change in pension liability, change in net unrealized losses or gains on investments that are other than trading, appropriation of endowment assets for expenditure, consolidation of joint venture, contributions to temporarily and permanently restricted net assets, investment income from donor-designated endowments, and net assets released from restrictions.

(s) Federal Income Taxes

The Hospital is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to federal income taxes. However, the Hospital is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

(t) Recently Adopted Accounting Standards

In August 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure* (ASU 2010-23). ASU 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of

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charity care ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care, and requires disclosure of the method used to identify or determine such costs. This ASU became effective for the Hospital on July 1, 2011.

In August 2010, the FASB issued ASU No. 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*. The amendments in the ASU clarify that a healthcare entity may not net insurance recoveries against related claim liabilities. In addition, the amount of the claim liability must be determined without consideration of insurance recoveries. This ASU became effective for the Hospital on July 1, 2011.

(2) Net Patient Service Revenues

The following are the components of net patient service revenues for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Patient service charges		
Inpatient	\$ 603,394	576,081
Outpatient	466,755	407,608
Total patient service charges	<u>1,070,149</u>	<u>983,689</u>
Adjustments to patient service charges		
Unreimbursed Medicare charges	(208,932)	(200,690)
Unreimbursed Medicaid charges	(19,854)	(19,474)
Other unreimbursed charges	(404,064)	(342,991)
Charity care	<u>(20,212)</u>	<u>(15,447)</u>
Total adjustments to patient service charges	<u>(653,062)</u>	<u>(578,602)</u>
Net patient service revenues	<u>\$ 417,087</u>	<u>405,087</u>

The following is the mix of patient charges by payor for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Medicare	28%	29%
Medicaid	3	3
Group Health	17	16
Premera	16	15
Regence	8	9
Other third-party payors	25	24
Private pay	<u>3</u>	<u>4</u>
Total	<u>100%</u>	<u>100%</u>

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(3) Hospital Safety Net Program

In April 2010, the Hospital Safety Net Assessment Act was passed by the Washington State legislature. This legislation used federal matching funds to increase hospital payments by almost \$200,000 between 2009 and 2011 in order to mitigate severe budget cuts made to hospitals during the 2009 session of the state legislature. The legislation is scheduled to sunset by June 30, 2013.

Under this program, Washington State nongovernmental hospitals are assessed a fee on all non Medicare patient days. This fee is collected by the state and the state uses these funds to obtain new federal Medicaid matching funds. Hospitals receive increased Medicaid rates to cover the assessments paid and to restore a portion of the cuts enacted during the 2009 legislative session.

The portion of the program related to Medicaid fee for service had been implemented retroactive to July 2009. The portion of the program related to Medicaid managed care was approved by the Centers for Medicare & Medicaid Services in April 2011 retroactive to July 2009, but has only been partially implemented. As a result, the Hospital recorded an expense for assessments in the amount of \$10,224 with a resulting payable due of \$4,222 and revenue of \$3,313 with a receivable for increased Medicaid payments of \$982 as of June 30, 2011. The amounts recorded related to this program are an estimate, and actual results could differ from those estimates.

Certain hospitals entered into a separate agreement with the Washington State Hospital Association for a secondary redistribution to insure that all hospitals that are a part of the agreement recover at least the amount of the tax assessment plus 30% of the estimated Medicaid cuts that would have occurred had the Hospital Safety Net Assessment Act been implemented. The Hospital recorded additional reimbursement and a corresponding receivable of \$6,684 related to this agreement as of June 30, 2011. The Hospital received interim payments of \$5,914 in 2012 and has a receivable of \$566 as of June 30, 2012.

In May 2011, the Washington State legislature passed legislation that reduced the amount of funds that would be available for federal matching funds and reduced Medicaid payments to hospitals effective July 1, 2011. The Washington State Hospital Association has filed two court cases to challenge the legislation. If successful, the result could either be restoration of the Medicaid funding cuts that went into effect on July 1, 2011 or to retroactively terminate the Hospital Safety Net program from July 1, 2011.

The Hospital recorded an expense for assessments in the amount of \$8,828 in 2012 and a payable due of \$2,943 as of June 30, 2012. The Hospital has a receivable for increased Medicaid payments of \$171 from the program's first biennium as of June 30, 2012.

Due to changes to the program effective July 1, 2011, it was no longer possible for all hospitals to recover at least the amount of the tax assessment. There has been agreement among certain hospitals and the Washington State Hospital Association for a secondary redistribution of a more limited scope than originally designed. The Hospital recorded additional reimbursement and a corresponding receivable of \$2,000 related to this agreement as of June 30, 2012.

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(4) Charity Care and Community Benefit

The Hospital provides care without charge or at reduced rates to patients who qualify for charity care according to the Hospital's policy. The Hospital determines the cost of charity care using a cost to charge ratio following the regulatory guidelines. Total expenses are reduced by bad debt, other operating revenues, the hospital safety net assessment, and community benefit expense and patient charges are reduced by community benefit revenue in determining the cost to charge ratio. The ratio is then applied to the charges that were written off for charity to determine the cost of charity. For the years ended June 30, 2012 and 2011, the cost of providing charity was estimated at approximately \$7,032 and \$5,561 respectively.

