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Part IIISTatement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

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

2

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

Yes

No

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

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

Yes

No

If “Yes,” describe these changes on Schedule O

4

Describe the 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 \$ 311,126,146 including grants of \$ 22,413) (Revenue \$ 386,011,364)

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

4b

(Code) (Expenses \$ 27,741,086 including grants of \$) (Revenue \$)

UNCOMPENSATED CARE - DURING FISCAL YEAR 2012, SKY LAKES MEDICAL CENTER CONTINUED TO SEE AN INCREASE IN CHARITY CARE APPLICATIONS AND WRITE OFFS FOR BAD DEBT BY WAY OF COMPARISON, THE ECONOMY IN KLAMATH COUNTY IS POORER THAN THE STATE OF OREGON, INCLUDING HIGHER UNEMPLOYMENT RATES AND MEDICAL INDIGENCY CHARGES WRITTEN OFF UNDER OUR BROAD REACHING CHARITY CARE POLICY TOTALED \$13,845,247 CHARGES WRITTEN OFF AS BAD DEBT TOTALED \$13,895,839 AS A PERCENTAGE OF CHARGES, THESE REPRESENT 3 3% AND 3 6% RESPECTIVELY THE AVERAGE CHARITY CARE WRITE OFFS BACK TO 2004 RAN 2 8% WE ARE DOING A MUCH BETTER JOB OF IDENTIFYING PATIENTS REQUIRING CHARITY CARE AT THE TIME SERVICE IS PROVIDED AND AVOIDING, AS MUCH AS POSSIBLE, HAVING SERVICES LATER CHARGED OFF AS BAD DEBT THIS IS PUSHING UP OUR CHARITY CARE WRITE OFFS AND BRINGING DOWN OUR BAD DEBT WRITE OFFS

4c

(Code) (Expenses \$ 6,534,494 including grants of \$ 170,574) (Revenue \$ 1,600,834)

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

(Code) (Expenses \$ 4,492,181 including grants of \$ 31,194) (Revenue \$ 3,082,106)

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

4d

Other program services (Describe in Schedule O)

(Expenses \$ 4,492,181 including grants of \$ 31,194) (Revenue \$ 3,082,106)

4e

Total program service expenses

\$ 349,893,907

Part IV Checklist of Required Schedules

		Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1	Yes
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2	Yes
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	No
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	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? If "Yes," complete Schedule D, Part VI. 	11a	Yes
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b	No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. 	11c	No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX. 	11d	Yes
e	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 	11e	Yes
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. 	11f	Yes
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 	12a	No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Part I	14b	No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Part II and IV	15	No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Part III and IV	16	No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I	17	No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a	Did the organization operate one or more hospitals? If "Yes," complete Schedule H 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. 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	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <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		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	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		No
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance		
Check if Schedule O contains a response to any question in this Part V ☐		
		YesNo
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable .	218
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1cYes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return .	2a1,271
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)	2bYes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3aYes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3bYes
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)?	4aNo
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?	5aNo
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5bNo
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6aNo
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b
7	Organizations that may receive deductible contributions under section 170(c).	
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7aNo
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7cNo
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7eNo
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7fNo
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8
9	Sponsoring organizations maintaining donor advised funds.	
a	Did the organization make any taxable distributions under section 4966?	9a
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b
10	Section 501(c)(7) organizations. Enter	
a	Initiation fees and capital contributions included on Part VIII, line 12	10a
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b
11	Section 501(c)(12) organizations. Enter	
a	Gross income from members or shareholders	11a
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b
13	Section 501(c)(29) qualified nonprofit health insurance issuers.	
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state	13a
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b
c	Enter the aggregate amount of reserves on hand	13c
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14aNo
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b

Part VI

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

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed ☒ OR
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you 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 ☒ RICHARD RICO VPCFO 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601 (541) 274-6150

Part VII

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) JOHN BELL CHAIRMAN	3 00	X		X				0	0	0
(2) ROD WENDT VICE CHAIRMAN	1 00	X		X				0	0	0
(3) KERMIT HOUSER BOARD MEMBER	1 00	X						0	0	0
(4) CLARK PEDERSON BOARD MEMBER	1 00	X						0	0	0
(5) BERNARD SIMONSON BOARD MEMBER	1 00	X						0	0	0
(6) WENDY WARREN MD BOARD MEMBER	1 00	X						0	0	0
(7) DOUGLAS MCINNIS DVM BOARD MEMBER	1 00	X						0	0	0
(8) GREGORY SINDMACK MD BOARD MEMBER	10 00	X						13,500	0	0
(9) GRANT NISKANEN MD BOARD MEMBER	40 00	X						274,250	0	12,250
(10) PAUL R STEWART PRESIDENT/CEO/SECRETARY/TREASURER	50 00	X		X				513,302	0	26,482
(11) RICHARD RICO VP/CFO	50 00			X				303,985	0	31,630
(12) PATRICK MAVEETY MD MEDICAL PROVIDER	40 00					X		452,904	0	20,878
(13) TZANN T FANG MD MEDICAL PROVIDER	40 00					X		401,082	0	31,630
(14) RICHARD DEVORE MD MEDICAL PROVIDER	40 00					X		325,934	0	25,257
(15) NASSER G ABU-ERREISH MD MEDICAL PROVIDER	40 00					X		261,145	0	14,232
(16) W CLAY MCCORD MD MEDICAL PROVIDER	40 00					X		219,642	0	25,973

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	2,765,744	0	188,332

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. 77

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
EBMS 2075 OVERLAND AVENUE BILLINGS, MT 59102	BENEFIT PLAN ADMIN	607,385
MODOC CONTRACTING COMPANY INC 409 PINE STREET KLAMATH FALLS, OR 97601	CONSTRUCTION CONTRACTING COMPANY	534,659
SOUTHERN OREGON LINEN SERVICES INC 635 AVENUE C WHITE CITY, OR 97503	LINEN SERVICES	437,777
WEATHERBY LOCUMS INC 6451 NORTH FEDERAL HIGHWAY SUITE 8 FORT LAUDERDALE, FL 33308	STAFFING SERVICES	388,999
FOCUSONE SOLUTIONS LLC 13609 CALIFORNIA STREET SUITE 300 OMAHA, NE 68154	STAFFING SERVICES	311,293

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 ►26

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	519,427				
	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 \$ 11,995						
	h	Total. Add lines 1a-1f		519,427				
Program Service Revenue			Business Code					
	2a	PATIENT REVENUE	621990	386,011,364	386,011,364			
	b	OTHER PROGRAM REVENUE	621990	4,691,546	4,691,546			
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		390,702,910				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		1,613,467			1,613,467	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties						
	6a	(i) Real		(ii) Personal				
		Gross rents	738,566					
		b Less rental expenses	648,726					
		c Rental income or (loss)	89,840					
	d	Net rental income or (loss)		89,840			89,840	
	7a	(i) Securities		(ii) Other				
		Gross amount from sales of assets other than inventory		7,083				
		b Less cost or other basis and sales expenses		34,634				
		c Gain or (loss)		-27,551				
	d	Net gain or (loss)		-27,551			-27,551	
	8a	Gross income from fundraising events (not including \$ of contributions reported on line 1c) See Part IV, line 18	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from fundraising events . .						
	9a	Gross income from gaming activities See Part IV, line 19	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from gaming activities . .						
	10a	Gross sales of inventory, less returns and allowances	a	114,135				
	b	Less cost of goods sold	b	85,312				
	c	Net income or (loss) from sales of inventory . .		28,823				28,823
Miscellaneous Revenue		Business Code						
11a	PASSTHROUGH INCOME	621990	-1,245	-8,596	7,351			
b	OTHER INCOME	900099	-22,731				-22,731	
c								
d	All other revenue							
e	Total. Add lines 11a-11d		-23,976					
12	Total revenue. See Instructions		392,902,940	390,694,314	7,351		1,681,848	

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	31,194	31,194		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	192,987	192,987		
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,238,699	142,221	1,096,478	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	58,327,255	53,579,052	4,748,203	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,461,791	2,173,419	288,372	
9	Other employee benefits	10,820,970	9,850,071	970,899	
10	Payroll taxes	5,347,489	3,913,188	1,434,301	
11	Fees for services (non-employees)				
a	Management				
b	Legal	299,988	11,328	288,660	
c	Accounting	145,057	322	144,735	
d	Lobbying				
e	Professional fundraising See Part IV, line 17				
f	Investment management fees				
g	Other	8,005,661	7,164,433	841,228	
12	Advertising and promotion	824,324	117,773	706,551	
13	Office expenses	2,238,627	1,435,120	803,507	
14	Information technology	2,392,460	56,293	2,336,167	
15	Royalties				
16	Occupancy	2,763,000	2,671,729	91,271	
17	Travel	134,147	100,809	33,338	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	472,969	391,136	81,833	
20	Interest	3,034,255	-75,309	3,109,564	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	8,253,926	2,631,586	5,622,340	
23	Insurance	1,726,099	790,551	935,548	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	CONTRACTUAL ALLOWANCE	205,500,950	205,500,950		
b	SUPPLIES	25,615,789	25,445,848	169,941	
c	BAD DEBT EXPENSE	13,895,839	13,895,839		
d	TAXES PAID ON UBI	2,050		2,050	
e					
f	All other expenses	21,597,367	19,873,367	1,724,000	
25	Total functional expenses. Add lines 1 through 24f	375,322,893	349,893,907	25,428,986	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			388,095	1	92,098
	2	Savings and temporary cash investments			37,710,047	2	29,636,460
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			20,664,948	4	23,811,862
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L				6	
	7	Notes and loans receivable, net				7	
	8	Inventories for sale or use			2,487,606	8	2,234,783
	9	Prepaid expenses and deferred charges			2,890,033	9	2,793,011
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	174,083,457			
	b	Less: accumulated depreciation	10b	88,748,831	85,591,650	10c	85,334,626
	11	Investments—publicly traded securities			4,745,469	11	28,172,899
	12	Investments—other securities. See Part IV, line 11				12	
	13	Investments—program-related. See Part IV, line 11			2,959,246	13	3,196,520
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			18,102,709	15	19,684,865
	16	Total assets. Add lines 1 through 15 (must equal line 34)			175,539,803	16	194,957,124
Liabilities	17	Accounts payable and accrued expenses			4,669,107	17	7,093,782
	18	Grants payable				18	
	19	Deferred revenue			2,608,182	19	2,574,744
	20	Tax-exempt bond liabilities			51,137,164	20	50,102,082
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties			1,171,848	23	1,093,445
	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			8,343,376	25	8,875,849
	26	Total liabilities. Add lines 17 through 25			67,929,677	26	69,739,902
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			107,610,126	27	125,217,222
	28	Temporarily restricted net assets				28	
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117, check here ☐ and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			107,610,126	33	125,217,222
	34	Total liabilities and net assets/fund balances			175,539,803	34	194,957,124

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	392,902,940
2	Total expenses (must equal Part IX, column (A), line 25)	2	375,322,893
3	Revenue less expenses Subtract line 2 from line 1	3	17,580,047
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	107,610,126
5	Other changes in net assets or fund balances (explain in Schedule O)	5	27,049
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	125,217,222

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		

Additional Data

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

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

4d. Other program services					
(Code	)	(Expenses \$	4,492,181	including grants of \$	31,194) (Revenue \$
3,082,106) EXPENSES RELATED TO MEDICAL CENTER SUPPORTING SERVICES SUCH AS ADMINISTRATION, INFORMATION SYSTEMS, FINANCIAL SERVICES, REVENUE CYCLE PROCESSES, HUMAN RESOURCES, ENGINEERING, ENVIRONMENTAL SERVICES, RISK MANAGEMENT, AND SAFETY AND SECURITY					

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 SKY LAKES MEDICAL CENTER	Employer identification number 93-0508781
--	--

Part I

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11 Total support (Add lines 7 through 10)						

12

Gross receipts from related activities, etc (See instructions)

12

13

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

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

Part IIIPart III

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

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

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

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

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

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

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

Supplemental Financial Statements

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 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
Attach to Form 990. See separate instructions.

