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Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

Our mission as a not-for-profit, faith-based hospital is to provide THE HIGHEST QUALITY HEALTH CARE SERVICES TO THE COMMUNITIES WE SERVE

2

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

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

3

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

If "Yes," describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 504,641,699 including grants of \$ 5,695,206) (Revenue \$ 806,950,893)

PROVISION OF HEALTH CARE SERVICES - SEE SCHEDULE O

4b

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

4c

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

4d

Other program services (Describe in Schedule O)

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

4e

Total program service expenses \$ 504,641,699

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22	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	Yes	
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	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance					
Check if Schedule O contains a response to any question in this Part V ☐					
		Yes	No		
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	844		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes		
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	5,683		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes		
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes		
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a			No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	Organizations that may receive deductible contributions under section 170(c).				
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
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?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b			

Part VI

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1a	18		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	11
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	Yes
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed CA
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. JENNIFER MITZNER ONE HOAG DRIVE BOX 6100 NEWPORT BEACH, CA 926586100 (949) 764-4411

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

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

Form **990** (2011)

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	8,856,350	0	901,606

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. 617

		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
PACIFIC HOSPITALIST ASSOCIATES 510 SUPERIOR AVENUE SUITE 290 NEWPORT BEACH, CA 92663	MEDICAL	5,763,326
Taylor Associates Architects 2220 University Dr Suite 200 NEWPORT BEACH, CA 92660	ARCHITECTURE	3,654,923
NEWPORT CRITICAL CARE 17 EMERALD TRACE ALISO VIEJO, CA 92656	MEDICAL	2,914,863
GG ORGANIZATION LTD 7670 WOODWAY SUITE 250 HOUSTON, TX 77063	COLLECTION AGENCY	2,818,086
WASATCH ENERGY LLC 1010 N 500 E NORTH SALT LAKE, UT 84054	ENERGY/UTILITIES	1,822,747

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 ►91

Part VIII

Statement of Revenue

				(A)	(B)	(C)	(D)
				Total revenue	Related or exempt function revenue	Unrelated business revenue	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	26,223,804			
	e	Government grants (contributions)	1e	249,208			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	17,418,281			
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f			43,891,293		
Program Service Revenue			Business Code				
	2a	PATIENT SERVICES	622110	671,998,116	671,998,116		
	b	HMO Capitated Payment	622110	92,103,735	92,103,735		
	c	MOB Rental Income		18,430,221	18,430,221		
	d	Cafetera Sales	722210	4,046,382	4,046,382		
	e	Refunds & Rebates	532299	3,127,610	3,127,610		
	f	All other program service revenue		1,881,437	1,881,437	0	
	g	Total. Add lines 2a-2f			791,587,501		
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		17,284,796			17,284,796
	4	Income from investment of tax-exempt bond proceeds . . .		16,826			16,826
	5	Royalties		22,426			22,426
	6a	(i) Real					
		(ii) Personal					
	b	Less rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss)					
	7a	(i) Securities					
		(ii) Other					
	b	Less cost or other basis and sales expenses					
	c	Gain or (loss)					
	d	Net gain or (loss)		-1,740,277			-1,740,277
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18					
	a						
	b	Less direct expenses					
	c	Net income or (loss) from fundraising events . . .		0			
	9a	Gross income from gaming activities See Part IV, line 19					
	a						
	b	Less direct expenses					
c	Net income or (loss) from gaming activities . . .		0				
10a	Gross sales of inventory, less returns and allowances						
a							
b	Less cost of goods sold						
c	Net income or (loss) from sales of inventory . . .		0				
Miscellaneous Revenue			Business Code				
11a	MISC - HOI SERVICES		561110	9,052,553	6,028,051	3,024,502	
b	INCOME FROM PARTNERSHIPS / LLC'S		525990	8,808,717	9,256,151	-447,434	
c	CHILD CARE PROGRAM		624410	1,596,272			1,596,272
d	All other revenue			744,680	79,190	665,490	
e	Total. Add lines 11a-11d			20,202,222			
12	Total revenue. See Instructions			871,264,787	806,950,893	3,242,558	17,180,043

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	5,680,694	5,680,694		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	14,512	14,512		
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	5,472,379	518,863	4,953,516	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	24,575		24,575	
7	Other salaries and wages	277,500,764	190,774,049	86,726,715	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	12,391,929	2,950,600	9,441,329	
9	Other employee benefits	39,326,204	24,628,281	14,697,923	
10	Payroll taxes	21,431,649	14,136,895	7,294,754	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	2,578,160	24,184	2,553,976	
c	Accounting	1,193,447		1,193,447	
d	Lobbying	0			
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	3,598,729		3,598,729	
g	Other	105,642,970	67,182,004	38,460,966	
12	Advertising and promotion	2,265,963	8,076	2,257,887	
13	Office expenses	9,741,873	2,260,361	7,481,512	
14	Information technology	9,315,871	13,617	9,302,254	
15	Royalties	0			
16	Occupancy	39,209,469	15,133,101	24,076,368	
17	Travel	236,442	38,349	198,093	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	345,919	92,737	253,182	
20	Interest	21,031,507	20,821,192	210,315	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	73,052,424	24,766,820	48,285,604	
23	Insurance	2,250,963		2,250,963	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	medical supplies	106,920,370	106,033,346	887,024	
b	QA CA HOSPITAL FEE	24,034,267	24,034,267		
c	All other expenses	28,298,892	5,529,751	22,769,141	
d					
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	791,559,972	504,641,699	286,918,273	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			75,464,148	1	119,594,584
	2	Savings and temporary cash investments			20,107,052	2	63,585,347
	3	Pledges and grants receivable, net			0	3	0
	4	Accounts receivable, net			83,626,722	4	75,951,414
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			2,532,083	5	2,500,000
	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			0	6	0
	7	Notes and loans receivable, net			1,973,182	7	2,704,536
	8	Inventories for sale or use			4,727,452	8	6,408,505
	9	Prepaid expenses and deferred charges			17,404,294	9	10,940,354
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	1,475,845,259			
	b	Less: accumulated depreciation	10b	583,855,883	856,774,364	10c	891,989,376
	11	Investments—publicly traded securities			627,370,209	11	646,542,056
	12	Investments—other securities. See Part IV, line 11			322,454,839	12	343,872,874
	13	Investments—program-related. See Part IV, line 11			47,148,454	13	49,947,698
	14	Intangible assets			0	14	0
	15	Other assets. See Part IV, line 11			43,888,787	15	56,251,951
	16	Total assets. Add lines 1 through 15 (must equal line 34)			2,103,471,586	16	2,270,288,695
Liabilities	17	Accounts payable and accrued expenses			126,175,194	17	153,334,453
	18	Grants payable			0	18	0
	19	Deferred revenue			0	19	0
	20	Tax-exempt bond liabilities			565,433,341	20	564,052,132
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L			0	22	0
	23	Secured mortgages and notes payable to unrelated third parties			0	23	0
	24	Unsecured notes and loans payable to unrelated third parties			0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D			118,769,932	25	106,622,098
	26	Total liabilities. Add lines 17 through 25			810,378,467	26	824,008,683
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			1,285,983,530	27	1,446,280,012
	28	Temporarily restricted net assets			7,109,589	28	0
	29	Permanently restricted net assets			0	29	0
	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			1,293,093,119	33	1,446,280,012
	34	Total liabilities and net assets/fund balances			2,103,471,586	34	2,270,288,695

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	871,264,787
2	Total expenses (must equal Part IX, column (A), line 25)	2	791,559,972
3	Revenue less expenses Subtract line 2 from line 1	3	79,704,815
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	1,293,093,119
5	Other changes in net assets or fund balances (explain in Schedule O)	5	73,482,078
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	1,446,280,012