The Hospital provides care to Medicaid patients at rates below the cost of providing services. For the years ended June 30, 2012 and 2011, payments were less than estimated cost by approximately \$9,711 and \$6,427, respectively.

The Hospital is also involved in an array of activities that benefit the broader community. Community education classes are offered in a wide range of health-related topics including preparing for childbirth, positive parenting, infant and child safety, adult first aid, CPR, women's health, smoking cessation, weight loss, diabetes, balance, dementia, living wills, long-term care insurance, cholesterol, caregiver support, dealing with cancer, and depression. In addition to classes, the Hospital has a cancer resource center that coordinates support groups, counseling, and provides access to the latest information on cancer at no cost. The Hospital provides cholesterol, diabetes, and bone density screenings at various community events. Education is part of the Hospital's mission and is evidenced by the Hospital's participation in several residency programs or by providing a clinical setting for college-based programs including nursing, pharmacy technicians, medical imaging technicians, physical, occupational, and respiratory therapists, dietetic interns, emergency medical technicians, physician assistants, midwives, and nurse practitioners. The Hospital also has an integrated senior care program to assist seniors with general health, diet, exercise, therapeutic, and referral needs. The Hospital operates senior care clinics at a loss for the benefit of the community. As a community member, the Hospital participates and helps sponsor many community events in the area it serves. The Hospital provides support to physician offices to implement electronic medical records upon request. The estimated net unreimbursed expenditures on community benefit programs were \$4,924 and \$5,012 in 2012 and 2011, respectively.

The Hospital works in partnership with a number of community agencies and provides volunteer support for programs and events that benefit the community. It is the Hospital's belief that giving back to the community is an integral part of its mission.

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(5) Concentrations of Credit Risk

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

	2012	2011
Medicare	21%	22%
Medicaid	3	3
Group Health	19	19
Premiera	13	12
Regence	8	7
Other third-party payors	23	23
Private pay	13	14
Total	100%	100%

(6) Assets Whose Use is Limited and Investments

Assets whose use is limited and investments, which are stated at fair value based primarily on quoted market prices, consist of the following as of June 30, 2012 and 2011:

	2012	2011
Assets whose use is limited		
Cash and accrued interest receivable	\$ 9	6
Money market funds	24,115	25,060
Bond mutual funds	3,469	3,363
Equity mutual funds	5,047	5,231
Less current portion	(8,708)	(10,177)
Assets whose use is limited, net	\$ 23,932	23,483
Investments		
Money market funds	\$ 23	15
Bond mutual funds	123,029	110,605
Equity mutual funds	126,559	125,631
Total investments	\$ 249,611	236,251

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Components of investment income (which is included in other nonoperating revenues, net) for the years ended June 30, 2012 and 2011 are as follows

	2012	2011
Interest and dividends	\$ 7,652	7,861
Net realized gains on investments	3,688	107
Total investment income	<u>\$ 11,340</u>	<u>7,968</u>

The following tables summarize the composition of the Hospital's assets whose use is limited and investments with unrealized losses as of June 30, 2012 and 2011

2012						
Description of securities	Unrealized losses existing				Total	
	Less than 12 months		12 Months or longer			
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
	Bond mutual funds	\$ 3.234	(22)	3.094	(57)	6.328
Equity mutual funds	19.789	(2.262)	194	(56)	19.983	(2.318)
	<u>\$ 23.023</u>	<u>(2.284)</u>	<u>3.288</u>	<u>(113)</u>	<u>26.311</u>	<u>(2.397)</u>
2011						
Description of securities	Unrealized losses existing				Total	
	Less than 12 months		12 Months or longer			
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
	Bond mutual funds	\$ 19.116	(285)	—	—	19.116
Equity mutual funds	972	(6)	—	—	972	(6)
	<u>\$ 20.088</u>	<u>(291)</u>	<u>—</u>	<u>—</u>	<u>20.088</u>	<u>(291)</u>

No other-than-temporary impairment charge was recorded in the accompanying consolidated financial statements during 2012 and 2011

The majority of the Hospital investments and assets whose use is limited are in bond and equity mutual funds. Unrealized losses on these investments and assets whose use is limited are due to the economic environment.

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(7) Disclosure about Fair Value of Financial Instruments

ASC 820-10-50 established a framework for measuring fair value that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10-50 are described below:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets. At June 30, 2012 and 2011, Level 1 securities include primarily overnight repurchase agreements, money market funds, and mutual funds.
- Level 2 – Valuation is based upon 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. At June 30, 2012, Level 2 securities include an unregistered mutual fund. There were no Level 2 securities at June 30, 2011.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Hospital's estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of discounted cash flow models and similar techniques. There were no Level 3 securities at June 30, 2012 and 2011.

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Hospital maximizes the use of observable inputs and minimizes the use of unobservable inputs when developing fair value measurements. Fair value measurements for assets and liabilities where there is limited or no observable market data and, therefore, are based primarily upon estimates calculated by the Hospital, are based on the economic and competitive environment, the characteristics of the asset or liability and other factors. Therefore, the results cannot be determined with precision and may not be realized upon an actual settlement of the asset or liability. There may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of the current or future values.