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Part I

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

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

Part II

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

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

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

	Held at the End of the Year
a	Total number of conservation easements
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

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

	Amount
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

(ii)

related organizations

b

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

	Yes	No
3a(i)		
3a(ii)		
3b		

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,517,300		1,517,300
b Buildings		109,003,745	48,694,514	60,309,231
c Leasehold improvements		4,253,919	2,320,508	1,933,411
d Equipment		43,272,954	30,498,922	12,774,032
e Other		16,035,539	7,234,887	8,800,652
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				85,334,626

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
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	FIN 48 (ASC 740) FOOTNOTE - THE MEDICAL CENTER HAD NO UNRECOGNIZED TAX BENEFITS AT SEPTEMBER 30, 2012 OR AT SEPTEMBER 30, 2011. THE MEDICAL CENTER RECOGNIZES INTEREST ACCRUED AND PENALTIES RELATED TO UNRECOGNIZED TAX BENEFITS AS AN ADMINISTRATIVE EXPENSE. DURING THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011, THE MEDICAL CENTER RECOGNIZED NO INTEREST AND PENALTIES. THE MEDICAL CENTER FILES AN EXEMPT ORGANIZATION INFORMATION AND UNRELATED BUSINESS INCOME TAX RETURN IN THE U.S. FEDERAL JURISDICTION AND AN UNRELATED BUSINESS INCOME TAX RETURN WITH THE OREGON DEPARTMENT OF REVENUE.

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
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

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 ☐ Generally tailored to individual hospitals ☐ Applied uniformly to most 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 _____% 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 _____% 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	3a	Yes	
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		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)		8,306	11,681,018		11,681,018	3 230 %
b Medicaid (from Worksheet 3, column a)			27,773,447	29,135,257	-1,361,810	0 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs		8,306	39,454,465	29,135,257	10,319,208	3 230 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	11	12,425	86,204		86,204	0 020 %
f Health professions education (from Worksheet 5)	1		5,831,381	1,800,694	4,030,687	1 120 %
g Subsidized health services (from Worksheet 6)	5	200,618	12,867,720	8,571,302	4,296,418	1 190 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			79,084		79,084	0 020 %
j Total Other Benefits	17	213,043	18,864,389	10,371,996	8,492,393	2 350 %
k Total. Add lines 7d and 7j	17	221,349	58,318,854	39,507,253	18,811,601	5 580 %

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	10	228,535	869,778	552,110	317,668	0.090 %
4Environmental improvements						
5Leadership development and training for community members	1	1,600	9,626	0	9,626	0 %
6Coalition building	1	3,500	7,376	0	7,376	0 %
7Community health improvement advocacy	17	81,816	290,017	0	290,017	0.080 %
8Workforce development	3	10,025	459,490	1,000	458,490	0.130 %
9Other						
10Total	32	325,476	1,636,287	553,110	1,083,177	0.300 %

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	13,895,839	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	2,640,209	
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	46,613,867
6Enter Medicare allowable costs of care relating to payments on line 5	6	47,964,208
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	-1,350,341
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	
9bIf "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9b	Yes	

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

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

Name and address

[illegible]

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

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

SKY LAKES MEDICAL CENTER

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 Yes	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3 Yes	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	No
5 Did the hospital facility make its Needs Assessment widely available to the public? 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 Yes	
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	No
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8 Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 0000000000000% 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 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a ☒ 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	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a ☒ 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	20		No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI	21	Yes	

Part V

Facility Information (continued)

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

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 11

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

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
		PART I, LINE 7 A COST-TO-CHARGE RATIO WAS USED FOR THE FINANCIAL ASSISTANCE AND COMMUNITY BENEFITS TABLE THE RATIO WAS DERIVED USING WORKSHEET 2, 'RATIO OF PATIENT CARE COST-TO-CHARGES '

Identifier	ReturnReference	Explanation
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 13895839

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

Identifier	ReturnReference	Explanation
		PART III, LINE 4 IN THE NORMAL COURSE OF BUSINESS, THE MEDICAL CENTER PROVIDES CREDIT TERMS TO ITS PATIENTS, INCLUDING BILLING TO THIRD-PARTY INSURANCE CARRIERS, MOST OF WHOM ARE LOCAL RESIDENTS AND ARE INSURED UNDER THIRD-PARTY PAYOR AGREEMENTS. PATIENT ACCOUNTS RECEIVABLES ARE REDUCED BY AN ALLOWANCE FOR DOUBTFUL ACCOUNTS. IN EVALUATING THE COLLECTIBILITY OF RECEIVABLES, THE MEDICAL CENTER ANALYZES ITS PAST HISTORY AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYOR SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PROVISION FOR BAD DEBTS. MANAGEMENT REGULARLY REVIEWS DATA ABOUT THESE MAJOR PAYOR SOURCES OF REVENUE IN EVALUATING THE SUFFICIENCY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS. FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY COVERAGE, THE MEDICAL CENTER ANALYZES CONTRACTUALLY DUE AMOUNTS AND PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR BAD DEBTS, IF NECESSARY (FOR EXAMPLE, FOR EXPECTED UNCOLLECTIBLE DEDUCTIBLES AND COPAYMENTS ON ACCOUNTS FOR WHICH THE THIRD-PARTY PAYOR HAS NOT YET PAID, OR FOR PAYORS WHO ARE KNOWN TO BE HAVING FINANCIAL DIFFICULTIES THAT MAKE THE REALIZATION OF AMOUNTS DUE UNLIKELY). FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS, THE MEDICAL CENTER RECORDS A SIGNIFICANT PROVISION FOR BAD DEBTS IN THE PERIOD OF SERVICE ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE. THE DIFFERENCE BETWEEN THE STANDARD RATES (OR THE DISCOUNTED RATES IF NEGOTIATED) AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS. THERE WAS NO CHANGE IN THE METHODOLOGY USED BY THE MEDICAL CENTER TO ESTIMATE THE ALLOWANCE FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBT PROVISION IN THE CURRENT YEAR. BAD DEBTS ARE ACCRUED MONTHLY AT A FIXED PERCENTAGE OF GROSS CHARGES. BOOKED BAD DEBT EXPENSE IS ROUTINELY COMPARED TO ACTUAL BAD DEBT WRITEOFFS, WHICH INCLUDE PAYMENTS TO PREVIOUSLY RECORDED BAD DEBTS, AND THE ACCRUAL PERCENTAGE IS ADJUSTED ACCORDINGLY. THIS PROCESS HAS THE INTENDED EFFECT OF REALIZING BAD DEBT EACH MONTH AS A LESS VOLATILE EXPENSE. BAD DEBT EXPENSE INCLUDES PAYMENTS - PATIENT AND INSURANCE - TO PREVIOUSLY RECORDED BAD DEBTS. SKY LAKES MEDICAL CENTER OFFERS A CHARITY CARE APPLICATION TO ALL PATIENTS, EITHER IN PERSON OR MAKING IT AVAILABLE VIA US MAIL OR ON THE HOSPITAL'S WEBSITE. A SAMPLE OF PROCESSED CHARITY CARE APPLICATIONS WAS TAKEN. WE FOUND THAT 19% OF CHARITY CARE APPLICATIONS WERE TURNED TO BAD DEBT DUE TO LACK OF INFORMATION SUPPLIED BY THE HOUSEHOLD. WE ASSUME THAT ALL REMAINING BAD DEBT ACCOUNTS WERE CORRECTLY CLASSIFIED DURING OUR COLLECTION PROCESS. THIS 19% REPRESENTS \$2.2 MILLION.

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

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

Identifier	ReturnReference	Explanation
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 1J WHAT BEGAN AS A CONVERSATION BETWEEN THE COMMUNITY HEALTH OUTR EACH MANAGER AT SKY LAKES MEDICAL CENTER, KLAMATH FALLS, ORE , AND THE HEALTH PROMOTION/DI SEASE PREVENTION COORDINATOR AT KLAMATH COUNTY (ORE) PUBLIC HEALTH BECAME THE SEED THAT T OOK ROOT AND THEN FLOURISHED INTO A MAJOR COLLABORATION AMONG LOCAL PUBLIC AND PRIVATE PART NERS AT THE SAME TIME, MEDICAL CENTER LEADERS RIGHTLY UNDERSTOOD THERE ARE POTENTIAL SOL UTIONS TO THE PROBLEMS OF POOR HEALTH THAT ARE BEYOND THEIR PURVIEW THE MEDICAL CENTER TO OK THE LEAD TO HELP FIND WAYS EACH OF THE PARTNERS COULD USE THEIR UNIQUE EXPERTISE TO IMP ROVE THE HEALTH OF OUR COMMUNITY OUR SUCCESS IS MONITORED AND MEASURED BY THE HCI INDICAT ORS WITHIN TWO MONTHS OF THE INITIAL MEETING, UNDER THE LEADERSHIP OF THE MEDICAL CENTER A ND WITH THE FULL COOPERATION OF THE PARTNERS, THE "CORE FOUR" HAD AGREED TO A PLAN TO DEPL OY THE HCI WEB-BASED INDICATORS TOOL (HEALTHKLAMATH.ORG) AND A FRAMEWORK TO ACCOMMODATE TH E VARIOUS OTHER COMMUNITY PARTNERS IN THE PROCESS THE COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) COORDINATED BY SKY LAKES MEDICAL CENTER DONE IN KLAMATH COUNTY REPRESENTS THE COLLAB ORATIVE WORK BETWEEN SKY LAKES MEDICAL CENTER AND ITS LOCAL PARTNERS THIS CHNA IS THE FIR ST OF ITS KIND TO FORMALLY ASSESS AND DOCUMENT THE HEALTH OF OUR COMMUNITY UTILIZING A COO RDINATED AND COLLABORATIVE PROCESS IT IS THE FIRST STEP TO THE ONGOING PROCESS OF COMMUNI TY HEALTH IMPROVEMENT THE PRIMARY GOAL OF THE CHNA IS TO BETTER UNDERSTAND THE HEALTH OF OUR COMMUNITY AND TO DEVELOP LOCAL STRATEGIES TO ADDRESS OUR COMMUNITY'S SPECIFIC NEEDS AN D IDENTIFIED PRIORITY ISSUES THE CHNA WILL SET COMMUNITY PRIORITIES, AND ESTABLISH BENCHM ARKS AND MONITOR TRENDS IN THE HEALTH STATUS OF KLAMATH COUNTY RESIDENTS WITH SPILLOVER TO OTHER REGIONS IN THE CATCHMENT AREA AND DEVELOP A PLATFORM FOR COLLABORATION TO IMPROVE H EALTH STATUS WE ACKNOWLEDGE THAT THE CHNA IS A LIVING DOCUMENT, ALLOWING US TO SEEK CONTIN UOUS IMPROVEMENT AND FURTHER ANALYZE THE DATA AND, ULTIMATELY, IMPROVE THE HEALTH OF OUR C OMMUNITY UNDERSTANDING THAT HEALTH IS A PRODUCT OF MANY CONDITIONS AND FACTORS, AN ADAPTE D VERSION OF THE STRATEGIC PLANNING FRAMEWORK DEVELOPED BY THE NATIONAL ASSOCIATION OF COU NTY AND CITY HEALTH OFFICIALS (NACCHO) IN COOPERATION WITH THE CENTERS FOR DISEASE CONTROL AND PREVENTION (CDC) WAS MADE TO CREATE THIS CHNA THE STRATEGIC PLANNING FRAMEWORK THAT WAS ADAPTED FOR KLAMATH COUNTY IS KNOWN AS MOBILIZING ACTION THROUGH PLANNING AND PARTNERS HIPS (MAPP) MAPP IS A COMMUNITY- DRIVEN PROCESS THAT RESULTS IN THE IDENTIFICATION OF HEAL TH ISSUES AND HEALTH IMPROVEMENT STRATEGIES THROUGH COMMUNITY MEMBER AND STAKEHOLDER ENGAG EMENT FACILITATED BY PUBLIC HEALTH LEADERS, MAPP IS INTENDED TO IMPROVE THE EFFICIENCY, E FFECTIVENESS, AND PERFORMANCE OF LOCAL HEALTHCARE SYSTEMS MAPP ALLOWS FOR AN ENHANCED UND ERSTANDING OF THE INFLUENCES ON COMMUNITY HEALTH THROUGH THE ANALYSIS OF POPULATION-BASED QUANTITATIVE DATA, LOCALLY GATHERED QUALITATIVE DATA, AND THE EXPERTISE OF KEY STAKEHOLDER S THESE VARIOUS DATA-COLLECTION METHODS ALLOW FOR A BETTER UNDERSTANDING OF THE SOCIAL DE TERMINANTS OF HEALTH THE SOCIAL DETERMINANTS OF HEALTH ARE THE CIRCUMSTANCES IN WHICH PEO PLE ARE BORN, RAISED, LIVE, AND WORK, IN ADDITION TO AVAILABLE RESOURCES THE SOCIAL DETER MINANTS OF HEALTH PROVIDE A LENS THROUGH WHICH TO VIEW DIFFERENT POPULATIONS AND COMMUNITI ES AND IDENTIFY CONDITIONS THAT PROMOTE HEALTH, RATHER THAN LIMIT IT WITH THIS INFORMATIO N WE CAN COLLECTIVELY BETTER UNDERSTAND THE DRIVERS OF HEALTH OUTCOMES IN KLAMATH COUNTY A ND DEVELOP STRATEGIES FOR HEALTH IMPROVEMENT WHILE THE STANDARD MAPP INCLUDES FOUR ASSESS MENTS (COMMUNITY HEALTH STATUS ASSESSMENT, COMMUNITY THEMES AND STRENGTHS ASSESSMENT, LOCA L PUBLIC HEALTH SYSTEM ASSESSMENT, AND THE FORCES OF CHANGE ASSESSMENT), THE LOCAL PARTNER S, GOING BY THE NAME HEALTHY KLAMATH, TAILORED MAPP TO BETTER FIT OUR COMMUNITY THE PARTN ERS DECIDED TO COMBINE THE LOCAL PUBLIC HEALTH SYSTEM ASSESSMENT AND FORCES OF CHANGE ASSE SSMENT INTO A SINGLE ASSESSMENT THIS SPECIFIC COMBINATION WOULD THEN INCREASE EFFICIENCY AND UTILIZE RESOURCES MOST EFFECTIVELY THE INFORMATION FOR THIS COMBINED ASSESSMENT WAS C OLLECTED FROM STAKEHOLDERS WITH THE ABILITY TO SPEAK TO THE CURRENT SYSTEM AS WELL AS THE FUTURE OPPORTUNITIES AND UNCERTAINTIES THAT MAY AFFECT THE CURRENT SYSTEM COLLECTING AND ANALYZING THE VOLUME OF DATA NECESSARY TO FULLY UNDERSTAND COMMUNITY HEALTH IS TIME- AND R ESOURCE- INTENSIVE, HEALTHY KLAMATH PARTNERS COLLABORATIVELY SOUGHT A SOLUTION TO UTILIZE R ESOURCES IN THE MOST EFFECTIVE MANNER THE PARTNERS AGREED TO UTILIZE THE HEALTHY COMMUNIT IES INSTITUTE (HCI), WHICH MANAGES AND CONTINUALLY UPDATES A CENTRALIZED PUBLICALLY AVAILA BLE WEB-BASED SOURCE OF POPULATION DATA AND COMMUNITY HEALTH INFORMATION HCI PROVIDES A PL ATFORM FOR CONTINUAL MONITORING AND TRACKING ON 100+ INDICATORS SELECTED BY THE COMMUNITY PARTNERS THESE INDICATORS WERE ASSESSED ON FOUR F