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: 95-1643327

Name: HOAG MEMORIAL HOSPITAL PRESBYTERIAN

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Stephen Jones Chair	3 0	X		X				0	0	0
Robert W Evans IMMEDIATE PAST CHAIR	3 0	X		X				0	0	0
John L Benner Secretary	3 0	X		X				0	0	0
Dick P Allen Board Member	3 0	X						0	0	0
Allyson M Brooks MD Board Member	3 0	X						275,528	0	0
Jake Easton III Board Member	3 0	X						26,660	0	0
Max W Hampton Board Member	3 0	X						0	0	0
Jeffrey H Margolis Board Member	3 0	X						0	0	0
Gary S McKitterick Chair-Elect	3 0	X						0	0	0
Richard A Norling Board Member	3 0	X						0	0	0
Virginia Ueberroth Board Member	3 0	X						0	0	0
Yulun Wang PhD Board Member	3 0	X						0	0	0
Douglas R Zusman MD Board Member	3 0	X						120	0	0
Richard F Afable MD President & CEO/Board Member	50 0	X		X				1,142,245	0	213,779
Weston G Chandler MD Board Member	3 0	X						0	0	0
Karen Linden Board Member	3 0	X						0	0	0
Leslie A Margolin Board Member	3 0	X						11,839	0	0
George H Wood Board Member	3 0	X						0	0	0
Jennifer Mitzner SVP Corporate Services & CFO	50 0			X				606,955	0	70,301
Robert Braithwaite SVP & Chief Operating Officer	50 0			X				732,107	0	67,342
Ann L Taylor Assistant Secretary 10/1-9/19	50 0			X				93,838	0	17,494
Jack Cox MD SVP & Chief Quality Officer	50 0				X			557,651	0	147,596
Richard Martin SVP & Chief Nursing Officer	50 0				X			553,204	0	47,119
Timothy CL Moore SVP & Chief Info Officer	50 0				X			499,997	0	56,172
Cynthia H Perazzo SVP Strategic & Business Dvpmt	50 0				X			462,745	0	47,941

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Sanford Smith SVP Real Estate & Facilities	50 0				X			480,265	0	83,332
Flynn Andrizzi SVP	3 0				X			459,532	0	47,328
Robert Dillman Executive Medical Director	50 0					X		493,392	0	38,969
Robert Tancredi Executive Medical Director COE	50 0					X		972,042	0	17,011
Michael Brant-Zawadzki Executive Medical Director COE	50 0					X		554,875	0	26,141
Patricia Bartel VP Centers of Excellence	50 0					X		472,842	0	21,081
Tonja Bailey Sr CIP Program eMAR Architect	50 0					X		460,513	0	0

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
HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number
95-1643327

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

Part IIIPart III

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

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

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

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

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

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

Facts And Circumstances Test

Explanation

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization HOAG MEMORIAL HOSPITAL PRESBYTERIAN	Employer identification number 95-1643327
---	--

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

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

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

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

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

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

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

Part II-A

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

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

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

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

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

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		33,363
	j Total lines 1c through 1i			33,363
	2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b If "Yes," enter the amount of any tax incurred under section 4912				
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912				
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?				

Part III-A

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
Lobbying efforts	Schedule C, Part II-B, Line 1i	Hoag Memorial Hospital Presbyterian (HMHP) pays dues to the Hospital Association of Southern California. A portion of the dues paid by HMHP are spent on lobbying efforts by the Hospital Association. In FY 2012, \$33,363 was spent on lobbying.

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number
95-1643327

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

► \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2011

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		77,330,825		77,330,825
b Buildings		819,845,079	266,595,431	553,249,648
c Leasehold improvements		98,045,827	21,901,377	76,144,450
d Equipment		449,027,622	295,359,075	153,668,547
e Other		31,595,906		31,595,906
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				891,989,376

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
ASC 740 FOOTNOTE (FKA FIN 48)	SCHEDULE D, PART X, LINE 2	THE FOLLOWING IS THE FIN 48 FOOTNOTE FROM THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF HOAG MEMORIAL HOSPITAL PRESBYTERIAN ACCOUNTING STANDARDS CODIFICATION (ASC) 740, INCOME TAXES, CLARIFIES THE ACCOUNTING FOR INCOME TAXES BY PRESCRIBING A MINIMUM RECOGNITION THRESHOLD THAT A TAX POSITION IS REQUIRED TO MEET BEFORE BEING RECOGNIZED IN THE FINANCIAL STATEMENTS. ASC 740 ALSO PROVIDES GUIDANCE ON DERECOGNITION, MEASUREMENT, CLASSIFICATION, INTEREST AND PENALTIES, DISCLOSURE, AND TRANSITION. THE GUIDANCE IS APPLICABLE TO PASS-THROUGH ENTITIES AND TAX-EXEMPT ORGANIZATIONS. NO SIGNIFICANT TAX LIABILITY FOR TAX BENEFITS, INTEREST OR PENALTIES WAS ACCRUED AT SEPTEMBER 30, 2012 OR 2011.

Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Check this box if no one recipient received more than \$5,000 ☐ ☐

Use Part V if additional space is needed.

[illegible]

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter _____

3 Enter total number of other organizations or entities ►

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16.
Use Part V if additional space is needed.

[illegible]

Part IV Foreign Forms

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)*

☒ Yes ☐ No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If " Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)*

☐ Yes ☒ No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)*

☒ Yes ☐ No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)*

☒ Yes ☐ No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)*

☒ Yes ☐ No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).*

☐ Yes ☒ No

Part V

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

Identifier	Return Reference	Explanation
ACCOUNTING METHOD	SCHEDULE F, PART I, LINE 3, COLUMN F	THE AMOUNTS REPORTED IN PART I, LINE 3, COLUMN F REPRESENT THE MARKET VALUES OF THE INVESTMENTS IN THE IDENTIFIED REGIONS AS OF THE ORGANIZATION'S FISCAL YEAR ENDED SEPTEMBER 30, 2012

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
HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number
95-1643327

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)			7,897,572	0	7,897,572	0 950 %
b Medicaid (from Worksheet 3, column a)			50,412,877	35,786,267	14,626,610	1 850 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			17,105,120	5,210,000	11,895,120	1 500 %
d Total Charity Care and Means-Tested Government Programs			75,415,569	40,996,267	34,419,302	4 300 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			6,388,698	0	6,388,698	0 770 %
f Health professions education (from Worksheet 5)			261,750	0	261,750	0 030 %
g Subsidized health services (from Worksheet 6)			978,026	0	978,026	0 120 %
h Research (from Worksheet 7)			0	0	0	0 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			1,640,429	0	1,640,429	0 200 %
j Total Other Benefits			9,268,903	0	9,268,903	1 120 %
k Total. Add lines 7d and 7j			84,684,472	40,996,267	43,688,205	5 420 %

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			70,580		70,580	0 010 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy			14,728		14,728	0 %
8Workforce development			22,573		22,573	0 %
9Other						
10Total			107,881		107,881	0 010 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1	No
2	Enter the amount of the organization's bad debt expense	2	28,796,166
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	0
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	130,893,904
6	Enter Medicare allowable costs of care relating to payments on line 5	6	199,949,302
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-69,055,398
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☒ Cost to charge ratio ☐ Other		

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9a	No
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.		
		9b	

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 %
1HOAG ORTHOPEDIC INST	SPECIALTY HOSPITAL	51 000 %	0 %	22 000 %
2ORTHO SURG CTR OF OC	OUTPATIENT ORTHO SURGERY CTR	51 000 %	0 %	22 000 %
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? 2

Name and address

Schedule H (Form 990) 2011

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

HOAG MEMORIAL HOSPITAL PRESBYTERIAN

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	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a ☐ Hospital facility's website b ☐ Available upon request from the hospital facility c ☐ Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community b ☐ Execution of the implementation strategy c ☐ Development of a community-wide community benefit plan for the facility d ☐ Participation in community-wide community benefit plan e ☐ Inclusion of a community benefit section in operational plans f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA g ☐ Prioritization of health needs in the community h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 % 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</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	No

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)

HOAG ORTHOPEDIC INSTITUTE

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A):2

	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	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a ☐ Hospital facility's website b ☐ Available upon request from the hospital facility c ☐ Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community b ☐ Execution of the implementation strategy c ☐ Development of a community-wide community benefit plan for the facility d ☐ Participation in community-wide community benefit plan e ☐ Inclusion of a community benefit section in operational plans f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA g ☐ Prioritization of health needs in the community h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 % 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</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	No