Following is a description of valuation methods and assumptions used for assets recorded at fair value and for estimating fair value for financial instruments not recorded at fair value but required to be disclosed:

(a) Cash

The carrying amounts, at cost, equal fair value.

(b) Long-Term Debt

Long-term debt is carried at amortized cost; however, accounting standards require the Hospital to disclose the fair value. The fair value of the Hospital's long-term debt is estimated based on the future cash flows at the discounted current rates available to the Hospital for debt of similar type and

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maturity, which are Level 2 inputs. Any call provisions that apply are taken into account when valuing the debt. The carrying value of the long-term debt was \$182,618 and \$187,627 as of June 30, 2012 and 2011, respectively. The fair value of the long-term debt was \$194,185 and \$180,310 as of June 30, 2012 and 2011, respectively.

(c) *Marketable Securities and Interest Rate Swaps*

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2012 and 2011.

	2012			
	Investments at estimated fair value			
Assets	Quoted prices in active markets for identical assets (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	Total
Overnight repurchase agreements	\$ 2,100	—	—	2,100
Total cash equivalents	\$ 2,100	—	—	2,100
Cash and accrued interest	\$ 9	—	—	9
Money market funds	24,115	—	—	24,115
Bond mutual funds	3,469	—	—	3,469
Equity mutual funds	5,047	—	—	5,047
Total assets whose use is limited	\$ 32,640	—	—	32,640
Money market funds	\$ 23	—	—	23
Bond mutual funds	123,029	—	—	123,029
Equity mutual funds	118,984	7,575	—	126,559
Total investments	\$ 242,036	7,575	—	249,611

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		2011		
		Investments at estimated fair value		
		Quoted prices in active markets for identical assets (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)
Assets				Total
Overnight repurchase agreements	\$	1,100	—	—
Total cash equivalents	\$	1,100	—	—
Cash and accrued interest	\$	6	—	—
Money market funds		25,060	—	—
Bond mutual funds		3,363	—	—
Equity mutual funds		5,231	—	—
Total assets whose use is limited	\$	33,660	—	—
Money market funds	\$	15	—	—
Bond mutual funds		110,605	—	—
Equity mutual funds		125,631	—	—
Total investments	\$	236,251	—	—

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(8) Land, Buildings, and Equipment

The Hospital's land, buildings, and equipment accounts, and related accumulated depreciation accounts, as of June 30, 2012 and 2011 are set forth below

	<u>2012</u>	<u>2011</u>
Assets		
Land	\$ 2,151	2,151
Land improvements	4,931	5,460
Buildings and improvements	193,517	184,937
Equipment		
Fixed	38,980	37,767
Movable	141,344	120,238
Construction in progress	1,693	1,590
Total land, buildings, and equipment	<u>382,616</u>	<u>352,143</u>
Accumulated depreciation		
Land improvements	3,986	4,460
Buildings and improvements	73,102	66,933
Equipment		
Fixed	26,841	23,615
Movable	84,935	68,881
Total accumulated depreciation	<u>188,864</u>	<u>163,889</u>
Total land, buildings, and equipment, net	<u>\$ 193,752</u>	<u>188,254</u>

The Hospital recorded \$28,003 and \$21,830 of depreciation expense in 2012 and 2011, respectively. The following is a summary of asset lives used for calculating depreciation

	<u>Asset lives</u>
Land improvements	5 – 40 years
Buildings	3 – 40 years
Fixed equipment	3 – 30 years
Movable equipment	3 – 20 years

Interest on borrowed funds during construction is a component of the cost of assets. The amount capitalized represents interest on funds expended for construction. Capitalization of interest ceases when the asset is placed in service. No interest was capitalized in 2012 and 2011.

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(9) Investments in Joint Ventures

The Hospital participates in various joint ventures. The Hospital accounts for each of these activities on either the cost basis or the equity method of accounting, depending upon the level of ownership and operational influence.

The Hospital has a 43% ownership interest in Overlake Surgery Center, LLC (OSC), a provider of surgical services, which is accounted for using the equity method. The balance of this investment at June 30, 2012 and 2011 was \$1.286 and \$1.392, respectively. The Hospital's share of earnings from this joint venture was \$14 and \$184 in 2012 and 2011, respectively, which is included in other operating revenues in the accompanying consolidated statements of operations and changes in net assets.

The Hospital had a 27% ownership interest in Washington Imaging Services, LLC, a provider of outpatient medical imaging services, which was accounted for using the equity method through July 7, 2011. On July 8, 2011, the Hospital purchased the remaining ownership interest from the other owners of Washington Imaging Services, LLC for approximately \$7.760. The purchase included working capital, fixed assets net of long-term debt, and intangible assets. The balance of this investment at June 30, 2012 and 2011 was \$0 and \$1.109, respectively. The Hospital's share of (losses) earnings from this joint venture was \$(66) and \$227 in 2012 and 2011, respectively, which is included in other operating revenues in the accompanying consolidated statements of operations and changes in net assets.