Identifier	ReturnReference	Explanation
SKY LAKES MEDICAL CENTER		ACTORS 1) COMPARISON TO OREGON AND NATIONAL BENCHMARK,2) TRENDS OVER TIME, 3) HEALTH DISPARITIES, AND4) SEVERITY OF HEALTH ISSUE THE HEALTH INDICATORS SELECTED MET AT LEAST THREE OF THE FOUR CONDITIONS - KLAMATH COUNTY RATE IS HIGHER THAN THE OREGON STATE AVERAGE AND /OR DOES NOT MEET THE NATIONAL HEALTHY PEOPLE 2020 BENCHMARK, - THE TREND IS WORSENING, - CERTAIN POPULATIONS ARE EXPERIENCING A DISPARITY, OR - LONG-TERM CONSEQUENCE, PREMATURE DE ATH, AND/OR HIGH HEALTH-RELATED EXPENDITURES ARE ASSOCIATED THE FORMULATION OF THE CHNA C OORDINATED BY SKY LAKES MEDICAL CENTER WAS STRONGLY INFLUENCED BY INPUT FROM COMMUNITY PARTNERS AND STAKEHOLDERS AS WELL AS INDIVIDUALS IN KLAMATH COUNTY COMMUNITIES COMMUNITY INVOLVEMENT IS ESSENTIAL TO SUCCESSFUL PUBLIC HEALTH ACTION, AND THE PRIORITY AREAS FOR HEALTH IMPROVEMENT SHOULD REFLECT THE PROBLEMS OF GREATEST CONCERN TO THE LOCAL COMMUNITIES HEALTHY KLAMATH PARTNERS SOUGHT COMMUNITY INPUT VIA LISTENING SESSIONS, FOCUS GROUPS AND SURVEYS THE COLLABORATION - COMMUNITY PARTNERS SEEKING BETTER HEALTH - HAS AT ITS CORE THE MEDICAL CENTER, THE LOCAL HEALTH DEPARTMENT, A MANAGED-CARE ORGANIZATION FOR THE MEDICAID POPULATION AND A FEDERALLY QUALIFIED HEALTHCARE PRACTICE WITH TWO FAMILY PRACTICE CLINICS IN THE COUNTY THE PARTNERSHIP ALSO INCLUDES A LOCAL RURAL RESIDENCY PROGRAM, OREGON STATE UNIVERSITY'S EXTENSION IN KLAMATH COUNTY, OREGON HEALTH & SCIENCE UNIVERSITY'S NURSING PROGRAM AT OREGON INSTITUTE OF TECHNOLOGY, THE LOCAL NEWSPAPER AND THE REGION'S LARGEST RADIO STATION THE ASSESSMENT LAUNCHED AS A RESULT OF SKY LAKES LEADERSHIP RECOGNIZING THERE ARE MYRIAD CAUSES FOR POOR HEALTH AND THE PROBLEM IS TOO LARGE FOR ANY ONE ORGANIZATION TO TAKE ON ALONE AND SO WORKED AS A "COMMUNITY CONVENER" TO GET OTHERS TO THE TABLE THE INTENT WAS TO HEAR FROM MANY VOICES AND TO STRIVE FOR HARMONY AS WE WORKED TOGETHER TO MAKE IMPROVEMENTS THAT WOULD LAST

Identifier	ReturnReference	Explanation
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 3 THE KLAMATH COUNTY CHNA COORDINATED BY SKY LAKES MEDICAL CENTER TAKES INTO ACCOUNT AN UNDERSTANDING OF THE ENVIRONMENT WE OPERATE WITHIN UNDERSTANDING THE STRENGTHS AND WEAKNESSES OF THE CURRENT LOCAL HEALTHCARE SYSTEM, IN ADDITION TO ANY UPCOMING SOCIAL, POLITICAL, OR ECONOMIC CHANGES THAT COULD AFFECT THE SYSTEM IS INTEGRAL TO DEVELOPING PRIORITY AREAS OF FOCUS HEALTHCARE REFORM AND THE CURRENT ECONOMIC CLIMATE ARE LARGELY IMPACTING THE LOCAL HEALTHCARE SYSTEM AND THESE STRUCTURAL CHANGES MUST BE ACCOUNTED FOR THE HEALTHY KLAMATH PARTNERS IDENTIFIED A LIST OF KEY STAKEHOLDERS ORGANIZED BY SECTOR TO INTERVIEW FOR THIS ASSESSMENT THE STAKEHOLDERS WERE SELECTED FOR THEIR ORGANIZATIONS' INFLUENCE ON COMMUNITY HEALTH AND THEIR ROLE IN THE PUBLIC HEALTH SYSTEM THE STAKEHOLDERS, IN ADDITION TO SKY LAKES MEDICAL CENTER, INCLUDE KLAMATH COUNTY PUBLIC HEALTH, CASCADE COMPREHENSIVE CARE, CASCADE HEALTH ALLIANCE, KLAMATH OPEN DOOR CLINICS, KLAMATH FALLS PUBLIC SCHOOLS AND KLAMATH COUNTY SCHOOL DISTRICT, KLAMATH COMMUNITY COLLEGE, OREGON INSTITUTE OF TECHNOLOGY, AND APPROXIMATELY 16 OTHER AGENCIES AND ORGANIZATIONS AS PART OF THE ASSESSMENT, THE PARTNERS CONDUCTED 20 INTERVIEWS WITH MORE THAN 25 LOCAL STAKEHOLDERS EACH INTERVIEW BEGAN WITH AN EXPLANATION OF THE CHNA USING THE CHNA FRAMEWORK AND WITH A WRITTEN AND VISUAL DEFINITION OF HEALTH THIS IS THE WRITTEN DEFINITION OF HEALTH USED IN THE INTERVIEWS HEALTH IS A STATE OF COMPLETE PHYSICAL, MENTAL AND SOCIAL WELL-BEING AND NOT MERELY THE ABSENCE OF DISEASE OR INFIRMITY (WORLD HEALTH ORGANIZATION) FURTHER, HEALTH IS NOT SIMPLY A STATE FREE FROM DISEASE BUT IS THE CAPACITY OF PEOPLE TO BE RESILIENT AND MANAGE LIFE'S CHALLENGES AND CHANGES (PUBLIC HEALTH ACCREDITATION BOARD) AFTER ANY QUESTIONS REGARDING THE CHNA WERE ANSWERED, THREE INTERVIEW QUESTIONS FOLLOWED 1 HOW DOES YOUR ORGANIZATION CONTRIBUTE TO THE HEALTH OF THE COMMUNITY?2 WHAT DO YOU SEE AS YOUR ORGANIZATION'S ROLE IN THE LOCAL PUBLIC HEALTH SYSTEM?3 WHAT CHALLENGES DO YOU SEE THAT MAY AFFECT YOUR WORK (UPCOMING CHANGES IN LEGISLATION, FUNDING, TECHNOLOGY, NEW COLLABORATIONS, AND THE LIKE)?COMPLETE ANALYSIS OF THOSE INTERVIEWS AND THEIR RECOMMENDATIONS IS IN PROCESS ALSO, OREGON HEALTH & SCIENCE UNIVERSITY SCHOOL OF NURSING STUDENTS CONDUCTED LISTENING SESSIONS AND FOCUS GROUPS IN SIX OUTLYING COMMUNITIES (MERRIL, MALIN, BONANZA, CHILOQUIN, MIDLAND, AND KENO) IN RURAL KLAMATH COUNTY INFORMATION FROM THOSE SESSIONS AND INTERVIEWS ARE IN APPENDIX A OF THE CHNA FURTHER QUALITATIVE ANALYSIS IN THE FORM OF A WEB-BASED SURVEY WAS CONDUCTED BY THE PARTNERS AND SPONSORED BY SKY LAKES MEDICAL CENTER NEARLY 900 SELF-SELECTED RESPONDENTS TO THAT SURVEY PROVIDED ADDITIONAL COMMUNITY PERSPECTIVE FOR THE CHNA AND WILL BE USEFUL TO DEFINE STRATEGIES AND TACTICS GOING FORWARD

Identifier	ReturnReference	Explanation
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 5C BESIDES THE SKY LAKES MEDICAL CENTER WEBSITE (SKYLAKES.ORG), THE CHNA CONDUCTED BY THE HEALTHY KLAMATH PARTNERS AND COORDINATED BY THE MEDICAL CENTER ALSO WILL RESIDE ON THE HEALTHY KLAMATH WEBSITE (HEALTHYKLAMATH.ORG), ON THE KLAMATH COUNTY HEALTH DEPARTMENT WEBSITE, AND WILL BE AVAILABLE IN PRINT FORM AT SKY LAKES MEDICAL CENTER, AT THE HEALTH DEPARTMENT, AT THE LOCAL NEWSPAPER OFFICE (HERALD AND NEWS, 2701 FOOTHILLS ROAD, KLAMATH FALLS, OR), AND AT THE KLAMATH COUNTY LIBRARY