Part V

Facility Information (continued)

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

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 12

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, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 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
REQUIRED DESCRIPTIONS	SCHEDULE H, PART VI, LINE 1	THE ORGANIZATION'S REQUIRED SCHEDULE H SPECIFIC LINE ITEM DESCRIPTIONS ARE AS FOLLOWS PART I, LINE 7 COST ACCOUNTING SYSTEM WAS USED TO DERIVE THE COST-TO-CHARGE RATIO OUR TOTAL COSTS (DIRECT AND INDIRECT) AND TOTAL CHARGES WERE \$644,633,000 AND \$1,981,286,000, RESPECTIVELY THIS RESULTED IN A COST-TO-CHARGE RATIO OF APPROXIMATELY 32.5% WHICH WAS USED TO CALCULATE CHARITY CARE AT COST (GROSS PATIENT CHARGES WRITTEN OFF ON THE P&L TIMES COST-TO-CHARGE RATIO) THE COST ACCOUNTING SYSTEM ADDRESSES INPATIENT, OUTPATIENT AND VARIOUS PAYOR TYPES FOR THE SECTIONS OF LINE 7 AS APPLICABLE, WORKSHEET 2 WAS NOT USED WHILE THE COST TO CHARGE RATIO WAS USED PART II - COMMUNITY BUILDING ACTIVITIES THE PRIMARY PURPOSE OF HOAG'S COMMUNITY BUILDING ACTIVITIES IS TO IMPROVE LOCAL HEALTH IN ORANGE COUNTY THROUGH A COLLABORATIVE PROCESS WITH OTHER NON-PROFIT ORGANIZATIONS AND HEALTH CARE DELIVERY SYSTEMS IN PROVIDING FUNDING OPPORTUNITIES FOR HEALTH RELATED COMMUNITY INITIATIVES HOAG ALSO SUPPORTS WITH COMMUNITY DISASTER PREPAREDNESS PLANNING (\$68K) AND THE OC CONGREGATION COMMUNITY ORGANIZATIONS (\$2.5K) HOAG WORKS WITH VARIOUS OC COMMUNITY CLINICS, THE HEALTH FUNDERS PARTNERSHIP OF OC, AND THE OC HEALTH NEEDS ASSESSMENT GROUP TO FURTHER COMMUNITY BUILDING ACTIVITIES (\$14K) PART III, LINE 4 ACCOUNTS RECEIVABLE DISCLOSURE PER THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS FOR HOAG MEMORIAL HOSPITAL PRESBYTERIAN THE ORGANIZATION RECEIVES PAYMENT FOR SERVICES RENDERED TO PATIENTS FROM THE FEDERAL AND STATE GOVERNMENTS UNDER THE MEDICARE AND MEDICAL PROGRAMS, PRIVATELY SPONSORED MANAGED CARE PROGRAMS FOR WHICH PAYMENT IS MADE BASED ON TERMS DEFINED UNDER FORMAL CONTRACTS, AND OTHER PAYERS THE FOLLOWING TABLE SUMMARIZES THE PERCENTAGE OF NET ACCOUNTS RECEIVABLE FROM ALL PAYERS AT SEPTEMBER 30, 2012 GOVERNMENT 12% CONTRACTED 55% OTHER 33% TOTAL 100% THE ORGANIZATION'S MANAGEMENT BELIEVES THERE IS NO MATERIAL CREDIT RISK ASSOCIATED WITH RECEIVABLES FROM GOVERNMENT PROGRAMS RECEIVABLES FROM CONTRACTED PAYERS AND OTHERS ARE FROM VARIOUS PAYERS WHO ARE SUBJECT TO DIFFERING ECONOMIC CONDITIONS, AND DO NOT REPRESENT ANY CONCENTRATED RISKS TO THE ORGANIZATION MANAGEMENT CONTINUALLY MONITORS AND ADJUSTS THE PROVISION FOR CONTRACTUAL DISCOUNTS AND DOUBTFUL ACCOUNTS ASSOCIATED WITH RECEIVABLES BASED ON HISTORICAL EXPERIENCE DISCOUNTS ON PATIENT ACCOUNTS ARE RECORDED AS AN ADJUSTMENT TO REVENUE, NOT BAD DEBT EXPENSE PAYMENTS ON PATIENT ACCOUNTS THAT WERE WRITTEN OFF ARE RECORDED AS AN ADJUSTMENT TO BAD DEBT EXPENSE PART III, LINE 8 COSTING METHODOLOGY - MEDICARE ALLOWABLE COSTS WERE CALCULATED USING A COST TO CHARGE RATIO THE ORGANIZATION DOES NOT TREAT THE SHORTFALL FROM MEDICARE AS A COMMUNITY BENEFIT PART V, SECTION B, LINE 11H HOAG MEMORIAL HOSPITAL PRESBYTERIAN (1) Hoag provides financial assistance to patients who have family income levels of up to four times the Federal Poverty Level (FPL) Guidelines Hoag gives consideration to eligible patients with insurance if they incur high medical costs as defined by California law, and also have family incomes up to 400% of the FPL Hoag's policy also provides for discretionary determination of charity care taking into consideration individual facts and circumstances HOAG ORTHOPEDIC INSTITUTE (2) Hoag Orthopedic Institute provides financial assistance to patients who have family income levels of up to four times the Federal Poverty Level (FPL) Guidelines Hoag gives consideration to eligible patients with insurance if they incur high medical costs as defined by California law, and also have family incomes up to 400% of the FPL Hoag Orthopedic Institute's policy also provides for discretionary determination of charity care taking into consideration individual facts and circumstances PART V, SECTION B, LINE 13G HOAG MEMORIAL HOSPITAL PRESBYTERIAN (1) The Policy is communicated via our website and is communicated via our Financial Counselors at each location Further, it is communicated in our self-pay customer service area along with any external collection vendors as well Any written letters also offer the assistance program and to contact customer service for an application PART V, SECTION B, LINE 19D HOAG MEMORIAL HOSPITAL PRESBYTERIAN (1) FOR PATIENTS WITH A FAMILY INCOME UP TO 400% OF FEDERAL POVERTY LEVEL, THE HOSPITAL FACILITY USES A SLIDING SCALE THAT CAN BE CHANGED

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	SCHEDULE H, PART VI, LINE 2	THE ORANGE COUNTY HEALTH NEEDS ASSESSMENT (OCHNA) IS A COMMUNITY-BASED, NOT-FOR-PROFIT COLLABORATIVE THAT WAS CREATED AND DESIGNED TO MEET THE REQUIREMENTS OF SB 697 FOR ALL NOT-FOR-PROFIT HOSPITALS IN ORANGE COUNTY. OCHNA IS THE PRIMARY SOURCE FOR HEALTH DATA NEEDS, PROVIDING THE LARGEST HEALTH ASSESSMENT OF ITS KIND AT THE COUNTY LEVEL IN THE STATE. THE COLLABORATIVE IS JOINTLY FUNDED BY THE HEALTH CARE AGENCY OF ORANGE COUNTY, THE CHILDREN AND FAMILIES COMMISSION, CALOPTIMA, AND NINE ORANGE COUNTY NOT-FOR-PROFIT HOSPITALS, INCLUDING HOAG MEMORIAL HOSPITAL PRESBYTERIAN. A NEEDS ASSESSMENT PLAN WAS DEVELOPED THAT INCORPORATED A MIX MODE APPROACH TO DATA COLLECTION THAT INCLUDED A TREND ANALYSIS OF FOUR PREVIOUS OCHNA HEALTH NEEDS SURVEYS (1998, 2001, 2004, AND 2007), AS WELL AS ADDITIONAL PRIMARY DATA FROM THE CENSUS BUREAU'S AMERICAN COMMUNITY SURVEY AND THE CALIFORNIA HEALTH INFORMATION SURVEY. POPULATION ESTIMATES FOR OCHNA 1998 AND 2001 WERE UPDATED WITH THE LATEST ESTIMATES FROM THE STATE OF CALIFORNIA DEPARTMENT OF FINANCE, SO THE ESTIMATES PROVIDED FOR THE COUNTY WILL DIFFER FROM COUNTY ESTIMATES PROVIDED IN PREVIOUS REPORTS RELEASED BY OCHNA. IN ADDITION, OCHNA INCORPORATED OBJECTIVE/SECONDARY DATA SOURCES, DEMOGRAPHICS/CENSUS DATA, AND A KEY INFORMANT SURVEY THAT OCHNA ADMINISTERED ONLINE, TO BE USED AS THE SOURCE OF QUALITATIVE DATA. OBJECTIVE/SECONDARY DATA CAME FROM NUMEROUS SOURCES (ALL CITED WITHIN THE REPORT), INCLUDING DEPT. OF FINANCE, 2009 CENSUS ESTIMATES BY NIELSEN CLARITAS, ORANGE COUNTY HEALTH CARE AGENCY, AND HEALTHY PEOPLE 2020 (USED AS BENCHMARKS). QUALITATIVE DATA WAS OBTAINED THROUGH A KEY INFORMANT SURVEY OF COMMUNITY-BASED ORGANIZATIONS, FOUNDATIONS, HEALTH ADVOCATES, COMMUNITY CLINICS, LOCAL POLITICAL/POLICY LEADERS, PUBLIC HEALTH ORGANIZATIONS, AND OTHER HOSPITALS.