The Hospital has an 8% ownership interest in First Choice Health Network, Inc., which provides preferred provider organization services and is accounted for at cost. The balance of this investment at June 30, 2012 and 2011 was \$1.500 and \$1.500, respectively. Distributions from this joint venture were \$300 and \$450 in 2012 and 2011, respectively, which is included in other operating revenues in the accompanying consolidated statements of operations and changes in net assets.

The Hospital has an 8% ownership interest in PacLab, LLC, a provider of laboratory services, which is accounted for at cost. The balance of this investment at June 30, 2012 and 2011 was \$124 and \$45, respectively. Distributions from this joint venture were \$1.684 and \$2.119 in 2012 and 2011, respectively, which is included in other operating revenues in the accompanying consolidated statements of operations and changes in net assets.

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The following represents unaudited summary financial information of the joint ventures as of and for the year ended June 30, 2012

	Overlake Surgery Center, LLC	Washington Imaging Services, LLC	First Choice Health Network, Inc.	PacLab, Inc.
Current assets	\$ 2,044	—	17,321	2,216
Noncurrent assets	2,717	—	10,470	3,789
Total assets	<u>\$ 4,761</u>	<u>—</u>	<u>27,791</u>	<u>6,005</u>
Current liabilities	\$ 545	—	5,875	65
Long-term liabilities	1,268	—	94	—
Equity	2,948	—	21,822	5,940
Total liabilities and equity	<u>\$ 4,761</u>	<u>—</u>	<u>27,791</u>	<u>6,005</u>
Revenues	\$ 8,443	212	40,104	92
Expenses	(8,531)	(461)	(34,597)	(1,763)
Net income (loss)	<u>\$ (88)</u>	<u>(249)</u>	<u>5,507</u>	<u>(1,671)</u>

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(10) Financing

(a) Long-Term Debt

Long-term debt, as of June 30, 2012 and 2011, is as follows

	<u>2012</u>	<u>2011</u>
Revenue bonds, Series 2003, 2.00% to 5.00%, due in annual principal installments beginning July 1, 2005 ranging from \$550 to \$2,535, until 2019, net of premium of \$162 and \$204 for 2012 and 2011, respectively, callable on or after July 2013	\$ 5,167	7,744
Revenue bonds, Series 2005, 3.30% to 5.00%, due in annual principal installments beginning July 1, 2009 ranging from \$1,535 to \$4,375, until 2038, net of premium of \$836 and \$1,022 for 2012 and 2011, respectively, callable on or after July 2015	77,576	80,641
Revenue bonds, Series 2010, 3.00% to 5.70%, due in annual principal installments beginning July 1, 2013 ranging from \$1,305 to \$5,700, until 2038, net of discount of \$163 and \$173 for 2012 and 2011, respectively, callable on or after July 2020	99,252	99,242
Note payable to a financial institution, 4.75% due in monthly installments of \$13 until January 2015	381	—
Note payable to a financial institution, 5.25% due in monthly installments of \$7 until January 2014	138	—
Note payable to a financial institution, 6.31% due in monthly installments of \$8 until August 2013	104	—
Total long-term debt	<u>182,618</u>	<u>187,627</u>
Less current portion	<u>(3,893)</u>	<u>(5,415)</u>
Long-term debt, net of current portion	<u>\$ 178,725</u>	<u>182,212</u>

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The principal amounts due by year are as follows

Fiscal year	
2013	\$ 3.893
2014	5.271
2015	5.319
2016	5.425
2017	5.625
Thereafter	<u>156.250</u>
	181.783
Add unamortized bond premiums	<u>835</u>
	<u>\$ 182.618</u>

The Series 2005 revenue bonds comprise two subseries. Series 2005A is \$25,000, 3.30% to 5.00%, due in annual principal installments from July 1, 2009 to July 1, 2016, ranging from \$2,635 to \$3,685. Series 2005B is \$60,000, 4.65% to 5.00%, due in annual principal installments from July 1, 2017 to July 1, 2038, ranging from \$1,535 to \$4,375.

As security for the payment of the Series 2003, Series 2005, and Series 2010 revenue bonds (the bonds), the Hospital has granted the Trustee a security interest in the Hospital's gross revenues and liens against the Hospital's equipment and the monies in the trust funds as described below. The bonds are also secured by a deed of trust on the Hospital's land and buildings. The Hospital obtained municipal bond insurance for the Series 2003 bonds from National Public Finance Guarantee Corporation (formerly, MBIA Insurance Corporation) and for the Series 2005 bonds from Assured Guaranty Corp. and ACA Financial Guaranty Corporation, which insures the payment of principal and interest. A trust fund has been established for the regular deposit of interest and principal payments of the bonds. In addition, the Hospital is required to maintain a debt reserve fund of approximately \$14,809 as of June 30, 2012 and 2011. Both funds are reflected within assets whose use is limited on the accompanying consolidated financial statements.

Under the terms of the loan agreements, the Hospital has agreed to maintain certain financial ratios and comply with certain other covenants. Management believes it is in compliance with these financial covenants and ratios as of June 30, 2012.