Identifier	ReturnReference	Explanation
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 7 INFORMATION GATHERED IN THE COMMUNITY HEALTH NEEDS ASSESSMENT PROCESS FACILITATED BY THE COMMUNITY PARTNERS SEEKING BETTER HEALTH AND USING THE HEALTHY KLAMATH INITIATIVE INDICATES A STRATIFICATION OF PRIORITIES DATA COLLECTED BY VARIOUS SURVEYS AGGREGATED BY THE HEALTHY COMMUNITIES INSTITUTE AND ORGANIZED AT HEALTHYKLAMATH.ORG INDICATE A RANGE OF NEEDS AMONG THE TOP ARE - ADULTS 65+ WITH INFLUENZA VACCINATION - ADULTS 65+ WITH PNEUMONIA VACCINATION - BABIES WITH LOW BIRTH WEIGHT - MOTHERS WHO RECEIVED EARLY PRENATAL CARE - DEATH RATE DUE TO COLORECTAL CANCER (AGE ADJUSTED) FURTHER, THE NUMBER OF LOCAL RESIDENTS WHO SELF-REPORTED THEIR HEALTH AS "GOOD" OR BETTER IS SIGNIFICANTLY LOWER THAN THE COMPARISON GROUP WITH THAT AS A BACKDROP, THE COMMUNITY PARTNERS BROKE THE KEY DRIVERS OF HEALTH ACCORDING TO THE DATA INTO BROADER CATEGORIES, AND ASKED AREA RESIDENTS TO ASSIGN PRIORITY RANKS TO THEM NEARLY 1,000 PEOPLE PARTICIPATED IN THE ONLINE, SELF-SELECT SURVEY DATA COLLECTION REMAINED OPEN NINE DAYS (ONE WORK WEEK AND TWO WEEKENDS) AS THE FOLLOWING TABLES SHOW, RESIDENTS IDENTIFIED OBESITY, ACCESS TO MENTAL HEALTH AND LIMITING THE EFFECTS OF SUBSTANCE AND ALCOHOL ABUSE AND TOBACCO USE TOP SHORT-TERM (12-18 MONTHS) PRIORITIES SIMILARLY, THE PRIORITIES FOR AN INTERMEDIATE TERM (18-36 MONTHS) LEFT IN PLACE THREE OF THE SHORT-TERM PRIORITIES AND MOVED TO THE TOP PRIORITIES LIST HEALTH INSURANCE COVERAGE AND YOUTH MENTORING THE LONG-TERM (3+ YEARS) PRIORITIES CLOSELY ALIGN WITH THE OTHER CATEGORIES WITH THE TOP PRIORITY TO DECREASE POVERTY WHILE INCREASING THE HIGH SCHOOL GRADUATION RATE, ENCOURAGING HEALTHIER LIFESTYLES WITH BETTER NUTRITION AND MORE EXERCISE OPPORTUNITIES, AND BROADER HEALTH INSURANCE COVERAGE COMPRISING THE TOP SPOTS IT IS CLEAR TO MOST THAT THOSE WHO PARTICIPATED IN THE SURVEY RECOGNIZE THAT OBESITY AND ITS ASSOCIATED COMPONENTS, PRIMARILY HEALTHIER EATING HABITS AND INCREASED ACTIVITY, ARE CLOSELY LINKED TO A VARIETY OF OTHER UNHEALTHFUL CONDITIONS FURTHER, THERE IS A RECOGNITION THAT IN ORDER FOR THE CHANGES TO BE MORE OR LESS PERMANENT REQUIRES BROAD-BASED SYSTEMIC CHANGES RATHER THAN SO-CALLED INSTANT FIXES THE COMMUNITY COALITION, LED IN NO SMALL MEASURE BY SKY LAKES MEDICAL CENTER AND RESPONSIBLE FOR ENSURING THERE IS PROGRESS TOWARD MAKING IMPROVEMENTS IN THE PRIORITIES, BROKE THE SHORT-, INTERMEDIATE- AND LONG-TERM PRIORITIES INTO AN EIGHT-POINT PROJECT LIST SUCCESS ON ANY OF THE POINTS SUPPORTS PROGRESS ON OTHER POINTS COMMUNITY PARTNERS SEEKING BETTER HEALTH TEAMS ARE FORMED AROUND 1 OBESITY, HEALTHY EATING, EXERCISE,2 ACCESS TO MENTAL HEALTH,3 SUBSTANCE AND ALCOHOL ABUSE,4 TRANSPORTATION,5 YOUTH MENTORING,6 INFRASTRUCTURE,7 DECREASING POVERTY, AND8 HEALTH POLICY CHANGES NONE OF THE ISSUES CAN BE RESOLVED WITHOUT CONSIDERABLE ENERGY AND RESOURCES, YET PROGRESS IS BEING MADE FOR INSTANCE, SKY LAKES MEDICAL CENTER HIRED A PHYSICIAN AND NURSE WITH PUBLIC HEALTH CREDENTIALS TO OPEN AND OPERATE A FIRST-EVER "WELLNESS CENTER" AIMED SPECIFICALLY AT IMPROVING OBESITY-RELATED HEALTH AT THE SAME TIME, SKY LAKES MEDICAL CENTER HAS MADE SIGNIFICANT CONTRIBUTIONS TO SUPPORT NUTRITION, PARTICULARLY AMONG SENIOR CITIZENS, AND HOSTS REGULAR "FARMERS MARKETS" WITH EXTENSIVE EFFORTS TO ATTRACT THE LOWER-INCOME POPULATION TO THE EVENTS ALSO, SKY LAKES MEDICAL CENTER HAS COMMITTED TO BE A MAJOR SOURCE OF ALTERNATE REVENUE TO ENSURE THE MUNICIPAL POOL CONTINUES TO HAVE SWIMMING OPPORTUNITIES, RECOGNIZING IT AS AN IMPORTANT TYPE OF ACTIVITY FOR MANY PEOPLE, PARTICULARLY MOBILITY IMPAIRED INDIVIDUALS SKY LAKES MEDICAL CENTER AND COMMUNITY PARTNERS ARE ACTIVELY IMPROVING ACCESS TO MENTAL HEALTH THROUGH A VARIETY OF MECHANISMS THE MEDICAL CENTER IS RIGOROUSLY RECRUITING FOR A PERMANENT PSYCHIATRIST TO PRACTICE LOCALLY AND LEVERAGE ADDITIONAL MENTAL HEALTH SERVICES FOR THE REGION EFFORTS ARE UNDER WAY TO INCREASE - THE AWARENESS AND THE FREQUENCY OF CANCER SCREENING OPPORTUNITIES TO ENCOURAGE AND SUPPORT THE EARLY DETECTION OF TUMORS, - DIRECT INTERVENTIONS FOR PEOPLE AT RISK OF DIABETES OR WHO HAVE BEEN DIAGNOSED WITH DIABETES TO IMPROVE THEIR CONDITIONS WITHOUT HOSPITALIZATION, AND - AWARENESS OF THE BENEFITS OF REGULAR LOW-IMPACT EXERCISES TO IMPROVE HEALTH AS WELL AS TO CONTROL AN ASSORTMENT OF CHRONIC DISEASES WORKING WITH PHYSICIANS AND OTHER MEDICAL PROFESSIONALS, SKY LAKES MEDICAL CENTER ACTIVELY PROMOTES PRE-NATAL EDUCATION AMONG THE TARGET DEMOGRAPHIC BY OFFERING NO-CHARGE CHILDBIRTH PREPARATION CLASSES THE MEDICAL CENTER ALSO HAS UNDERWAY A MORE EXPANSIVE PROGRAM USING NON-TRADITIONAL METHODS TO GET APPROPRIATE NUTRITION, EXERCISE AND CHILDBIRTH PREPARATION INFORMATION TO FIRST-TIME MOTHERS MEASUREMENT DATA COLLECTED ON THE PROGRAMS ARE INCOMPLETE SO FIRM CONCLUSIONS REGARDING THEIR SUCCESS WOULD NOT BE APPROPRIATE

Identifier	ReturnReference	Explanation
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 11H HOUSEHOLD SIZE AND A MAXIMUM OUT-OF-POCKET EXPENDITURE

Identifier	ReturnReference	Explanation
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 17E SKY LAKES EMPLOYS A FIRM, CHAMBERLIN EDMONDS, THAT QUALIFIES PATIENTS FOR BENEFIT PROGRAMS THEY SCREEN ALL OF SKY LAKES' UNINSURED PATIENTS FOR POSSIBLE MEDICAID, MEDICARE AND/OR DISABILITY BENEFITS

Identifier	ReturnReference	Explanation
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 19D SKY LAKES IS AWAITING CLARIFICATION ON 501(R) REGULATIONS, WHICH ARE PROPOSED

Identifier	ReturnReference	Explanation
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 21 SOME PATIENTS ARE ONLY ELIGIBLE FOR AN ANNUAL MAXIMUM OUT-OF-POCKET REDUCTION

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

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

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

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 BESIDES PROVIDING HIGH-QUALITY HEALTHCARE, SKY LAKES MEDICAL CENTER FURTHERS ITS TAX-EXEMPT PURPOSE AND FULFILLS ITS MEDICAL MISSION TO THE COMMUNITY BY PROVIDING OR SUBSIDIZING NUMEROUS CLASSES, SUPPORT GROUPS, SCREENINGS AND SELF-HELP PROGRAMS, A FREE GENERAL COMMUNITY HEALTH FAIR ATTENDED BY MORE THAN 1,500 PEOPLE A YEAR, AND A SEPARATE FREE FAIR FOCUSED ON INFORMATION FOR PEOPLE WITH DIABETES, A VARIETY OF LECTURES AIMED AT ENCOURAGING GREATER FITNESS AND CULMINATING IN A SERIES OF COMPETITIONS, AND OTHER AGE-SPECIFIC PROGRAMS FOCUSING ON STRETCHING, TAI CHI AND LOW-IMPACT DANCE MOST OF THESE EVENTS ARE EITHER FREE OR LOW COST, AND SCHOLARSHIPS ARE FREQUENTLY AVAILABLE SKY LAKES MEDICAL CENTER ROUTINELY PARTNERS WITH OSU EXTENSION TO PROMOTE HEALTHIER NUTRITION CHOICES COUPLED WITH HANDS-ON COOKING CLASSES THE MEDICAL CENTER, OSU, THE KLAMATH COUNTY HEALTH DEPARTMENT, KLAMATH TRIBAL HEALTH AND FAMILY SERVICES, AND CASCADES EAST FAMILY MEDICINE WORKED TOGETHER ON THE BETTER HEALTH PARTNERSHIP TO PROMOTE INCREASED PHYSICAL ACTIVITY AND IMPROVED NUTRITION WITH PARTICIPANTS RECEIVING ONE-ON-ONE MENTORING TO ENCOURAGE PEOPLE TO BE MORE ACTIVE, SKY LAKES GAVE AWAY Pedometers TO SOME 3,000 PEOPLE INTERESTED IN KEEPING TRACK OF THEIR STEPS EN ROUTE TO A DAILY GOAL OF 10,000 STEPS MANY OF THOSE PEOPLE ALSO PARTICIPATED IN THE FREE 'COUCH TO 5K' SERIES, WHICH DEMONSTRATED WAYS TO BE MORE ACTIVE THE CLIMAX OF THE SIX-SESSION SERIES IS THE ANNUAL 15-KILOMETER RUN, A 5K RUN/WALK FOR ADULTS, AND TWO SHORTER EVENTS - ONE-HALF AND ONE MILE - EVENTS FOR CHILDREN THE EVENTS DRAW NEARLY 500 ENTRANTS FROM AROUND THE WEST WHO CROWD THE FIELD FOR THE RACES SPONSORED AND ORGANIZED BY THE MEDICAL CENTER STAFF AND VOLUNTEERS SKY LAKES FAMILY BIRTH CENTER NURSES SPECIALLY TRAINED TO CHECK THAT INFANT CAR SEATS ARE APPROPRIATE AND PROPERLY INSTALLED INSPECT DOZENS OF SEATS A YEAR AT ONCE-A-MONTH FREE CHECKS THE NURSES, IN COLLABORATION WITH KLAMATH COUNTY FIRE DISTRICT NO. 1, KLAMATH TRIBAL HEALTH AND FAMILY SERVICES, AND THE LOCAL HEAD START PROGRAM LAUNCHED THE CHECKS TWO YEARS AGO THEY ALSO PROVIDE SEATS AT NO CHARGE TO QUALIFYING PARENTS THE FAMILY BIRTH CENTER ALSO HOSTS FREE CLASSES TO HELP SOON-TO-BE SIBLINGS AND NO-CHARGE SESSIONS TO ENSURE THE EMOTIONAL HEALTH OF MOMS DURING AND AFTER PREGNANCY SKY LAKES MEDICAL CENTER IS THE PRINCIPAL UNDERWRITER FOR CASCADES EAST FAMILY MEDICINE, A CLINIC AND A FAMILY PRACTICE RESIDENCY PROGRAM OPERATED IN PARTNERSHIP WITH OREGON HEALTH & SCIENCE UNIVERSITY SKY LAKES FINANCIAL SUPPORT FOR 2010 WAS \$3.18 MILLION ALSO, THE MEDICAL CENTER CARRIES THE VAST MAJORITY OF COSTS INCURRED IN THE RUNNING OF THE CHILD ABUSE RESOURCE AND EDUCATIONAL SERVICES AGENCY THAT SERVES KLAMATH AND LAKE COUNTIES CASCADES EAST ALSO OPERATES A MOBILE CLINIC THAT PROVIDES NO-CHARGE HEALTHCARE SERVICES TO UN- AND UNDERINSURED POPULATIONS IN THE REGION THE 15 CASCADES EAST MEDICAL STAFF LOG MORE THAN 1,000 MILES IN THE RV EACH YEAR AND PERFORM MORE THAN 200 PATIENT EXAMS BESIDES REGULAR CLINICS AT KLAMATH FALLS LOCATIONS, THE RV VISITS THE RURAL COMMUNITIES OF GILCHRIST AND SPRAGUE RIVER THE FUEL, MAINTENANCE, AND SUPPLIES ARE ALL PAID FOR BY SKY LAKES MEDICAL CENTER, THE SUM EXCEEDS \$6,000 A YEAR SKY LAKES CONTRIBUTES \$10,000 A YEAR AND PROVIDES STAFF TO HELP COORDINATE AND PROVIDE COLLATERAL SUPPORT IN THE WAY OF ADDITIONAL MULTIMEDIA ADVERTISING TO FURTHER THE MESSAGE OF THE LOCAL 'STOP THE HURT' AND 'PERIODS OF PURPLE CRYING' CAMPAIGNS THE PROGRAMS ARE AIMED AT STOPPING INCIDENTS OF INFANT AND CHILD ABUSE AT THE HANDS OF ADULTS SIMILARLY, SKY LAKES IS AMONG THE COMMUNITY PARTNERS INVESTING IN THE 'SOUTHERN OREGON METH PROJECT,' WHICH TARGETS DRUG USE BY TEENS THE MEDICAL CENTER ANNUALLY CONTRIBUTES \$9,000 TO THE PUBLIC AWARENESS CAMPAIGN IN ADDITION, KLAMATH COUNTY IS A PHYSICIAN-SHORTAGE AREA SO PHYSICIAN RECRUITMENT EFFORTS ARE ALSO UNDERWRITTEN BY THE MEDICAL CENTER RATHER THAN LOCAL MEDICAL PRACTICES INCURRING THAT EXPENSE THE MEDICAL CENTER INVESTS UPWARDS OF \$1 MILLION A YEAR IN RECRUITING ACTIVITIES SKY LAKES PROVIDES FREE EDUCATION IN OR FOR THE SCHOOLS THROUGH ITS PARTNERSHIP WITH OREGON STATE UNIVERSITY EXTENSION'S NUTRITION EDUCATION PROGRAM THE MEDICAL CENTER ALSO PARTNERS WITH OSU EXTENSION FOR THE EDUCATION SERIES FOR PEOPLE WITH DIABETES, AND THE THREE-CLASS 'MASTERY OF AGING WELL' SERIES AND A NUMBER OF SKY LAKES MEDICAL CENTER EMPLOYEES PROVIDE VOLUNTEER EDUCATIONAL SUPPORT IN THE FORM OF TEACHING, MENTORING, PROGRAM DEVELOPMENT, AND TOURS AND DEMONSTRATIONS FOR LOCAL SCHOOLS AND COLLEGES OTHER PARTNERSHIPS HELP ENSURE THE SUCCESS OF PROGRAMS SUCH AS - THE KLAMATH CRISIS CENTER BY PROVIDING A NO-RENT VENUE FOR TWICE-A-MONTH EDUCATION AND TRAINING PROGRAMS, - THE LOCAL KLAMATH AND LAKE COMMUNITY ACTION SERVICES PROGRAM BY DONATING MATERIAL FOR ITS PROGRAM TO PROVIDE QUALIFYING INDIVIDUALS AND FAMILIES ACCESS TO MEDICAL AND DENTAL CARE, HYGIENE RESOURCES AND