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	SCHEDULE H, PART VI, LINE 3	IN ADDITION TO THE VISUAL NOTICES OF ASSISTANCE AVAILABLE, SELF PAY PATIENTS MEET WITH THE FINANCIAL COUNSELOR TO EVALUATE THEIR STATUS FOR ALL OTHER PATIENTS, THEY WOULD BE EDUCATED AT A TIME OF NEED OR UPON PATIENT'S INQUIRY ABOUT THEIR BALANCE

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	SCHEDULE H, PART VI, LINE 4	HOAG NEWPORT BEACH ENCOMPASSES 9 CITIES IN ORANGE COUNTY, CALIFORNIA COSTA MESA, FOUNTAIN VALLEY, GARDEN GROVE, HUNTINGTON BEACH, IRVINE, LAGUNA BEACH, NEWPORT BEACH, SANTA ANA, AND WESTMINSTER CENSUS DATA SHOWS THAT THE SERVICE AREA IS RACIALLY AND ETHNICALLY DIVERSE WITH A LARGE PROPORTION OF VIETNAMESE, OTHER ASIAN OR PACIFIC ISLANDER, AND HISPANIC/LATINO INDIVIDUALS ACCORDING TO THE 2009 US CENSUS, THE POPULATION OF ORANGE COUNTY WAS ESTIMATED AT 3,068,575 OF WHICH 41.6% (1,276,426) RESIDE IN THE HOAG SERVICE AREA THERE WERE A TOTAL OF 397,841 HOUSEHOLDS IN THE SERVICE AREA, WITH AN AVERAGE HOUSEHOLD SIZE OF 3.15 IN 2009, SLIGHTLY GREATER THAN THE ORANGE COUNTY AVERAGE OF 3.05 THE AGE DISTRIBUTION SHOWS THAT ALMOST ONE QUARTER (323,486) OF THE SERVICE AREA POPULATION WAS IN THE 45 TO 64 AGE GROUP AND 24.8% (316,877) OF THE HOAG SERVICE AREA POPULATION WAS UNDER THE AGE OF 18 LOOKING AT THE RACE AND ETHNICITY DISTRIBUTION, 36.2% OF THE POPULATION IN THE SERVICE AREA WAS HISPANIC/LATINO THERE IS ALSO MORE DIVERSITY WITH RESPECT TO LANGUAGES SPOKEN AT HOME IN THE HOAG SERVICE AREA COMPARED TO ALL OF ORANGE COUNTY, APPROXIMATELY 30% OF RESIDENTS SPOKE SPANISH AT HOME AND 15.4% OF THE RESIDENTS SPOKE AN ASIAN OR PACIFIC ISLAND LANGUAGE IN REGARDS TO EDUCATIONAL ATTAINMENT, 25.2% (208,209) OF RESIDENTS 25+ IN THE HOAG SERVICE AREA HAD LESS THAN A HIGH SCHOOL DIPLOMA, MORE THAN THE PROPORTION COUNTYWIDE (20.3%) IN 2009 THE COUNTYWIDE UNEMPLOYMENT RATE FOR SEPTEMBER 2010 WAS 9.6%, ACCORDING TO THE STATE OF CALIFORNIA, EMPLOYMENT DEVELOPMENT DEPARTMENT, THIS IS IN MARKED CONTRAST TO THE AVERAGE UNEMPLOYMENT RATE OF 3.9% IN 2007 IT IS CLEAR THAT THE ECONOMIC RECESSION HAS HAD A TOLL ON MANY HOAG HOSPITAL SERVICE AREA RESIDENTS FOR SEPTEMBER 2010, THE UNEMPLOYMENT RATES FOR HOAG SERVICE AREA CITIES RANGED FROM 6.0% TO 15.0% THE SENIOR POPULATION OF THE HOAG SERVICE AREA MAKES UP 10.4% (132,859) OF THE TOTAL POPULATION HOAG IRVINE IS LOCATED WITHIN SOUTH AND CENTRAL ORANGE COUNTY, ENCOMPASSING AN AREA OF 65 MILES IRVINE IS THE THIRD MOST POPULOUS CITY IN ORANGE COUNTY AND ONE OF THE NATION'S LARGEST PLANNED COMMUNITIES FROM 2000 TO 2010, THE POPULATION IN IRVINE GREW AT A MUCH HIGHER PERCENTAGE THAN THE COUNTY (8.6% GROWTH), STATE (11.8%), AND NATION (9.8%) THE PROJECTED POPULATION OF IRVINE IN 2015 IS 247,278 WHITES COMPRISED 59.1% (62,843) OF IRVINE'S ADULT POPULATION WHILE ASIANS COMPRISED 29.4% (31,224) AND IRANIAN/PERSIANS COMPRISED 3.9% (4,096) OF IRVINE'S ADULT POPULATION IN 2010 THE MEDIAN AGE IN THE CITY OF IRVINE WAS 36.5 YEARS, THE MEDIAN AGE IN ALL OF ORANGE COUNTY WAS 36.3 YEARS IT IS ESTIMATED THAT 21.9% (15,465) OF ADULTS IN IRVINE HAD ANNUAL HOUSEHOLD INCOME OF \$50,000 OR LESS WHILE 17.4% (1,328) OF CHINESE ADULTS AND 19.7% (8,969) OF WHITE ADULTS HAD ANNUAL HOUSEHOLD INCOMES OF \$50,000 OR LESS KOREANS AND IRANIANS HAD HIGHER PERCENTAGES OF LOWER ANNUAL HOUSEHOLD INCOME LEVELS, 25.2% (772) OF KOREAN ADULTS AND 23.9% (549) OF IRANIAN ADULTS HAD ANNUAL HOUSEHOLD INCOMES OF \$25,000 OR LESS