(b) Capital Lease Obligations

The Hospital leases certain medical equipment, which are accounted for as capital leases in the accompanying financial statements. The capital lease obligations are collateralized by leased equipment and have varying rates of interest from 4.37% to 4.52%.

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

The following is a schedule of future minimum lease payments in thousands as of June 30, 2012

Fiscal year	
2013	\$ 642
2014	142
Total minimum lease payments	784
Less amount representing interest	(22)
	762
Less current portion	(621)
Capital lease obligations, net of current portion	\$ 141

(c) *Line of Credit and Other Debt Obligations*

The Hospital had an unsecured line of credit in the amount of \$5,000 through December 15, 2010 at which time the Hospital decided not to renew the line of credit. There were no borrowings during fiscal 2012 and 2011.

The Hospital has access to letters of credit up to \$2,500. There was a \$1,780 letter of credit available as of June 30, 2012 and 2011, respectively. Interest rates are based on 100 basis points times the outstanding amount. The letter of credit expires on September 30, 2012 with automatic six month renewals.

Overlake Medical Tower, LLC, an affiliate, borrowed \$14,000 in October 2002 related to the construction of a medical office building. The note payable has a variable rate of interest and a variable to fixed interest rate swap approximating 6.27% as of June 30, 2012. The note payable was guaranteed by the Hospital and the balance outstanding as of June 30, 2012 is \$8,430. The loan was refinanced in July 2012 at which time the guarantee by the Hospital was removed.

(11) **Retirement Program**

The Hospital's retirement program consists of a Cash Account Plan (the Plan), a Voluntary Employee Tax Deferred Plan 403(b), and a Contribution Plan 401(a).

(a) *The Plan*

The Plan is a defined benefit, noncontributory plan with a defined contribution feature. The Plan covers all qualified employees hired prior to September 1, 2008, including employees of the Hospital's controlled affiliates, complies with the Employee Retirement Income Security Act of 1974, and is accounted for in accordance with ASC 715-20-50. The measurement date of the Plan is June 30.

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

Employees hired prior to September 1, 2008 automatically became participants in the Plan on the first day of employment. Employees become vested in the Plan according to a step schedule with full vesting at three years.

(b) *Changes to the Plan and Overlake Hospital Medical Center Contribution Plan 401(a)*

Effective January 1, 2009, the Board of Trustees approved the following changes impacting the Plan and the Overlake Hospital Medical Center Matching Contributions Program (the Matching Program), renamed the Overlake Hospital Medical Center Contribution Plan 401(a) (the Contribution Plan).

Employees hired on or after September 1, 2008 or under the age of 41 as of December 31, 2008 will participate in the new retirement program (Service Plus Program). Under the terms of the Service Plus Program, participants

- Receive a base contribution to the Contribution Plan of 2% of the participant's eligible compensation.
- Receive a matching contribution to the Contribution Plan of 100% of the participant's contributions to the Overlake Hospital Medical Center Voluntary Employee Tax Deferred Program up to a maximum of 4% or 6% for employees with less than five years of service or more than five years of service, respectively, subject to certain limitations imposed under the IRC, and
- Are no longer eligible for participation in the Plan, with any existing benefits frozen except for interest as of December 31, 2008.

Employees hired prior to September 1, 2008 and reaching the age of 41 or older as of December 31, 2008 were given the choice to continue to accrue benefits under the Plan and the existing provisions of the Matching Program, or participate in the Service Plus Program.

(c) *Contributions to the Plan*

Employees that chose to continue accruing benefits under the Plan are eligible for a contribution at the end of each calendar year in which 1,000 hours of work has been credited. The contribution is based on an employee's gross salary and age.

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

A summary of the components of net periodic benefit cost for the years ended June 30, 2012 and 2011 is as follows

	<u>2012</u>	<u>2011</u>
Service cost	\$ 3,195	3,350
Interest cost	2,170	2,121
Expected return on plan assets	(2,876)	(2,450)
Amortization of prior service cost	13	13
Amortization of loss	315	889
Net periodic benefit cost	<u>\$ 2,817</u>	<u>3,923</u>

Weighted average assumptions used to determine net benefit cost for the years ended June 30, 2012 and 2011 were as follows

	<u>2012</u>	<u>2011</u>
Discount rate	5.05%	5.08%
Rate of compensation increase	5.75	5.75
Long-term rate of return on assets	7.01	7.38

To develop the expected long-term rate of return on assets assumption, the Hospital considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 7.01% and 7.38% long-term rate of return on assets assumption for the years ended June 30, 2012 and 2011, respectively, which reflects a lower return expectation than the Plan has experienced historically, in recognition that future returns may not be as strong as past returns.