Identifier	ReturnReference	Explanation
		D THE LIKE, - THE KLAMATH COUNTY RELAY FOR LIFE BY CONTRIBUTING \$1,000 TOWARD CANCER RESEA RCH AND PROVIDING SOME 700 SERVINGS OF HOME-MADE SOUP TO THOSE AT THE EVENT, - THE RED CRO SS BY GIVING AT NO-CHARGE SPACE IN SKY LAKES FACILITIES FOR COMMUNITY BLOOD DRIVES, - THE LOCAL CHAPTERS OF THE MARCH OF DIMES, MUSCULAR SCLEROSIS ORGANIZATIONS, AND LOCAL EARLY CA NCER DETECTION CAMPAIGNS BY CONTRIBUTING HUNDREDS OF DOLLARS EACH TO THEIR MISSIONS, AND - THE 'BASIN HEALTHY CHOICES' INITIATIVE COORDINATED BY THE KLAMATH COUNTY HEALTH DEPARTMEN T AND THE HEALTHY ACTIVE KLAMATH COALITION, WHICH INCLUDES SKY LAKES MEDICAL CENTER SKY LAKES CONTRIBUTES COUNTLESS HOURS OF STAFF TIME AND TALENT, AS WELL AS FACILITY AND OTHER R ESOURCES, IN THE CAMPAIGN AIMED AT IMPROVING THE HEALTH OF PEOPLE IN THE REGION BY PROMOTI NG WORKPLACE WELLNESS, BETTER NUTRITION THROUGH FOOD CHOICES, AND INCREASED PHYSICAL ACTIV ITY HERE IS A LIST OF SOME OTHER SKY LAKES COMMUNITY PARTNERSHIPS - AMERICAN ASSOCIATION OF UNIVERSITY WOMEN - AMERICAN CANCER SOCIETY - GOSPEL MISSION - HEALTHY ACTIVE KLAMATH - AREA PUBLIC SCHOOLS AND STUDENTS - INVEST IN YOUTH CONFERENCE - KLAMATH COMMUNITY COLLEGE AND STUDENTS - KLAMATH COUNTY CASA - KLAMATH COUNTY CHAMBER OF COMMERCE - KLAMATH CRISIS CENTER - KLAMATH FIRE PREVENTION COOPERATIVE - KLAMATH HOSPICE - KLAMATH-LAKE FOOD BANK - KLAMATH TRIBAL HEALTH AND FAMILY SERVICES - MULTIPLE SCLEROSIS SOCIETY - 'OPERATION PROM N IGH T' TO PREVENT DISTRACTED DRIVING - OREGON AIR NATIONAL GUARD AT KINGSLEY FIELD - OREGON INSTITUTE OF TECHNOLOGY AND STUDENTS (CLINICAL PRECEPTING, ETC)- PREGNANCY HOPE CENTER - SANFORD HEALTH FOUNDATION - UNITED WAY OF THE KLAMATH BASIN - AREA 4-H PROGRAMS

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

Additional Data

Software ID:
Software Version:
EIN: 93-0508781
Name: SKY LAKES 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]

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As Filed Data -

DLN: 93493227043233

Schedule I
(Form 990)

OMB No 1545-0047

2011

Open to Public
Inspection

Department of the Treasury
Internal Revenue Service

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

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

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Part I

General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No
- 2

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

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) KLAMATH COUNTY SCHOOL DISTRICT10501 WASHBURN WAY KLAMATH FALLS, OR 97603	93-6000543	GOVERNMENT ENTITY	22,000				HOSA PROGRAM ASSISTANCE
(2) SKY LAKES MEDICAL CENTER FOUNDATION 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601	93-0946020	501(C)(3)	9,194				INFECTIOUS DISEASE CONFERENCE, CHILD ABUSE RESPONSE AND EVALUATION SERVICES (CARES) AWARENESS & PREVENTION EDUCATION PROGRAM

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
(1) EMPLOYEE STUDENT LOAN FORGIVENESS	18	100,917			
(2) EXTERNSHIP STIPENDS	5	13,200			
(3) STUDENT LOAN ASSISTANCE TO EMPLOYEES	14	56,457			
(4) PATIENT ASSISTANCE	133	22,413			

Part IV

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

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

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

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)		
1b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain.		
2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?		
3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply. ☒ 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:		
4a Receive a severance payment or change-of-control payment?		No
4b Participate in, or receive payment from, a supplemental nonqualified retirement plan?		No
4c Participate in, or receive payment from, an equity-based compensation arrangement?		No
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.		
Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:		
5a The organization?		No
5b Any related organization?		No
If "Yes," to line 5a or 5b, describe in Part III.		
6 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:		
6a The organization?		No
6b Any related organization?		No
If "Yes," to line 6a or 6b, describe in Part III.		
7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III.		No
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.		No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?		

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) GRANT NISKANEN MD	(i) (ii)	263,750 0	0 0	10,500 0	12,250 0	0 0	286,500 0	0 0
(2) PAUL R STEWART	(i) (ii)	323,302 0	190,000 0	0 0	12,250 0	14,232 0	539,784 0	0 0
(3) RICHARD RICO	(i) (ii)	251,110 0	52,875 0	0 0	12,250 0	19,380 0	335,615 0	0 0
(4) PATRICK MAVEETY MD	(i) (ii)	452,904 0	0 0	0 0	12,250 0	8,628 0	473,782 0	0 0
(5) TZANN T FANG MD	(i) (ii)	401,082 0	0 0	0 0	12,250 0	19,380 0	432,712 0	0 0
(6) RICHARD DEVORE MD	(i) (ii)	325,934 0	0 0	0 0	8,625 0	16,632 0	351,191 0	0 0
(7) NASSER G ABU-ERREISH MD	(i) (ii)	261,145 0	0 0	0 0	0 0	14,232 0	275,377 0	0 0
(8) W CLAY MCCORD MD	(i) (ii)	219,642 0	0 0	0 0	11,741 0	14,232 0	245,615 0	0 0

Part III **Supplemental Information**

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

Identifier	Return Reference	Explanation
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Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
SKY LAKES MEDICAL CENTER

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Employer identification number
93-0508781

Part I

Bond Issues

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

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue	39,329,258							
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	558,445							
8	Credit enhancement from proceeds	1,170,952							
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	15,000,000							
11	Other spent proceeds	22,599,861							
12	Other unspent proceeds								
13	Year of substantial completion	2007							
		Yes	No						
14	Were the bonds issued as part of a current refunding issue?		X						
15	Were the bonds issued as part of an advance refunding issue?	X							
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X						
b	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						
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 %							
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 %							
6	Total of lines 4 and 5	0 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV

Arbitrage

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

Part V

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 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 SKY LAKES MEDICAL CENTER	Employer identification number 93-0508781
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Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	FORM 990 IS REVIEWED BY THE CONTROLLER AND OTHER STAFF BEFORE FILING
	FORM 990, PART VI, SECTION B, LINE 12C	IT IS THE DUTY OF THE BOARD OF DIRECTORS OF SKY LAKES MEDICAL CENTER TO SAFEGUARD THE TAX EXEMPT STATUS OF SKY LAKES MEDICAL CENTER, AND AS SUCH THE BOARD WILL TAKE SERIOUSLY ANY CONFLICT OF INTEREST ON THE PART OF ANY BOARD MEMBER OR POTENTIAL BOARD MEMBER ALL BOARD MEMBERS AND POTENTIAL MEMBERS MUST DISCLOSE THE EXISTENCE OF ANY ACTUAL OR POTENTIAL CONFLICT OF INTEREST AN UPDATED STATEMENT OF SUCH POTENTIAL CONFLICTS SHALL BE SUBMITTED YEARLY BY ALL BOARD MEMBERS FOR REVIEW AT THE BOARD'S ANNUAL MEETING AFTER DISCLOSURE OF THE POTENTIAL CONFLICT OF INTEREST AND AFTER ANY DISCUSSION WITH THE INTERESTED PARTY, HE/SHE SHALL LEAVE THE BOARD OR COMMITTEE MEETING WHILE THE DETERMINATION OF A CONFLICT OF INTEREST IS DISCUSSED AND VOTED UPON THE REMAINING BOARD MEMBERS SHALL DECIDE IF A CONFLICT OF INTEREST EXISTS THE MINUTES OF THE BOARD AND ALL COMMITTEES OF THE BOARD SHALL CONTAIN 1) THE NAMES OF THE PERSONS WHO DISCLOSED OR OTHERWISE WERE FOUND TO HAVE A FINANCIAL INTEREST IN CONNECTION WITH AN ACTUAL OR POSSIBLE CONFLICT OF INTEREST, 2) THE NATURE OF THE FINANCIAL INTEREST, 3) THE NAMES OF THE PERSONS WHO WERE PRESENT FOR THE DISCUSSIONS AND VOTES RELATING TO THE TRANSACTION OR ARRANGEMENT, 4) THE CONTENT OF THE DISCUSSION INCLUDING ANY ALTERNATIVES TO THE PROPOSED TRANSACTION OR ARRANGEMENT, 5) ANY ACTION TAKEN TO DETERMINE WHETHER A CONFLICT OF INTEREST WAS PRESENT, AND, 6) THE BOARD OR COMMITTEE'S DECISION AS TO WHETHER A CONFLICT OF INTEREST IN FACT EXISTED
	FORM 990, PART VI, SECTION B, LINE 15	THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS REVIEWS COMPARATIVE DATA FOR CEO AND ALL VP POSITIONS FOR THE CEO POSITION, THE COMPENSATION COMMITTEE COMPLETES A PERSONNEL ACTION FORM, WHICH IS SIGNED BY THE BOARD CHAIR FOR ALL VP POSITIONS, THE COMMITTEE ACTS ON THE RECOMMENDATIONS MADE BY THE CEO
	FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE ALL MADE AVIALABLE TO THE PUBLIC UPON REQUEST
AVERAGE HOURS PER WEEK DEVOTED TO RELATED ORGANIZATION	FORM 990, PART VII, SEC A, LINE 1A, COLUMN (B)	SKY LAKES MEDICAL CENTER FOUNDATION CLARK PEDERSON - BOARD CHAIR, 3 HOURS JOHN BELL - BOARD MEMBER, 1 HOUR KERMIT HOUSER - BOARD MEMBER, 1 HOUR DOUGLAS MCINNIS DVM - BOARD MEMBER, 1 HOUR GRANT NISKANEN MD - BOARD MEMBER, 1 HOUR BERNARD SIMONSEN - BOARD MEMBER, 1 HOUR GREGORY SINDMACK MD - BOARD MEMBER, 1 HOUR PAUL STEWART - BOARD MEMBER, 1 HOUR WENDY WARREN MD - BOARD MEMBER, 1 HOUR ROD WENDT - BOARD MEMBER, 1 HOUR
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -56,901 BOOK/TAX DIFFERENCE ON PASSTHROUGH INCOME 83,950 TOTAL TO FORM 990, PART XI, LINE 5 27,049