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, LINE 5	- HOAG HOSPITAL'S COMMUNITY BENEFIT STAFF CONTINUOUSLY ASSESSES THE HEALTH NEEDS OF THE CO MMUNITY BY SERVING ON BOARD OF DIRECTORS AND COMMITTEES OF NONPROFIT ORGANIZATIONS WHICH A LLOW THEM TO BE ACTIVELY ENGAGED WITH THE COMMUNITY AND PROVIDE SUPPORT AND STRATEGIC DIRE CTION - HOAG HOSPITAL WAS PART OF A COLLABORATIVE INITIATIVE TO HIRE A FULL-TIME SCHOOL-B BASED COUNTY MEDICAL OFFICER THROUGH THE DEPARTMENT OF EDUCATION TO SERVE THE PUBLIC SCHOOL SYSTEM IN ORANGE COUNTY HOAG PROVIDES THE MAJORITY FUNDING FOR THIS POSITION - HOAG HOS PITAL HAS A RELATIONSHIP WITH LOCAL COLLEGES AND UNIVERSITIES TO INVEST IN THE EDUCATION O F VARIOUS HEALTH PROFESSIONS ESPECIALLY WITH THE GROWING NEED OF BILINGUAL AND BICULTURAL HEALTH PROFESSIONALS IN ORANGE COUNTY - HOAG HOSPITAL AND SHARE OUR SELVES (SOS) COMMUNIT Y HEALTH CENTER HAVE NURTURED A UNIQUE PARTNERSHIP SINCE 1984 TO PROVIDE HEALTH CARE TO TH E LOW INCOME, UNINSURED, AND UNDERINSURED INDIVIDUALS RESIDING IN THE COMMUNITY THE SOS A ND HOAG COLLABORATION INCLUDES MORE THAN 150 VOLUNTEER HEALTHCARE SPECIALISTS AVAILABLE TO PROVIDE CARE TO SOS PATIENTS HOAG SUPPORTS THE CLINIC BY PROVIDING DIAGNOSTIC TESTS, PRO CEDURES, HOSPITALIZATIONS AND ER VISITS FOR SOS PATIENTS FREE OF CHARGE THIS COLLABORATIV E EFFORT AND CLINICAL SUPPORT GIVES SOS THE ABILITY TO MAKE LIFE-SAVING CARE AVAILABLE TO PATIENTS AND ENSURES CONTINUITY OF CARE, SEAMLESS DISCHARGE PLANNING, AND PATIENT TRACKING DURING FY 2012, SOS WAS DESIGNATED AS A FEDERALLY QUALIFIED HEALTH CENTER (FQHC) INCLUDI NG DESIGNATION AS A HEALTHCARE FOR THE HOMELESS PROVIDER - SOS AND HOAG CONTINUE TO MAINT AIN THE PARTNERSHIP OF THE SOS-EL SOL WELLNESS CENTER, A SCHOOL-BASED HEALTH CENTER THE S OS-EL SOL WELLNESS CENTER OFFERS AN OPPORTUNITY TO EXTEND HEALTH AND WELLNESS CARE TO LOW INCOME FAMILIES AND INDIVIDUALS IN THE COUNTY THE WELLNESS CENTER PROVIDES URGENT CARE TO THE EL SOL ACADEMY STUDENTS AND THEIR FAMILIES OPENING SCHOOL DOORS TO HEALTH AND WELLNE SS CARE FOR THE ENTIRE FAMILY PROMOTES CHILDREN'S EDUCATIONAL ATTAINMENT AND LIFELONG WELL -BEING - THE SOS AND PEACE CENTER HEALTH CLINIC OPENED IN AUGUST 2012, AS A COLLABORATIVE EFFORT BETWEEN SOS AND SADDLEBACK CHURCH LOCATED IN LAKE FOREST THIS CLINIC OPERATES 20- CLINICAL HOURS PER WEEK AS A SATELLITE LOCATION PROVIDING EPISODIC MEDICAL CARE - HOAG HO SPITAL ALSO MAINTAINS A UNIQUE RELATIONSHIP WITH THE ALZHEIMER'S FAMILY RESOURCE CENTER (A FSC) WHICH IS COMMITTED TO THE MISSION OF IMPROVING THE QUALITY OF LIFE FOR FAMILIES CHALL ENGED BY ALZHEIMER'S DISEASE OR ANOTHER DEMENTIA THROUGH SERVICES TAILORED TO MEET INDIVID UAL NEEDS HOAG HOSPITAL PROVIDES ANNUAL OPERATING AND TRANSPORTATION GRANTS, AND IN-KIND SERVICES SUCH AS CONSULTATION IN NURSING AND COMPLIANCE-RELATED ISSUES TO THE CENTER - HO AG'S HEALTH MINISTRIES PROGRAM PROVIDED NEARLY 10,000 DOSES OF PREVENTIVE FLU VACCINE (IN- KIND) TO COMMUNITY PARTNER CHURCHES, CITY OF IRVINE, IRVINE UNIFIED SCHOOL DISTRICT, SEVER AL SENIOR CENTERS, AND THE SOS HEALTH CENTER - HOAG HOSPITAL EXTENDS MEDICAL STAFF PRIVIL EGES TO ALL QUALIFIED PHYSICIANS IN ITS COMMUNITY THOUGH A CREDENTIALING PROCESS MEMBERSH IP AND PRIVILEGES ARE GRANTED TO QUALIFIED MD'S, DO'S, AND OTHER ALLIED HEALTH PROFESSIONA LS BY THE MEDICAL STAFF AND HOAG HOSPITAL BOARD OF DIRECTORS - AS A NOT-FOR- PROFIT INSTIT UTION, GOVERNANCE IS PROVIDED BY A VOLUNTEER BOARD OF DIRECTORS COMPRISED OF EIGHTEEN VOTI NG MEMBERS WHO SERVE OVERLAPPING THREE-YEAR TERMS BOARD MEMBERSHIP CONSISTS OF FOURTEEN I NDIVIDUALS ELECTED FROM THE COMMUNITY AT LARGE, AND AN ADDITIONAL FOUR VOTING MEMBERS WHO ARE ELECTED FROM THE ACTIVE MEDICAL STAFF A MAJORITY OF THE ORGANIZATION'S GOVERNING BODY IS COMPRISED OF PERSONS WHO RESIDE IN THE ORGANIZATION'S PRIMARY SERVICE AREA AND ARE NEI THER EMPLOYEES NOR CONTRACTORS OF THE ORGANIZATION, NOR FAMILY MEMBERS - THE BOARD OF DIR ECTORS ALLOCATE A SIGNIFICANT PORTION OF THE NET OPERATING INCOME TO PROMOTING THE HEALTH OF THE COMMUNITY, SPECIFICALLY SERVING THE NEEDS OF THE UNINSURED AND LOW INCOME COMMUNITI ES THROUGH CHARITY CARE AND A VARIETY OF FREE OR LOW COST SERVICES AND PROGRAMS PROVIDED BY THE DEPARTMENT OF COMMUNITY HEALTH - HOAG PROVIDES UNCOMPENSATED CARE (CHARITY) TO PATI ENTS WHO ARE UNABLE TO PAY FOR THE FULL COST OF THEIR CARE THESE EXPENDITURES AMOUNTED TO OVER \$34 MILLION IN FISCAL YEAR 2012 (OCTOBER 1, 2011 THROUGH SEPTEMBER 30, 2012) HOAG'S CHARITY CARE AND SELF PAY DISCOUNT POLICY STATES THAT SELF-PAY AND UNINSURED PATIENTS WHO ARE UNABLE TO PAY FOR THE FULL COST OF THEIR CARE MAY QUALIFY FOR CHARITY OR DISCOUNTS ON A SLIDING SCALE FOR INCOMES UP TO 400% OF THE FEDERAL POVERTY LEVEL IN FY2012 THE HOSPIT AL SERVED 11,325 CHARITY CARE CASES - HOAG'S MENTAL HEALTH CENTER PROVIDES BILINGUAL BICU LTURAL SERVICES ON A SLIDING SCALE TO PEOPLE WHO OTHERWISE COULD NOT OBTAIN MENTAL HEALTH SERVICES THE MASTER'S PREPARED SOCIAL WORKERS PROVIDED MENTAL HEALTH SERVICES TO 725 CLIE NTS IN THE FORM OF PSYCHOTHERAPY, RESOURCE BROKERI