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

A summary of the change in benefit obligation and change in plan assets for the years ended June 30, 2012 and 2011 is as follows

	2012	2011
Benefit obligation at beginning of year	\$ 45,369	44,005
Service cost	3,195	3,350
Interest cost	2,170	2,121
Actuarial loss	6,365	490
Benefits paid	(2,276)	(4,273)
Expenses paid	(202)	(324)
Benefit obligation at end of year	<u>54,621</u>	<u>45,369</u>
Fair value of plan assets at beginning of year	40,852	33,759
Actual return on plan assets	148	6,730
Employer contribution	4,905	4,960
Benefits paid	(2,276)	(4,273)
Expenses paid	(202)	(324)
Fair value of plan assets at end of year	<u>43,427</u>	<u>40,852</u>
Funded status	(11,194)	(4,517)
Employer contribution	<u>—</u>	<u>—</u>
Net amount recognized in the consolidated balance sheet	<u>\$ (11,194)</u>	<u>(4,517)</u>
Amounts recognized in unrestricted net assets consist of		
Prior service cost	\$ (37)	(50)
Accumulated loss	<u>(16,048)</u>	<u>(7,270)</u>
Net actuarial loss	<u>\$ (16,085)</u>	<u>(7,320)</u>

The net amount recognized in the consolidated balance sheets is reflected within other long-term liabilities in the accompanying consolidated financial statements. The estimated prior service cost and net loss that will be amortized into net periodic benefit cost over the next fiscal year is \$13 and \$1,222, respectively.

Weighted average assumptions used to determine benefit obligations at June 30, 2012 and 2011 were as follows

	2012	2011
Discount rate	3.47%	5.05%
Rate of compensation increase	5.75	5.75
Measurement date	June 30, 2012	June 30, 2011

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

The accumulated benefit obligation as of June 30, 2012 and 2011 is \$54,621 and \$45,369, respectively. The expected employer contribution for the year ending June 30, 2013 is \$4,140,000.

Benefit payments expected to be paid over the next 10 years ending June 30 are as follows:

2013	\$	5,400
2014		3,400
2015		3,100
2016		3,200
2017		3,300
2018 – 2022		17,500
	\$	<u>35,900</u>

The objectives of the Plan's investment policy is to fully fund the actuarial accrued liability of the Plan, secondarily to maximize return within reasonable and prudent levels of risk in order to minimize contributions, and to maintain sufficient liquidity to meet benefit payment obligations on a timely basis. The Plan's investment policy states that the plan assets have a target allocation of 40% debt securities and 60% equity securities with a range of plus or minus 5%. The equity portion of the portfolio is further diversified across U.S. and non-U.S. equities as well as growth, value, small and large capitalizations. The asset allocation of the Plan will be maintained as close to the target allocation as reasonably possible. Investment risk and returns are reviewed on an ongoing basis through quarterly investment portfolio reviews. The Plan's asset allocations as of the measurement date by asset category are as follows:

	<u>2012</u>	<u>2011</u>
Asset category		
Equity securities	59%	61%
Debt securities	40	38
Cash equivalents	1	1
Total	<u>100%</u>	<u>100%</u>

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2012

Investments at estimated fair value				
	Investments at fair as value determined by quoted prices in active markets (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	Total
Mutual funds				
Fixed income funds	\$ 17,433	—	—	17,433
Domestic equity funds	18,735	—	—	18,735
International equity funds	7,067	—	—	7,067
Money market funds	192	—	—	192
Total mutual funds	\$ 43,427	—	—	43,427

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2011

Investments at estimated fair value				
	Investments at fair as value determined by quoted prices in active markets (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	Total
Mutual funds				
Fixed income funds	\$ 15,350	—	—	15,350
Domestic equity funds	17,080	—	—	17,080
International equity funds	8,028	—	—	8,028
Money market funds	394	—	—	394
Total mutual funds	\$ 40,852	—	—	40,852

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

The Voluntary Employee Tax Deferred Program is a 403(b) plan. The program is entirely employee funded. All employees may participate in the program and have a choice of investments with varying levels of risk and return. New employees are automatically enrolled in the program.

The Contribution Plan was established by the Hospital in January 1996. Employees, including employees of the Hospital's controlled affiliates, must be credited a minimum of 1,000 hours in a calendar year to be eligible for a contribution for the year. For employees that were given the choice and did not elect to participate in the Service Plus Program, the Hospital matches 50% of an employee's contribution to their 403(b) retirement account up to a maximum of 3% of the employee's compensation. For employees in the Service Plus Program, the Hospital contributes a base contribution to the Contribution Plan of 2% of the participant's eligible compensation and the Hospital matches 100% of the participant's contributions to the Overlake Hospital Medical Center Voluntary Employee Tax Deferred Program up to a maximum of 4% for employees with less than five years of service or a maximum of 6% for employees with more than five years of service, respectively. The Hospital contributed approximately \$7,008 and \$6,154 for the years ended June 30, 2012 and 2011, respectively, and is reflected in employee benefits in the consolidated statements of operations and changes in net assets.

(12) Commitments

The Hospital and its controlled affiliates lease certain equipment and office space that are accounted for as operating leases. Total rental expenses for all operating leases for the years ended June 30, 2012 and 2011 were approximately \$9,506 and \$6,863, respectively, of which approximately \$4,502 and \$3,557, respectively, relate to operating lease payments made to the Association, the Medical Tower, and OIMS. The following is a schedule of future noncancelable operating lease payments as of June 30, 2012.