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Part I

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) SOUTHERN OREGON EMERGENCY CARE LLC 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601 61-1595709	PHYSICIAN SERVICES	OR	0	657,255	SKY LAKES MEDICAL CENTER

Part II

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

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

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Dispropportionate 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	
(1) KLAMATH MEDICAL BUSINESS CENTER LLC 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601 02-0731372	REAL AND PERSONAL PROPERTY RENTAL	OR	N/A	INVESTMENT	53,132	548,846		No	7,351	Yes		50 000 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) WEST PHYSICIAN SERVICES LLC 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601 87-0696029	PHYSICIAN SERVICES	OR	SKY LAKES MEDICAL CENTER	C	-9,513,632	2,438,173	100 000 %
(2) PREFERRED HEALTH PLAN INC 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601 93-1304315	HEALTH INSURANCE	OR	SKY LAKES MEDICAL CENTER	C	-161,330	312,009	87 000 %

Part V

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

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

Yes

Yes

Yes

Yes

Yes

Yes

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) KLAMATH MEDICAL BUSINESS CENTER LLC	J	116,160	CASH TRANSFERRED
(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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Report of Independent Auditors and
Consolidated Financial Statements and
Supplementary Information for

**Sky Lakes Medical Center
and Affiliates**

September 30, 2012 and 2011

MOSS ADAMS LLP

REPORT OF INDEPENDENT AUDITORS

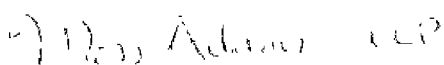
To the Board of Directors
 Sky Lakes Medical Center and Affiliates

We have audited the accompanying consolidated balance sheets of Sky Lakes Medical Center and Affiliates (the Medical Center) as of September 30, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

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

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating balance sheet, statement of operations, changes in net assets, combining balance sheet – obligated group, combining statement of operations – obligated group, and combining statement of changes in net assets – obligated group included on pages 33 through 40 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we express no opinion on it.



Portland, Oregon
 January 18, 2013

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SKY LAKES MEDICAL CENTER AND AFFILIATES
CONSOLIDATED BALANCE SHEETS

		September 30,	
		2012	2011
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$	16,343,104	\$ 21,892,455
Certificates of deposit		14,000,000	18,356,140
Patient accounts receivable, net		24,612,805	22,050,314
Other receivables		4,171,749	4,691,542
Risk pool withhold receivable		2,274,363	1,693,168
Supplies inventories		2,234,783	2,487,606
Prepaid expenses		2,793,011	2,890,033
Promises to give, current portion		1,347,335	797,048
Total current assets		67,777,150	74,858,306
ASSETS LIMITED AS TO USE		4,910,094	4,910,133
PROPERTY AND EQUIPMENT, net		89,664,174	88,833,480
OTHER ASSETS			
Deferred financing costs, net of amortization		1,594,637	1,575,692
Promises to give, net of current portion		582,069	1,154,018
Investments		47,480,079	19,763,521
Other		1,572,694	1,724,935
Total other assets		51,229,479	24,218,166
Total assets	\$	213,580,897	\$ 192,820,085

SKY LAKES MEDICAL CENTER AND AFFILIATES
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND NET ASSETS

	September 30,	
	2012	2011
CURRENT LIABILITIES		
Accounts payable	\$ 7,561,495	\$ 4,989,900
Accrued payroll	4,764,996	4,543,716
Accrued compensated absences	3,299,587	3,269,527
Accrued interest payable	240,731	229,516
Other accrued expenses	6,802,106	7,726,337
Estimated third-party payor settlements	3,320,719	2,486,341
Current portion of capital lease obligations	415,162	674,482
Current portion of long-term debt	1,168,558	1,108,603
	<u>27,573,354</u>	<u>25,028,422</u>
LONG-TERM LIABILITIES		
Capital lease obligations, net of current portion	5,139,968	5,182,553
Long-term debt, net of current portion	50,026,969	51,200,409
Other long-term liabilities	5,057,758	4,734,583
	<u>60,224,695</u>	<u>61,117,545</u>
Total liabilities	<u>87,798,049</u>	<u>86,145,967</u>
NET ASSETS		
Unrestricted net assets		
Sky Lakes Medical Center	119,991,879	101,221,226
Non-Controlling Interest	552,437	564,032
Total unrestricted net assets	<u>120,544,316</u>	<u>101,785,258</u>
Temporarily restricted	<u>5,238,532</u>	<u>4,888,860</u>
Total net assets	<u>125,782,848</u>	<u>106,674,118</u>
Total liabilities and net assets	<u><u>\$ 213,580,897</u></u>	<u><u>\$ 192,820,085</u></u>

SKY LAKES MEDICAL CENTER AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended September 30,	
	2012	2011
REVENUES		
Patient service revenue, net contractual adjustments	\$ 178,275,642	\$ 166,677,792
Provision for bad debts	(13,895,839)	(11,696,879)
Net patient service revenue	164,379,803	154,980,913
Contributions	5,207	43,105
Other revenue	4,617,526	3,577,342
Net assets released from restrictions	808,729	706,773
Total revenues	169,811,265	159,308,133
EXPENSES		
Salaries and benefits	79,831,438	77,768,085
Supplies	16,254,949	17,496,985
Drugs	9,277,512	9,202,021
Depreciation and amortization	8,599,200	8,212,819
Professional fees	8,354,467	6,634,413
Purchased services	8,176,183	6,760,952
Building and maintenance	7,369,177	6,467,174
Provider tax	6,741,244	4,571,051
Interest expense	3,048,313	3,262,027
Insurance	1,911,010	2,908,970
Rentals and lease expense	1,393,121	1,160,265
Other	4,359,265	4,054,302
Total expenses	155,315,879	148,499,064
OPERATING INCOME	14,495,386	10,809,069
OTHER INCOME		
Investment income	2,004,970	2,007,837
Other non-operating income	495,437	376,237
Total other income	2,500,407	2,384,074
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 16,995,793</u>	<u>\$ 13,193,143</u>

SKY LAKES MEDICAL CENTER AND AFFILIATES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Years Ended September 30,	
	2012	2011
UNRESTRICTED NET ASSETS		
Excess of revenues over expenses	\$ 16,995,793	\$ 13,193,143
Distributions and other	(94,300)	(90,706)
Net change in unrealized gains and losses on other-than-trading securities	<u>2,018,810</u>	<u>(1,308,725)</u>
Increase in unrestricted net assets before discontinued operations	18,920,303	11,793,712
Loss from discontinued operations	<u>(161,245)</u>	<u>(107,568)</u>
Increase in unrestricted net assets	<u>18,759,058</u>	<u>11,686,144</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	593,682	720,660
Investment income (loss)	518,156	(108,661)
Other revenue	46,563	66,873
Net assets released from restrictions	<u>(808,729)</u>	<u>(706,773)</u>
Increase (decrease) in temporarily restricted net assets	<u>349,672</u>	<u>(27,901)</u>
CHANGE IN NET ASSETS	19,108,730	11,658,243
NET ASSETS, beginning of year	<u>106,674,118</u>	<u>95,015,875</u>
NET ASSETS, end of year	<u><u>\$ 125,782,848</u></u>	<u><u>\$ 106,674,118</u></u>

SKY LAKES MEDICAL CENTER AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30,	
	2012	2011
CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES		
Changes in net assets from continuing operations	\$ 19,269,975	\$ 11,764,024
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	8,599,200	8,212,819
Net change in unrealized gains and losses on other-than-trading securities	(2,018,810)	1,308,725
Loss on sale of fixed assets	113,405	72,109
(Increase) decrease in:		
Patient accounts receivable, net	(2,562,491)	1,353,734
Supplies inventories	252,823	212,292
Prepaid expenses	97,022	(698,655)
Other receivables	519,793	(812,154)
Risk pool withhold receivable	(581,195)	(1,069,979)
Estimated third-party payor settlements	-	28,783
Promises to give	21,662	21,518
Deferred financing costs, net	(18,945)	65,655
Other assets	152,241	298,482
Increase (decrease) in:		
Accounts payable	2,571,595	408,033
Accrued payroll	221,280	(885,492)
Accrued compensated absences	30,060	810,325
Accrued interest payable	11,215	2,794
Other accrued expenses	(924,231)	1,120,166
Estimated third-party payor settlements	834,378	2,486,341
Other long-term liabilities	323,175	(148,655)
Net cash from continuing operations	26,912,152	24,550,865

SKY LAKES MEDICAL CENTER AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30,	
	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	\$ 9,354,263	\$ 817,538
Purchase of investments	(35,051,972)	(5,745,551)
Redemption (purchase) of certificates of deposit	4,356,140	(6,001,241)
Purchase of property and equipment	(9,157,437)	(5,817,992)
Net cash flows from investing activities	(30,499,006)	(16,747,246)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(1,113,485)	(1,061,228)
Payment on capital lease obligations	(687,767)	(600,761)
Net cash flows from financing activities	(1,801,252)	(1,661,989)
CASH FLOWS FROM DISCONTINUED OPERATIONS	(161,245)	(107,568)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,549,351)	6,034,062
CASH AND CASH EQUIVALENTS, beginning of year	21,892,455	15,858,393
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 16,343,104</u>	<u>\$ 21,892,455</u>

The Medical Center entered into capital lease obligations in the amount \$385,862 for new property and equipment in 2012.

Cash paid for interest in 2012 and 2011 was \$3,037,098 and \$3,259,232, respectively.

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Description of Organization and Summary of Significant Accounting Policies

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

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

West Physician Services, LLC (WPS)

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

Sky Lakes Medical Center Foundation, Inc (the Foundation)

Sky Lakes Medical Center Foundation is a not-for-profit corporation formed to advance the work of Sky Lakes Medical Center through philanthropy. The foundation is led by a 16-member board of directors who serve voluntarily and are elected by Sky Lakes Medical Center.

Klamath Medical Business Center, LLC (KMBC)

In 2004, the Medical Center, together with Cascade Comprehensive Care (CCC), formed Klamath Medical Business Center, LLC. The Medical Center directly owns 50% of KMBC. In addition, they indirectly own approximately 18.5% through their ownership in CCC (see Note 5). In addition, the Medical Center performs management functions for KMBC. KMBC exists for the purpose of leasing building facilities to the Medical Center and CCC.

Preferred Health Plan, Inc (PHP)

Preferred Health Plan, Inc. was a former Klamath Falls-based insurance company which offered several medical plans. PHP discontinued operations during 2009 (Note 18). 87% of outstanding shares of common stock are issued to Sky Lakes Medical Center.

All significant intercompany transactions have been eliminated.

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

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

Recent accounting pronouncements – The Medical Center adopted Accounting Standards Update (ASU) 2011-07 Presentation and Disclosure of Patient Service Revenue, Provisions for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. The amendments in the Update change the presentation of the statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue.

The Medical Center adopted ASU 2010-24 Presentation of Insurance Claims and Related Insurance Recoveries. The amendments in the Update clarify that a health care entity should not net insurance recoveries against a related claims liability and the amount of the claim liability should be determined without consideration of insurance recoveries.

The Medical Center adopted ASU 2010-23 Measuring Charity Care for Disclosures which requires cost to be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs for providing the charity care.

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

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

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

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

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

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

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

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

Certificates of deposit – Certificates of deposit are held at various financial institutions and range in maturity from 90 days to over 3 years and have interest rates ranging from .60% to 1.5%. Certificates of deposit are not subject to withdrawal limitations and are classified as current assets. Early withdrawal may result in a forfeiture of interest earned.

Patient accounts receivable – In the normal course of business, the Medical Center provides credit terms to its patients, including billing to third-party insurance carriers, most of whom are local residents and are insured under third-party payor agreements. Patient accounts receivables are reduced by an allowance for doubtful accounts. In evaluating the collectibility of receivables, the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients, the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. The Medical Center's allowance for contractual adjustments was \$30,709,744 and \$24,144,886 at September 30, 2012 and 2011, respectively. The Medical Center's bad debt provision was \$12,959,953 and \$21,368,619 at September 30, 2012 and 2011, respectively. There was no change in the methodology used by the Medical Center to estimate the allowance for contractual adjustments and bad debt provision in the current year.