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, LINE 5	NG, AND/OR CASE MANAGEMENT IN ADDITION, THE PROGRAM OFFERED PSYCHOTHERAPEUTIC AND PSYCHOE DUCATIONAL GROUPS TO 894 PARTICIPANTS - IN AN EFFORT TO INCREASE THE COMMUNITY POOL OF AV AILABLE TRAINED AND EDUCATED HEALTH PROFESSIONALS, HOAG INVESTS ANNUALLY IN HEALTH PROFESS IONAL TRAINING AND DEVELOPMENT THE HOSPITAL CURRENTLY WORKS WITH A NUMBER OF PROFESSIONAL GROUPS IN THIS ENDEAVOR, INCLUDING NURSES, PHYSICAL THERAPISTS, PHARMACISTS, LABORATORY P ROFESSIONALS, SOCIAL WORKERS, AND CLINICAL CARE EXTENDERS - HOAG HOSPITAL PARTICIPATES IN PRIMARY CLINICAL RESEARCH IN SEVERAL CLINICAL SERVICES THE HOAG CANCER INSTITUTE, THE NE UROSCIENCE INSTITUTE, THE HEART AND VASCULAR INSTITUTE, AND WOMEN'S HEALTH SERVICES MOST OF THESE STUDIES ARE TO EVALUATE THE EFFECTIVENESS OF PHARMACEUTICALS, BIOLOGICAL AGENTS A ND MEDICAL DEVICES IN ADDITION TO THESE PHYSICIAN LED INVESTIGATIONS, SEVERAL NURSING STU DIES ARE ALSO ONGOING MOST OF THESE STUDIES RECEIVE FINANCIAL SUPPORT FROM EXTERNAL FUNDE RS, INCLUDING THE HOAG HOSPITAL FOUNDATION

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM	SCHEDULE H, PART VI, LINE 6	NOT APPLICABLE

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	990 SCHEDULE H, PART VI	CA,

Additional Data

Software ID:
Software Version:
EIN: 95-1643327
Name: HOAG MEMORIAL HOSPITAL PRESBYTERIAN

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

[illegible]

Schedule I
(Form 990)

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization
HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number
95-1643327

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
See Additional Data Table							

2

Enter total number of section 501(c)(3) and government organizations listed in the line 1 table ▶

47

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) Freedom from Smoking Program Grant	1	5,500			
(2) CPR Training, Support & Safety Classes	4	9,012			

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
Description of Organization's Procedures for Monitoring the Use of Grants	SCHEDULE I, PART I, LINE 2	In order to be eligible for a Community Benefit grant, an applicant organization (or fiscal agent) must be designated by the IRS as a tax exempt 501(c)(3) non-profit and submit a copy of their 501(c)(3) status for verification. The organization must have an Executive Director and an established Board of Directors that meets regularly. Prior to funding, research is conducted regarding the reputation and performance of the organization. Grant requests must include previous and current year budgets, program goals and objectives, and measurable outcomes for the specified program that is being funded. An interview with the Executive director and one or more board members is conducted as well as a site visit in order to familiarize ourselves with the organization and the programs offered. Department staff actively participates with the organization by providing in-kind services and board participation. Once a grant request has been approved and funded, we require progress reports/and or a final report on the implementation strategy and measurable outcomes. Throughout the funding period of a specified program, there are occasional meetings with the director and program personnel to report on progress and updates of the activities conducted as well as the number of individuals served. This process allows us to monitor that the donated funds are being used for the intended purpose. Those that request grant funding on a continuous basis provide a detailed year end annual report describing implementation and outcomes for the programs.

Software ID:
Software Version:
EIN: 95-1643327
Name: HOAG MEMORIAL HOSPITAL PRESBYTERIAN

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

(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
Academy of International Dance 220 E Fourth St Suite 202 Santa Ana, CA 92701	26-2657759	501 (c) (3)	10,000				EXPANSION OF AFTER SCHOOL ACTIVIITIES, LITERACY, TUTORING
Access California Services 2180 W Crescent Ave C Anaheim, CA 92801	33-0826205	501 (c) (3)	45,000				EXPANSION OF MENTAL HEALTH PROGRAM AND OTHER PROGRAMS

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

(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
Age Well Senior Services24300 El Toro Road Bldg A 2000 Laguna Woods, CA 92637	93-1163563	501 (c) (3)	135,468				SENIOR TRANSPORTATION, OPERATIONS OF PROGRAMS
Alzheimer's Family Services Center9451 Indianapolis Ave Huntington Beach, CA 92646	95-3463978	501 (c) (3)	1,324,155				OPERATIONS, MATCHING GRTS, MISC GRANTS

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

(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
American Diabetes Association151 Kalmus DrC100 Costa Mesa, CA 92626	13-1623888	501 (c) (3)	15,000				EDUCATIONAL CONFERENCES, SPONSOR DIABETES WALK
American Heart Association4600 Campus Dr PO Bx 6046 Irvine, CA 92614	13-5613797	501 (c) (3)	11,820				SUPPORT ORANGE COUNTY COMMUNITY PROGRAMS

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

(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
American Lung Association1570 E 17th St F Santa Ana, CA 92705	95-0362650	501 (c) (3)	11,347				SCAMP CAMP, SPONSOR OC RESPIRATORY RALLY
Arthritis Foundation171455 Newhope StA Fountain Valley, CA 92708	95-1885447	501 (c) (3)	16,820				SPONSOR ARTHRITIS WALK

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

(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
Casa Teresa Inc 123 West Maple Ave Orange, CA 92866	95-3251986	501 (c) (3)	17,968				EXPANSION OF EDUCATION AND CAREER DEVELOPMENT
ChildHelp2551 Point Del Mar Corona Del Mar, CA 92625	95-2884608	501 (c) (3)	10,000				SPONSORSHIP

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

(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
Childrens Hospital Orange County 455 S Main St Orange, CA 92868	95- 2321786	501 (c) (3)	645,176				PEDIATRIC DIABETES SERVICES
CHOC Foundation 455 S Main St Orange, CA 92868	95- 6097416	501 (c) (3)	225,000				IUSD/CHOC PROGRAM, PLEDGE CVICU/NICU, DIABETES GRANT AT ALLEN CENTER

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

(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
City of Huntington Beach Council on Aging1706 Orange Ave Huntington Beach, CA 92648	51-0179431	501 (c) (3)	205,000				SENIOR TRANSPORTATION/CARE MANAGERS (2) HOME VISITATION
City of Newport BeachPO Box 1768 Newport Beach, CA 92658	95-6000751	501 (c) (3)	111,000				Oasis Senior Center transportation, Police Explorers

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

(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
Community Partners FBO Epilepsy Alliance 1500 Adams Ave 314 Costa Mesa, CA 92626	95-4302067	501 (c) (3)	10,000				Program development and expansion - Epilepsy Alliance of Orange Cty
Costa Mesa Senior Center695 West 19th St Costa Mesa, CA 92627	33-8265009	501 (c) (3)	147,906				SENIOR TRANSPORTATION AND PROGRAM DEVELOPMENT

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

(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
Council on Aging OC1971 East 4th St Suite 200 Santa Ana, CA 92705	95- 2874089	501 (c) (3)	10,260				SPONSORSHIP JUST IMAGIN LUNCHEON
Crohn's & Colitis 10350 Santa Monica Blvd 120 Los Angeles, CA 90025	13- 6193105	501 (c) (3)	7,500				Sponsorship 'Inaugural CCFS Golf Classic'

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

(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
El Sol Science & Arts Academy 1010 N Broadway Street Santa Ana, CA 92701	33-0960964	501 (c) (3)	11,820				Program Grant - Pass thru from Health Care Forum
EMS Safety Services1046 Calle Recodo Ste K San Clemente, CA 92673	33-0604523	501 (c) (3)	15,387				AED PROVIDED TO CHURCHES

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

(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
Epilepsy Support Network9114 Adams Ave 288 Huntington Beach, CA 92646	27-0681680	501 (c) (3)	10,000				EXPANSION OF PROGRAMS FOR SUUPPORT GROUPS AND COMMUNITY EDUCATION
Girls Incorporated of Orange County 1815 Anaheim Ave Costa Mesa, CA 92627	95-1810150	501 (c) (3)	10,000				Community programs - Fit Girls and Families

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

(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
Healthy Smiles 10602 Chapman Ave 200 Garden Grove, CA 92840	38-3675065	501 (c) (3)	38,000				PROVIDE CHILDREN'S DENTAL SERVICES AT OAKVIEW DISTRICT IN HUNTINGTON BCH
Hurrt Family Health ClinicOne Hope Drive Tustin, CA 92782	33-0906866	501 (c) (3)	23,125				Mobile Clinic visits to Oak View Community Center in Huntington Beach