Fiscal year	
2013	\$ 6,947
2014	5,508
2015	5,398
2016	3,576
2017	2,926
Thereafter	<u>11,884</u>
Operating lease obligations	<u>\$ 36,239</u>

The Hospital has outstanding construction contracts of \$3,059 and \$1,997 as of June 30, 2012 and 2011, respectively.

(13) Professional Liability Insurance, Workers' Compensation, and Health Benefits

The Hospital maintains claims-made professional liability insurance coverage through a commercial carrier. The policy for the years ended June 30, 2012 and 2011 has a \$100 deductible per occurrence.

Based upon an actuarial valuation, the Hospital has recorded an estimated liability (undiscounted) for its deductible portion of claims incurred but not reported as well as the deductible portion of claims reported.

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

and not paid of \$7,505 and a receivable of \$4,270 as of June 30, 2012. The Hospital's net professional liability was estimated at approximately \$2,835 as of June 30, 2011.

In 2005, the Hospital started a retrospective premium risk sharing agreement with an insurer related to the professional liability policy. As of June 30, 2012 and 2011, management estimates a receivable of approximately \$1,507 and \$752, respectively, related to this risk sharing agreement.

The Hospital is self-insured for workers' compensation. The accrued liabilities for the self-insured components of this plan include the unpaid portion of claims that have been reported and estimates for claims that have been incurred but not reported. The Hospital also carries an excess coverage policy for its workers' compensation program. The Hospital has recorded an undiscounted liability for workers' compensation claims based on an actuarial estimate of approximately \$2,718 and a receivable of \$330 as of June 30, 2012. The Hospital recorded a net liability of \$2,489 as of June 30, 2011.

The Hospital is self-insured for medical, dental, vision, and prescription drugs. The accrued liabilities for the self-insured components of this plan include the unpaid portion of claims that have been reported and estimates for claims that have been incurred but not reported. The Hospital also carries an excess coverage policy for its medical, dental, vision, and prescription program. The Hospital has recorded an undiscounted liability for medical, dental, vision, and prescription drugs claims based on an actuarial estimate of approximately \$1,108 and a receivable of \$36 as of June 30, 2012. The Hospital had a net liability of \$1,363 as of June 30, 2011.

(14) Litigation and Compliance with Laws and Regulations

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

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

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

(15) Functional Expenses

The Hospital provides healthcare services to residents within its geographic service area. Expenses related to providing these services for the years ended June 30, 2012 and 2011 are as follows:

	2012	2011
Healthcare services	\$ 339,079	326,328
General and administrative	68,536	63,471
Fund-raising	1,310	1,308
Total operating expenses	<u>\$ 408,925</u>	<u>391,107</u>

(16) Transactions with Other Affiliates (in thousands)

The Hospital conducts various transactions with its other affiliates, which it does not control. These include leasing office space from its affiliates. The lease expense for office space leased from its affiliates was approximately \$4,502 and \$3,557 for the years ended June 30, 2012 and 2011, respectively. Other transactions with its affiliates include making payment of certain expenses on behalf of its affiliates and then being reimbursed. The Hospital has included a receivable of \$1,050 and \$1,408 from the Association at June 30, 2012 and 2011, respectively, and a receivable from the Medical Tower of \$67 and \$45 at June 30, 2012 and 2011, respectively.

(17) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2012 and 2011:

	2012	2011
Health care services	\$ 995	1,072
Purchase of building improvements and equipment	2,590	637
Health education	55	85
Indigent care	55	61
Total temporarily restricted net assets	<u>\$ 3,695</u>	<u>1,855</u>

Permanently restricted net assets as of June 30, 2012 and 2011 are assets that have been restricted by donors to be held in perpetuity, the income from which is expendable to support healthcare services, health education, and indigent care.

(18) Endowments

In August 2008, the FASB issued ASC 958-205-50, *Not-for-Profit Entities Presentation of Financial Statements, Endowments of Not-for-Profit Organizations Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. The pronouncement provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC, formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. This pronouncement also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. The Foundation adopted the disclosure provisions of this pronouncement in 2009. In 2009, the State of Washington enacted a version of UPMIFA, therefore new guidelines regarding investment gains and losses as well as expenditures of donor restricted endowment funds in the absence of explicit donor stipulations were adopted in 2009.

The Foundation's endowments consist of 18 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by management to function as endowments. Quasi endowment net assets associated with endowment funds, including funds designated by management, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation has interpreted the Washington Uniform Prudent Management of Institutional Funds Act (WUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation has adopted WUPMIFA as of June 30, 2009. As a result of the interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by WUPMIFA. In accordance with WUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Hospital and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Hospital
- The investment policies of the Foundation

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

Endowment net assets consist of the following at June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	1,042	4,819	5,861
Management designated endowment funds	<u>2,513</u>	<u>—</u>	<u>—</u>	<u>2,513</u>
Total endowment net assets	<u>\$ 2,513</u>	<u>1,042</u>	<u>4,819</u>	<u>8,374</u>