SKY LAKES MEDICAL CENTER AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

The mix of gross receivables from patients and third-party payors was as follows at September 30:

	<u>2012</u>	<u>2011</u>
Medicare	38%	32%
Other third-party payors	27%	32%
Self-pay	18%	18%
Medicaid	15%	15%
Other governmental	<u>2%</u>	<u>3%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>

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

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

Assets limited as to use – Assets limited as to use include assets held by trustees under indenture agreements (see Note 11).

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

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

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

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

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

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

Health insurance – The Medical Center offers health insurance (the Employee Benefit Plan) to its active employees and families. The Medical Center pays approximately 80% of the premium and employees contribute the remaining 20% through bi-weekly payroll deductions. The Employee Benefit Plan provides medical, dental, vision, and prescription coverage. The Employee Benefit Plan is self-funded, but is reinsured through HM Life Insurance Company with a specific attachment point of \$250,000 per covered individual annually plus a \$60,000 aggregating specific with a \$1,750,000 lifetime maximum per individual. The Medical Center has established reserve amounts based upon information as to the status of claims plus development factors for incurred but not yet reported claims and anticipated future changes in underlying case reserves. Such reserve amounts are only estimates and there can be no assurance that the Medical Center's future Employee Benefit Plan obligations will not exceed the amount of its reserves. The Medical Center's reserve for health insurance was \$1,904,000 and \$1,435,000 at September 30, 2012 and 2011, respectively, and is included in accrued payroll on the consolidated balance sheet.

Worker's compensation – The Medical Center is self-funded for worker's compensation insurance, but is reinsured through Safety National Casualty Corporation with a specific attachment point of \$500,000 per claim. The Medical Center has contracted with Empire Pacific Risk Management to act as the third party administrator to process and pay claims. The Medical Center has established reserve amounts based upon information as to the status of claims plus development factors for incurred but not yet reported claims and anticipated future changes in underlying case reserves. Such reserve amounts are only estimates and there can be no assurance that the Medical Center's future workers' compensation obligations will not exceed the amount of its reserves. The Medical Center's reserve for workers' compensation was \$558,062 and \$953,130 at September 30, 2012 and 2011, respectively, and is included in accrued payroll on the consolidated balance sheet.

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

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

Net patient service revenue – The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Medical Center records a significant provision for bad debts related to uninsured patients in the period the services are provided. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity care – The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The policy of the Medical Center for charity care includes providing non-elective services to patients whose household income falls at or below 200% of the Federal Poverty Level at no cost. For those patients who fall between 200% and 225% of the Federal Poverty Level and who are unable to pay their bills, patients are eligible for either a partial write-off of their account, annual maximum out of pocket, or both. The policy applies to both insured patients as well as uninsured patients provided the patient meets the eligibility criteria. Total cost of charity care provided by the Medical Center was \$5,457,711 and \$4,820,279 as of September 30, 2012 and 2011, respectively.

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

Temporarily and permanently restricted net assets – Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Medical Center in perpetuity. The Medical Center does not have any permanently restricted net assets at September 30, 2012 and 2011.

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

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

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

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

The Medical Center had no unrecognized tax benefits at September 30, 2012, or at September 30, 2011. The Medical Center recognizes interest accrued and penalties related to unrecognized tax benefits as an administrative expense. During the years ended September 30, 2012 and 2011, the Medical Center recognized no interest and penalties.

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

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

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

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

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

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

The Medical Center has evaluated subsequent events through January 18, 2013, which is the date the financial statements were available to be issued.

Reclassifications – Certain reclassifications have been made to the 2011 consolidated financial statements to conform to current-year presentations. These reclassifications did not affect previously reported excess of revenues over expenses or net assets.

Note 2 – Net Patient Service Revenue

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

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

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 – Net Patient Service Revenue (continued)

- Cascade Comprehensive Care, Inc. is a local Medicaid claims administrator of which the Medical Center owns 37% (see Note 5). The Medical Center is paid on an interim basis based upon prospectively determined rates. The Medical Center also participates in a risk pool arrangement that encourages cost containment. The Medical Center received \$9,883,733 and \$11,847,608 in Medicaid reimbursements from Cascade Comprehensive Care in 2012 and 2011, respectively.
- Atrio Health Plans, Inc. is a for-profit Oregon health care service, of which Cascade Comprehensive Care, Inc. owns a one-third interest. Atrio Health Plans, Inc. provides Medicare Advantage Plans to residents primarily of Douglas and Klamath Counties. The Medical Center received \$8,552,762 and \$6,677,252 in Medicare reimbursement from Atrio Health Plans, Inc. in fiscal year 2012 and 2011, respectively.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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

Patient service revenue, net of contractual allowances of \$202,944,075 and \$187,360,524 for the years ending September 30, 2012 and 2011, respectively, recognized in the period from major payor sources, is as follows.

	2012	2011
Medicare	\$ 70,796,198	\$ 61,884,054
Other third-party payors	70,750,127	70,611,028
Medicaid	27,035,617	23,004,786
Other governmental	5,680,523	7,366,773
Self-pay	4,013,177	3,811,151
Provision for bad debts	<u>(13,895,839)</u>	<u>(11,696,879)</u>
Total net patient service revenue	<u>\$ 164,379,803</u>	<u>\$ 154,980,913</u>

SKY LAKES MEDICAL CENTER AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 – Promises to Give

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

	2012	2011
Receivable in less than one year, net	\$ 1,347,335	\$ 797,048
Receivable in one to five years, net	582,069	1,154,018
	<u>\$ 1,929,404</u>	<u>\$ 1,951,066</u>

At September 30, 2012 and 2011, substantially all unconditional promises to give were from two donors.

Note 4 – Assets Limited as to Use

Assets limited as to use at September 30 include:

	2012	2011
Interest receivable	\$ 23,604	\$ 23,647
Mutual funds	93,026	93,022
Guaranteed investment contracts	4,793,464	4,793,464
	<u>\$ 4,910,094</u>	<u>\$ 4,910,133</u>

Note 5 – Investments

Investments at September 30 include:

	2012	2011
Corporate bonds	\$ 21,961,306	\$ 304,924
Common stocks	11,503,513	10,448,849
Mutual funds	5,083,284	1,418,151
Certificates of deposit	4,670,160	3,979,533
Cascade Comprehensive Care, Inc. – common stock	2,155,351	2,083,891
Other investments	1,207,724	916,990
U.S. government securities	433,395	238,693
Southern Oregon Linen Services, Inc. – common stock	282,246	189,390
Mt. States Healthcare RRG – common stock	183,100	183,100
	<u>\$ 47,480,079</u>	<u>\$ 19,763,521</u>

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 – Investments (continued)

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

Southern Oregon Linen Service, Inc

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

Mountain States Healthcare Reciprocal Risk Retention Group

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

Cascade Comprehensive Care, Inc

The Medical Center owns 37% of the common stock in Cascade Comprehensive Care Inc. (CCC), which is accounted for using the equity method. CCC is a managed health care company that currently manages a Medicaid contract under the Oregon Health Plan. CCC handles quality assurance, utilization management, claims adjudication, pharmacy management, encounter reporting, financial and solvency reporting, physician and provider contracting, reinsurance/stoploss issues, risk model management etc. for the local community.

SKY LAKES MEDICAL CENTER AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 – Investments (continued)

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

	2012 (unaudited)	2011 (unaudited)
Current assets	\$ 7,820,491	\$ 9,085,800
Noncurrent assets	8,436,292	5,081,424
	<u>\$ 16,256,783</u>	<u>\$ 14,167,224</u>
Current liabilities	\$ 10,362,828	\$ 8,402,015
Noncurrent liabilities	100,000	178,371
Equity	5,793,955	5,586,838
	<u>\$ 16,256,783</u>	<u>\$ 14,167,224</u>
Operating revenue	\$ 29,796,938	\$ 33,385,257
Operating expenses	28,670,860	32,118,814
	<u>\$ 1,126,078</u>	<u>\$ 1,266,443</u>

Note 6 – Fair Value Measurements

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

Basis of fair value measurement –

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

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

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

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 – Fair Value Measurements (continued)

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2012 and 2011.

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

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

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

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

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

Other investments – Valued at fair value by discounting the related cash flows based on current yields of similar instruments or underlying collateral value, where applicable.

SKY LAKES MEDICAL CENTER AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 – Fair Value Measurements (continued)

The following tables disclose by level, the fair value hierarchy, of the Medical Center's assets at fair value as of September 30, 2012 and 2011:

Fair Value Measurements at September 30, 2012				
	Total Fair Value	Level One	Level Two	Level Three
Common stock				
Financial	\$ 3,192,332	\$ 2,265,436	\$ 926,896	\$ -
Technology	2,029,128	2,029,128	-	-
Services	1,472,452	1,190,206	282,246	-
Healthcare	3,497,421	1,158,970	2,338,451	-
Energy	190,941	190,941	-	-
Utilities	647,037	647,037	-	-
Basic materials	1,453,796	1,453,796	-	-
Consumer goods	1,130,444	1,062,854	67,590	-
Transportation	85,877	85,877	-	-
Industrial goods	337,826	337,826	-	-
Other	86,956	86,956	-	-
Guaranteed investment contracts				
Wachovia GIC	3,035,000	-	3,035,000	-
Morgan Staley GIC	1,758,464	-	1,758,464	-
Mutual funds				
Growth funds	1,315,655	1,315,655	-	-
Bond funds	590,007	590,007	-	-
Blend funds	1,545,815	1,545,815	-	-
Equity funds	370,464	370,464	-	-
Value funds	104,033	104,033	-	-
Target funds	647,468	647,468	-	-
Money market funds	84,113	84,113	-	-
Other funds	518,755	518,755	-	-
Certificates of deposit	18,670,160	-	18,670,160	-
Corporate bonds				
Conglomerates	25,207	-	25,207	-
Consumer Goods	211,341	-	211,341	-
Financial	12,824,581	-	12,824,581	-
Basic materials	1,634,038	-	1,634,038	-
Healthcare	60,369	-	60,369	-
Industrial Goods	927,460	-	927,460	-
Services	1,818,901	-	1,818,901	-
Technology	4,194,015	-	4,194,015	-
Other	265,394	-	265,394	-
U.S. government securities	433,395	-	433,395	-
Other investments	1,207,724	-	-	1,207,724
	<u>\$ 66,366,569</u>	<u>\$ 15,685,337</u>	<u>\$ 49,473,508</u>	<u>\$ 1,207,724</u>

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 – Fair Value Measurements (continued)

	Fair Value Measurements at September 30, 2011			
	Total Fair Value	Level One	Level Two	Level Three
Common stock				
Financial	\$ 2,762,320	\$ 1,996,384	\$ 765,936	\$ -
Technology	1,564,975	1,564,975	-	-
Services	1,050,322	1,050,322	-	-
Healthcare	983,721	983,721	-	-
Energy	812,118	812,118	-	-
Utilities	583,423	583,423	-	-
Basic materials	511,455	511,455	-	-
Consumer non-cyclical	475,965	475,965	-	-
Transportation	321,969	321,969	-	-
Capital goods	286,562	286,562	-	-
Consumer cyclical	113,323	113,323	-	-
Other	68,653	68,653	-	-
Guaranteed investment contracts				
Wachovia GIC	3,035,000	-	3,035,000	-
Morgan Staley GIC	1,758,464	-	1,758,464	-
Mutual funds				
Value funds	1,026,012	1,026,012	-	-
Growth funds	898,773	898,773	-	-
Bond funds	525,560	525,560	-	-
Blend funds	451,349	451,349	-	-
Money market funds	233,803	233,803	-	-
Other funds	104,639	104,639	-	-
Certificates of deposit	22,335,673	-	22,335,673	-
Corporate bonds	344,012	-	344,012	-
U.S. government securities	238,693	238,693	-	-
Other investments	62,980	-	62,980	-
	<u>\$ 40,549,764</u>	<u>\$ 12,247,699</u>	<u>\$ 28,302,065</u>	<u>\$ -</u>

Level 3 Investments includes an investment purchased during the year for approximately \$1.2 million and was liquidated subsequent to year.