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

(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
Irvine Adult Day Health Services 20 Lake Road Irvine, CA 92604	33-0599371	501 (c) (3)	93,320				EXPANSION OF EDUCATIONAL PROGRAMS AND SENIOR TRANSPORTATION
Irvine Childrens Fund 14301 Yale Ave Irvine, CA 92604	33-0177921	501 (c) (3)	31,820				PROVIDES BEFORE AND AFTER SCHOOL CHILD CARE SCHOLARSHIPS

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

(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
Irvine Community Alliance FundPO box 19575Irvine, CA 92623	33-0258368	501 (c) (3)	25,000				PROGRAM TO ASSIST FAMILIES IN ACCESSING CHILDREN'S HEALTHCARE
Irvine Public Schools Foundation18552 MacArthur Blvd 2300Irvine, CA 92612	33-0733191	501 (c) (3)	128,000				Pledge for matching funds Generation Wall Hoag Irvine

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

(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
Keck School of Medicine of USC 1520 San Pablo St 4300 Los Angeles, CA 90033	95-1642394	501 (c) (3)	230,000				Grant Resident Education and Research Activites
Laguna Beach Seniors380 Third St Laguna Beach, CA 92651	95-2989950	501 (c) (3)	20,000				Grant Support Senior Transportation

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

(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
Latino Health Access1701 N Main St Ste200 Santa Ana, CA 92706	33-0562943	501 (c) (3)	65,000				GRANTS FOR LATINO HEALTH PROBLEMS, DIABETES, ETC
National Parkinson FoundationPO Box 2207 Newport Beach, CA 92659	91-1803228	501 (c) (3)	7,000				Grant 19th Annual Parkinson Wellness Symposium

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

(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
Newport -Mesa Unified School District2985 A Bear St Costa Mesa, CA 92626	95-2417783	501 (c) (3)	250,000				EXPANSION OF 13 PROGRAMS FOR THE HOPE CLINIC
ONE OC1901 E Fouth St Ste 100 Santa Ana, MD 92705	95-2021700	501 (c) (3)	120,450				GRANTS AND CONTRIBUTIONS TO OTHER NON-PROFIT SERVICE ORGANIZATIONS

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

(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
Orange County Human Relations 1300 S Grand Ave Bldg B Santa Ana, CA 92705	33-0438086	501 (c) (3)	30,000				BRIDGES SCHOOL INTER GROUP RELATIONS & VIOLENCE PREVENTION PROGRAMS
Orange County United Way 18012 Mitchell Ave South Irvine, CA 92614	33-0047994	501 (c) (3)	58,118				HOAG EMPLOYEES MATCH CONTRIBUTION

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

(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
Pediatric Adolescent Diabetes Research Edu455 South Main St Orange, CA 92868	33-0099451	501 (c) (3)	90,460				DIABETES EDUCATION
Providence Speech & Hearing Center1301 Providence Ave Orange, CA 92868	95-6154473	501 (c) (3)	11,820				LOW INCOME SUBSIDY PROGRAM AND EL SOL CLINIC COLLABORATIVE

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

(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
Save Our Youth 661 Hamilton 180 Costa Mesa, CA 92627	33- 0585600	501 (c) (3)	20,000				OPERATING SUPPORT
Share Our Selves Clinic1550 Superior Ave Costa Mesa, CA 92627	95- 3222316	501 (c) (3)	1,245,971				FREE MEDICAL AND DENTAL CLINIC FOR THE UNDERSERVED

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

(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
Someone Care Soup Kitchen720 W 19th St Costa Mesa, CA 92627	33-0279080	501 (c) (3)	25,000				SUPPORT TOWARDS PROGRAMS TO FEED THE POOR
Susan G Komen Orange County 3191 A Airport Loop Dr Costa Mesa, CA 92626	33-0487943	501 (c) (3)	10,000				Sponsorship Orange County Race for the Cue

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

(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
Sweet Success Express Program PO Box 9705 Fountain Valley, CA 92728	34-2044369	501 (c) (3)	10,000				DIABETES EDUCATION
UCI Foundation Dev Office MPAA 210 Irvine, CA 92697	95-2540117	501 (c) (3)	10,000				PLEDGE SUPPORT TO PAUL MERAGE SCHOOL OF BUSINESS HEALTHCARE MNGMT

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

(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
UCI MIND Institute for Memory Impairment2646 Biological Sciences III IRvine, CA 92627	95-2226406	501 (c) (3)	15,000				Sponsorship time of Your Life Event
USC Department of Surgery1520 San Pablo St 4300 Los Angeles, CA 90033	95-1642394	501 (c) (3)	50,000				CLINICAL RESEARCH

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

(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
Youth Employment Services114 East 19th St Costa Mesa, CA 92627	95-2704522	501 (c) (3)	25,000				Provide pre-employemnt training, job counseling to young people

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization HOAG MEMORIAL HOSPITAL PRESBYTERIAN	Employer identification number 95-1643327
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Part I

Questions Regarding Compensation

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

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) Allyson M Brooks MD	(i)	0	0	275,528	0	0	275,528	0
	(ii)	0	0	0	0	0	0	0
(2) Richard F Afable MD	(i)	668,247	323,490	150,508	197,358	16,421	1,356,024	0
	(ii)	0	0	0	0	0	0	0
(3) Jennifer Mitzner	(i)	422,571	89,158	95,226	34,395	35,906	677,256	0
	(ii)	0	0	0	0	0	0	0
(4) Jack Cox MD	(i)	452,953	77,345	27,353	123,377	24,219	705,247	0
	(ii)	0	0	0	0	0	0	0
(5) Richard Martin	(i)	382,217	116,665	54,322	36,400	10,719	600,323	0
	(ii)	0	0	0	0	0	0	0
(6) Robert Braithwaite	(i)	492,649	84,936	154,522	32,171	35,171	799,449	0
	(ii)	0	0	0	0	0	0	0
(7) Timothy CL Moore	(i)	373,614	84,915	41,468	23,559	32,613	556,169	0
	(ii)	0	0	0	0	0	0	0
(8) Cynthia H Perazzo	(i)	345,802	76,090	40,853	21,741	26,200	510,686	0
	(ii)	0	0	0	0	0	0	0
(9) Sanford Smith	(i)	345,837	82,165	52,263	54,069	29,263	563,597	0
	(ii)	0	0	0	0	0	0	0
(10) Robert Dillman	(i)	417,944	71,067	4,381	12,250	26,719	532,361	0
	(ii)	0	0	0	0	0	0	0
(11) Robert Tancredi	(i)	590,968	168,750	212,324	12,250	4,761	989,053	0
	(ii)	0	0	0	0	0	0	0
(12) Michael Brant-Zawadzki	(i)	406,429	62,442	86,004	12,250	13,891	581,016	0
	(ii)	0	0	0	0	0	0	0
(13) Flynn Andrizzi	(i)	354,837	0	104,695	16,157	31,171	506,860	0
	(ii)	0	0	0	0	0	0	0
(14) Patricia Bartel	(i)	194,165	37,982	240,695	12,250	8,831	493,923	0
	(ii)	0	0	0	0	0	0	0
(15) Tonja Bailey	(i)	460,513	0	0	0	0	460,513	0
	(ii)	0	0	0	0	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
Supplemental Compensation Information	SCHEDULE J, PART I, LINE 1(A)	The CEO and Chief Quality Officer are provided with a relocation loan in accordance with their employment contracts. Each year, there is imputed income that is grossed up for tax purposes which is reported as taxable income to the executive and included in column B(III) of Part II. The CEO also receives a reimbursement for a portion of his club dues that are essential to fundraising efforts. This reimbursement was excluded from taxable income. DURING THE YEAR, SENIOR VPS AND ABOVE RECEIVED AN AUTO ALLOWANCE AS PART OF THEIR OVERALL COMPENSATION. THE ALLOWANCE WAS REPORTED AS TAXABLE WAGES AND IS INCLUDED IN COLUMN B(III) OF PART II. THE ALLOWANCES WERE ELIMINATED EFFECTIVE 1/1/12. SEVERANCE Schedule J, Part I, Line 4(A) The following individuals received a severance payment: Robert Tancredi received \$168,750; Patricia Bartel received \$223,000. SUPPLEMENTAL COMPENSATION INFORMATION Schedule J, Part I, Line 4(B) THE ORGANIZATION MAKES ANNUAL CONTRIBUTIONS TO A SERP PLAN ON BEHALF OF CERTAIN MEMBERS OF SENIOR MANAGEMENT IN ACCORDANCE WITH THEIR EMPLOYMENT CONTRACTS. CONTRIBUTIONS TO THE SERP IN THE AMOUNT OF \$418,106 ARE INCLUDED IN COLUMN C OF PART II. THE ORGANIZATION MAINTAINS A LEGACY DEFERRED COMPENSATION PLAN THAT IS FROZEN (NO NEW CONTRIBUTION CAN BE MADE). 2,138 199 SHARES WERE EXERCISED IN CALENDAR YEAR 2011.