Endowment net assets consist of the following at June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	1,071	4,625	5,696
Management designated endowment funds	<u>2,523</u>	<u>—</u>	<u>—</u>	<u>2,523</u>
Total endowment net assets	<u>\$ 2,523</u>	<u>1,071</u>	<u>4,625</u>	<u>8,219</u>

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

Changes in endowment net assets for the year ended June 30, 2012 and 2011 are as follows

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2010	\$ 2,146	325	4,605	7,076
Investment return				
Investment income	58	129	—	187
Net appreciation	<u>373</u>	<u>714</u>	<u>—</u>	<u>1,087</u>
Total investment return	<u>431</u>	<u>843</u>	<u>—</u>	<u>1,274</u>
Contributions	30	—	20	50
Appropriation of endowment assets for expenditure	<u>(84)</u>	<u>(97)</u>	<u>—</u>	<u>(181)</u>
Endowment net assets, June 30, 2011	<u>2,523</u>	<u>1,071</u>	<u>4,625</u>	<u>8,219</u>
Investment return				
Investment income	63	145	—	208
Net appreciation	<u>(10)</u>	<u>(17)</u>	<u>—</u>	<u>(27)</u>
Total investment return	<u>53</u>	<u>128</u>	<u>—</u>	<u>181</u>
Contributions	5	—	194	199
Appropriation of endowment assets for expenditure	<u>(68)</u>	<u>(157)</u>	<u>—</u>	<u>(225)</u>
Endowment net assets, June 30, 2012	<u>\$ 2,513</u>	<u>1,042</u>	<u>4,819</u>	<u>8,374</u>

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or WUPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by management. There were no deficiencies as of June 30, 2012 and 2011.

OVERLAKE HOSPITAL MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands)

Included in unrestricted investment return for the year ended June 30, 2011 are \$37 of investment gains representing the restoration of losses absorbed by unrestricted net assets for prior year endowment funds below corpus

(b) *Return Objectives and Risk Parameters*

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as management-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of 40% of the Barclays Capital Aggregate Bond Index, 32% of the S&P 500 Index, 9% of the Russell 2000 Index, and 19% of the MSCI All Country World Ex-US Index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

(c) *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation of 60% equity mutual funds and 40% bond mutual funds to achieve its long-term return objectives within prudent risk constraints.

(d) *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Foundation has a policy appropriating for distribution each year the lesser of 5% of its endowment fund value as of December 31 of the preceding fiscal year in which the distribution is planned or the difference between market value and corpus as of December 31 of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

(19) Subsequent Events

The Hospital has performed an evaluation of subsequent events through October 15, 2012, which is the date these consolidated financial statements were issued.

Additional Data

Software ID: 11000144

Software Version: 2011v1.5

EIN: 91-0652651

Name: OVERLAKE HOSPITAL MEDICAL CENTER

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Russell Stockdale Trustee	50	X						0	0	0
Walter Smith MD Trustee	3 00	X						62,500	0	0
Nolan Newman Trustee	1 50	X						0	0	0
Tom Miller MD Trustee	1 00	X						30,000	0	0
Douglas Martin Trustee	1 00	X						0	0	0
Linda Mahaffey Trustee	50	X						0	0	0
Ken Johnsen Trustee	1 00	X						0	0	0
John Hayhurst Trustee	1 50	X						0	0	0
Kathleen Gibson MD Trustee	1 00	X						0	0	0
Kemper Freeman Jr Trustee	1 00	X						0	0	0
Janine Florence Trustee	1 00	X						0	0	0
Patty Edwards Trustee	1 00	X						0	0	0
Gregory Collins Trustee	1 00	X						0	0	0
Tom Cleveland Trustee	2 00	X						0	0	0
Robert Campbell Trustee	2 00	X						0	0	0
Larry Hebner Past Chair	3 00	X		X				0	0	0
Bertrand Valdman Imm Past Chair	1 00	X		X				0	0	0
Patricia Bedient Treasurer	1 50	X		X				0	0	0
John Murphy Past Secretary	2 00	X		X				0	0	0
Jim Doud Secretary	3 00	X		X				0	0	0
Cecily Hall Chairman	1 00	X		X				0	0	0
Gary McLaughlin Vice Pres & CFO	40 00			X				569,866	0	147,448
David Schultz Vice Pres & COO	50 00			X				419,212	0	91,491
Craig Hendrickson President & CEO	50 00			X				1,623,490	0	204,362
Alan Ertle Vice President	55 00				X			433,065	0	74,880

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Catherine Whitaker-Klick Vice President	55 00				X			310,616	0	53,053
T D Sam Baxter Vice President	55 00				X			236,551	0	103,419
Richard Bryan Vice President	60 00				X			232,579	0	77,046
William Reece MD Rad Oncologists	45 00					X		735,559	0	20,396
Vu Hoang MD Cardiac Surgeon	45 00					X		587,250	0	45,138
James Pelton MD Rad Oncologists	45 00					X		496,502	0	25,164
Richard Clarfeld MD Breast Surgeon	45 00					X		464,797	0	52,443
Robert Binford MD Cardiothoracic	45 00					X		430,490	0	15,684
Jody Albright Vice President & CIO	55 00						X	311,904	0	46,981