SKY LAKES MEDICAL CENTER AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 – Property and Equipment

A summary of property and equipment at September 30 follows:

	2012	2011
Buildings and fixed equipment	\$ 113,616,960	\$ 111,551,000
Moveable equipment	43,272,954	38,111,114
Equipment under capital lease obligations	12,441,345	12,055,483
Land improvements	4,114,570	4,070,746
Land	1,826,576	1,634,678
Leasehold improvements	144,849	107,205
	<u>175,417,254</u>	<u>167,530,226</u>
Less: Accumulated depreciation and amortization	<u>(89,105,273)</u>	<u>(80,921,585)</u>
	86,311,981	86,608,641
Construction in progress	<u>3,352,193</u>	<u>2,224,839</u>
	<u><u>\$ 89,664,174</u></u>	<u><u>\$ 88,833,480</u></u>

Depreciation expense from operations for the years ended September 30, 2012 and 2011 amounted to approximately \$7,980,571 and \$7,573,283, respectively, while depreciation expense from discontinued operations amounted to \$0 and \$1,898 for the years ended September 30, 2012 and 2011, respectively. Amortization expense for the years ended September 30, 2012 and 2011 amounted to approximately \$618,629 and \$639,536, respectively. Accumulated amortization for equipment under capital lease obligations was \$7,234,887 and \$6,616,259 at September 30, 2012 and 2011, respectively.

Note 8 – Plum Ridge Care Center

Lease value of Plum Ridge Care Center – In 2001, Klamath County, Oregon deeded the Plum Ridge Care Center to the Authority. The Medical Center entered into a long-term lease agreement for a period of 89 years for the sum of \$1 per year. In addition, the Medical Center has the option of purchasing the property at any time for the sum of \$1. The Medical Center recognized the fair value of the lease at the time the agreement with the Authority was entered into. The Medical Center is amortizing the lease value over the life of the lease. The lease value of Plum Ridge Care Center at September 30, 2012 and 2011, was \$1,572,694 and \$1,628,862, respectively, and is included in other assets in the consolidated balance sheet.

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 – Plum Ridge Care Center (continued)

Deferred rental revenue – In 2001, the Medical Center subleased the Plum Ridge Care Center to Plum Ridge Care Community, LLC, an unrelated third party, on equivalent lease terms as to the Medical Center's lease with the Authority, except the Medical Center did not grant the right to purchase the property to Plum Ridge Care Community, LLC. The Medical Center recognized a liability to Plum Ridge Care Community, LLC, for the lease value of the remaining term of the lease. The revenue is being amortized over the lease term. The deferred rental revenue of Plum Ridge Care Center was \$2,574,744 and \$2,608,182 at September 30, 2012 and 2011, respectively, and is included in other long-term liabilities in the consolidated balance sheet.

Note 9 – Line of Credit

The Medical Center had a revolving line of credit with South Valley Bank and Trust in the amount of \$8,500,000. Borrowings carried an interest rate of prime plus 0.25%. There was no balance outstanding on the line of credit at September 30, 2011. The line of credit matured on July 5, 2012 and was not renewed.

SKY LAKES MEDICAL CENTER AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 – Capital Leases

	<u>2012</u>	<u>2011</u>
Facility lease with a private party with monthly payments of \$31,240 through September 2012 and \$36,274 from October 2017 through September 2037 at 8.90%.	\$ 4,252,217	\$ 4,269,441
Equipment lease-purchase agreement with Phillips Medical Capital, LLC with monthly payments of \$17,668 at 4.79% through August 2015.	576,030	755,741
Equipment lease-purchase agreement with Provident Equipment Leasing with monthly payments of \$12,729 at 4.30% through April 2015.	365,989	499,846
Equipment lease-purchase agreement with CareFusion Solutions, LLC with monthly payments of \$6,857 at 2.64% through May 2017.	360,894	-
Equipment lease-purchase agreement with Citicorp with monthly payments of \$25,444 at 5.73% through September 2012.	<u>-</u>	<u>332,007</u>
Total capital lease obligations	5,555,130	5,857,035
Less current portion	<u>(415,162)</u>	<u>(674,482)</u>
Capital lease obligations, net of current portion	<u><u>\$ 5,139,968</u></u>	<u><u>\$ 5,182,553</u></u>

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

2013	\$ 882,300
2014	882,300
2015	793,400
2016	517,600
2017	490,100
Thereafter	<u>8,705,800</u>
Total minimum lease payments	12,271,500
Less: Amount representing interest	<u>(6,716,370)</u>
Present value of net minimum lease payments	<u><u>\$ 5,555,130</u></u>

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 – Long-Term Debt

	<u>2012</u>	<u>2011</u>
Series 2006 Bonds with interest rates from 4% to 5% and mature in varying amounts through 2036, net of premiums of \$294,380 and \$306,689 at September 30, 2012 and 2011, respectively.	\$ 38,769,380	\$ 39,026,689
Series 2002 Bonds with interest rates from 3.25% to 6.25% and mature in varying amounts through 2031, net of discounts of \$137,298 and \$144,525 at September 30, 2012 and 2011, respectively.	11,332,702	12,110,475
Note payable with South Valley Bank & Trust maturing April 2014, payable in monthly installments of \$9,281 and one final payment of \$947,783 with a rate of 0.50% below prime.	<u>1,093,445</u>	<u>1,171,848</u>
Total long-term debt	51,195,527	52,309,012
Less current portion	<u>(1,168,558)</u>	<u>(1,108,603)</u>
Long-term debt, net of current portion	<u><u>\$ 50,026,969</u></u>	<u><u>\$ 51,200,409</u></u>

2002 Bonds

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

The 2002 Bonds are secured by a Deed of Trust on the Medical Center Facility portion of the Medical Center's real property. They are further secured by a Reserve Fund, created by the terms of the Bonds Indenture to be held by the Bond Trustee (see Note 4) to prevent a payment default on the Bonds. The Reserve Fund is required to maintain a balance equal to the lesser of the maximum annual debt service, 125% of the average annual debt service, or 10% of the bond proceeds.

SKY LAKES MEDICAL CENTER AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 – Long-Term Debt (continued)

2006 Bonds

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

The 2006 Bonds are secured by a Deed of Trust on a portion of the Medical Center campus, including the main hospital facility. They are further secured by a Reserve Fund, created by the terms of the Bond Indenture to be held by the Bond Trustee (see Note 4) to prevent a payment default on the Bonds. The Reserve Fund is required to maintain a balance equal to the lesser of the maximum annual debt service, 125% of the average annual debt service, or 10% of the bond proceeds. They are also secured by a pledge of the gross revenues.

The Medical Center must satisfy certain covenants as long as the 2006 Bonds are outstanding. At September 30, 2012, management is not aware of any violation of the covenants.

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

2013	\$ 1,168,558
2014	2,139,887
2015	1,190,000
2016	1,245,000
2017	1,305,000
Thereafter	<u>44,147,082</u>
	<u>\$ 51,195,527</u>

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 – Temporarily Restricted Net Assets

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

	2012	2011
Capital Campaign	\$ 1,371,530	\$ 1,371,285
Cancer Endowment Fund	2,132,760	1,898,094
Cancer Discretionary Fund	628,788	469,010
Other Funds	1,105,454	1,150,471
Total temporarily restricted net assets	<u>\$ 5,238,532</u>	<u>\$ 4,888,860</u>

Note 13 – Income Taxes

PHP has \$6,400,000 available of unused operating loss carry forwards available at September 30, 2012, that may be applied against future taxable income, which expire in years 2026 through 2032.

WPS has \$14,050,000 available of unused operating loss carry forwards available at September 30, 2012, that may be applied against future taxable income, which expire in years 2024 through 2032.

Utilization of any deferred tax assets for the operating loss carry forwards disclosed above is dependent on future taxable profits. Because PHP and WPS have no history of sustained profitability and the asset will not be realized within one year of the balance sheet date, the deferred tax assets and the unused operating loss carry forwards have been fully reserved for at September 30, 2012 and 2011. The deferred tax asset, net of reserve, is \$0 at September 30, 2012 and 2011.

Note 14 – Commitments and Contingencies

Operating Leases

Lessee Leases

The Medical Center leases equipment and facilities under operating leases. Total rental expense in 2012 and 2011 for all operating leases was approximately \$787,100 and \$729,800, respectively.

SKY LAKES MEDICAL CENTER AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 – Commitments and Contingencies (continued)

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

2013	\$ 348,300
2014	140,700
2015	82,100
2016	82,100
2017	82,100
	\$ 735,300

Lessor Leases

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

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

	<u>2012</u>	<u>2011</u>
Buildings and improvements	\$ 6,856,463	\$ 7,209,295
Less accumulated depreciation	<u>(3,496,611)</u>	<u>(3,500,649)</u>
	<u>\$ 3,359,852</u>	<u>\$ 3,708,646</u>

Minimum future rentals to be received on non-cancelable leases as of September 30 are:

2013	\$ 515,900
2014	483,300
2015	404,200
2016	369,700
2017	367,800
Thereafter	<u>1,318,900</u>
	<u>\$ 3,459,800</u>

Litigation

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

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 – Related-Party Transactions

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

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

Atrio Health Plans

CCC owns a one-third interest in Atrio Health Plans, Inc. Atrio Health Plans, Inc. is a for-profit Oregon health care service contractor providing Medicare Advantage Plans to residents primarily of Douglas and Klamath Counties. The Medical Center received \$8,552,762 and \$6,677,252 in Medicare reimbursement from Atrio Health Plans, Inc. in fiscal year 2012 and 2011, respectively.

Southern Oregon Linen Services

The Medical Center purchased laundry services of \$447,710 and \$436,441 from Southern Oregon Linen Services in fiscal years 2012 and 2011, respectively.

Note 16 – Functional Expenses

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

	<u>2012</u>	<u>2011</u>
Health care services	\$ 129,544,692	\$ 122,993,577
General and administrative	<u>25,771,187</u>	<u>25,505,487</u>
Total	<u><u>\$ 155,315,879</u></u>	<u><u>\$ 148,499,064</u></u>

Note 17 – Retirement Plans

403(b) – Elective Deferral Plan

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

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17 – Retirement Plans (continued)

401(a) – Money Purchase Pension Plan

The Medical Center has established a defined contribution retirement plan for all employees who have at least one year of service, are age twenty-one or older, and have completed 1,000 hours of service in the plan year. The Medical Center is required to contribute 5% of an employee's compensation to the plan each plan year. The Medical Center accrued \$2,459,330 and \$2,458,968 to the plan on behalf of employees for fiscal years ended September 30, 2012 and 2011, respectively.

401(k) Plan

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

409(a) – Retirement Plan

WPS established the West Physician Services Nonqualified Retirement Plan, for the purposes of providing nonqualified retirement benefits to a select group of its employees. The Medical Center is required to contribute 15% of an employee's compensation to the plan each plan year. In addition, the plan permits eligible employees to defer a portion of their compensation. The participant balances are distributable in cash after retirement or termination of employment. The Medical Center contributed \$348,711 and \$284,477 to the plan on behalf of employees for fiscal years ended September 30, 2012 and 2011, respectively.

457(b) – Deferred Compensation Plan

The Medical Center established the Sky Lakes Medical Center 457(b) Plan. The Plan is a 457(b) qualified deferred compensation plan that permits eligible employees to defer a portion of their compensation. The participant balances are distributable in cash after retirement, unforeseeable emergencies, or termination of employment. Employer contributions to the plan totaled \$46,256 for the fiscal year ended September 30, 2012.

SKY LAKES MEDICAL CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18 – Discontinued Operations

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

At September 30, 2012, the amounts on the consolidated balance sheet pertaining to PHP represent \$312,009 of assets and \$75,339 of liabilities. During 2012, PHP earned revenue of \$8,351, incurred expenses of \$169,681, and incurred an operating loss of \$161,330.

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

Note 19 – Health Care Reform

As a result of recently enacted federal health care reform legislation, substantial changes are anticipated in the United States health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers, and employers. These provisions are currently slated to take effect at specified times over approximately the next decade. This federal health care reform legislation does not affect the 2012 financial statements.

Note 20 – Subsequent Events

Subsequent to September 30, 2012, the Authority issued \$17,000,000 in Series 2012 Bonds to defease the remaining 2002 Bonds, to pay or to reimburse the Medical Center for the payment of costs of acquiring, installing, and testing new equipment, to fund a Reserve Fund for the 2012 Bonds, and to pay costs of issuing the 2012 Bonds. The issuance was structured as a legal defeasance. Adequate amounts of the 2012 Bond issuance were used to purchase U.S. Treasury Securities to fully pay the debt service requirements of the 2002 Bonds. The securities have been placed in an escrow account and the Escrow Agent for the account will pay the debt service requirements as they become due.

The 2012 Bonds are secured by a Deed of Trust on a portion of the Medical Center campus, including the main hospital facility. They are further secured by a Reserve Fund, created by the terms of the Bond Indenture to be held by the Bond Trustee to prevent a payment default on the Bonds. The Reserve Fund is required to maintain a balance equal to the lesser of the maximum annual debt service, 125% of the average annual debt service, or 10% of the bond proceeds. They are also secured by a pledge of the gross revenues.