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

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

Name of the organization
HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number
95-1643327

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 CITY OF NEWPORT BEACH	95-6000751	651785CD7	02-08-2011	104,790,616	SEE SCHEDULE O		X		X		X
B CITY OF NEWPORT BEACH	95-6000751	651785BN6	06-01-2009	218,570,636	SEE SCHEDULE O		X		X		X
C CITY OF NEWPORT BEACH	95-6000751	651785AT4	05-22-2008	452,080,000	SEE SCHEDULE O		X		X		X

Part II

Proceeds

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Amount of bonds retired		0		73,210,000		131,985,000		
2 Amount of bonds defeased		0		0		0		
3 Total proceeds of issue		104,792,260		218,575,005		452,081,355		
4 Gross proceeds in reserve funds		0		0		0		
5 Capitalized interest from proceeds		0		0		0		
6 Proceeds in refunding escrow		0		0		0		
7 Issuance costs from proceeds		1,396,946		2,602,647		1,951,288		
8 Credit enhancement from proceeds		0		0		92,721		
9 Working capital expenditures from proceeds		0		0		0		
10 Capital expenditures from proceeds		30,185,314		20,037,358		0		
11 Other spent proceeds		73,210,000		195,935,000		0		
12 Other unspent proceeds		0		0		450,037,346		
13 Year of substantial completion		2012		2010		2012		
14 Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
15 Were the bonds issued as part of an advance refunding issue?		X		X		X		
16 Has the final allocation of proceeds been made?	X		X		X			
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X		X		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?	X		X		X			
c	Are there any research agreements that may result in private business use of bond-financed property?	X		X		X			
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X		X		X			
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	0 890 %		0 940 %		0 950 %			
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 %		0 %		0 %			
6	Total of lines 4 and 5	0 890 %		0 940 %		0 950 %			
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		X			

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		
2	Is the bond issue a variable rate issue?		X	X		X			
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X	X			
b	Name of provider	0		0		WELLS FARGO BANK NA			
c	Term of hedge					3 2 6			
d	Was the hedge superintegrated?						X		
e	Was a hedge terminated?						X		
4a	Were gross proceeds invested in a GIC ?		X		X		X		
b	Name of provider	0		0		0			
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		X		X		
6	Did the bond issue qualify for an exception to rebate?	X		X		X			

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
SEE NOTES PROVIDED ON SCHEDULE O	0	

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number
95-1643327

Part I

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

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

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

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

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

Part II

Loans to and/or From Interested Persons.

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

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c)Original principal amount	(d)Balance due	(e) In default?		(f) Approved by board or committee?		(g)Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
(1) RICHARD AFABLE MD recruitment		X	1,000,000	1,000,000		No	Yes		Yes	
(2) JACK COX SR VP recruitment		X	1,500,000	1,500,000		No	Yes		Yes	
Total ▶ \$			2,500,000							

Part III

Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) ALEXANDER EASTON	SEE SCH L, PART V	24,575	COMPENSATION		No
(2) PACIFIC HOSPITALIST ASSOCIATES	SEE SCH L, PART V	6,139,188	MEDICAL SERVICES		No
(3) INTOUCH HEALTH	SEE SCH L, PART V	220,331	PURCHASE OF PRODUCT		No
(4) RANEY ZUSMAN	SEE SCH L, PART V	705,297	MEDICAL SERVICES		No
(5) MELISSA DICKERSON	SEE SCH L, PART V	88,161	COMPENSATION		No
(6) HOAG ORTHOPEDIC INSTITUTE	SEE SCH L, PART V	18,695,464	ADMINISTRATIVE SERVICES		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
BUSINESS RELATIONSHIPS	FORM 990, SCHEDULE L, PART IV	- JAKE EASTON III IS A BOARD MEMBER OF HOAG MEMORIAL HOSPITAL PRESBYTERIAN ("HMHP") HIS SON, ALEXANDER EASTON, IS AN EMPLOYEE OF HMHP - WESTON CHANDLER, BOARD MEMBER OF HMHP, SERVES AS PRESIDENT & CEO OF PACIFIC HOSPITALIST ASSOCIATES WHICH PROVIDES MEDICAL SERVICES TO HMHP - YULUN WANG, BOARD MEMBER OF HMHP, SERVES AS AN OFFICER / DIRECTOR AT INTOUCH HEALTH WHICH SELLS PRODUCTS TO HMHP - DOUGLAS ZUSMAN, BOARD MEMBER OF HMHP, HAS 50% OWNERSHIP INTEREST IN RANEY & ZUSMAN WHICH PROVIDES MEDICAL SERVICES TO HMHP - TIMOTHY MOORE IS A KEY EMPLOYEE OF HMHP HIS DAUGHTER-IN-LAW, MELISSA DICKERSON, IS AN EMPLOYEE OF HMHP - JENNIFER MITZNER AND ROBERT BRAITHWAITE ARE OFFICERS OF HMHP AND ALSO SERVE AS BOARD MEMBERS OF HOAG ORTHOPEDIC INSTITUTE (HOI) HMHP PROVIDES ADMINISTRATIVE AND OPERATIONAL SERVICES TO HOI

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 HOAG MEMORIAL HOSPITAL PRESBYTERIAN	Employer identification number 95-1643327
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Identifier	Return Reference	Explanation
PROGRAM SERVICE ACCOMPLISHMENTS	Form 990, Part III, Line 4	EXECUTIVE SUMMARY OF HOAG MEMORIAL HOSPITAL PRESBYTERIAN'S COMMUNITY BENEFIT REPORT FOR 2012 WAS FILED WITH OSHPD THE COMMUNITY HEALTH DEPARTMENT AT HOAG MEMORIAL HOSPITAL PRESBYTERIAN WAS ESTABLISHED IN 1995 SINCE ITS BEGINNING, THE PROGRAM HAS FOCUSED ON TWO PRINCIPAL STRATEGIES 1) PROVIDE NECESSARY HEALTHCARE-RELATED SERVICES WHICH ARE UNDUPLICATED IN THE COMMUNITY, AND 2) PROVIDE FINANCIAL SUPPORT TO EXISTING COMMUNITY BASED NOT-FOR-PROFIT ORGANIZATIONS WHICH ALREADY PROVIDE EFFECTIVE HEALTHCARE AND RELATED SOCIAL SERVICES TO MEET COMMUNITY HEALTH NEEDS THE DEPARTMENT OF COMMUNITY HEALTH, LED BY ITS DIRECTOR, DR GWYN PARRY, IS RESPONSIBLE FOR THE COORDINATION OF HOAG'S COMMUNITY BENEFIT REPORTING AND PROVIDES FREE PROGRAMS TO ASSIST THE UNDERSERVED IN THE COMMUNITY THESE INCLUDE COMMUNITY CASE MANAGEMENT, MENTAL HEALTH AND PSYCHOTHERAPY SERVICES, AND HEALTH MINISTRIES COORDINATION IN ADDITION TO THESE SERVICES, MANY OTHER HOAG DEPARTMENTS PROVIDE COMMUNITY HEALTH SERVICES INCLUDING EDUCATION AND SUPPORT GROUPS WHICH ARE FREE TO THE COMMUNITY HOAG ALSO HAS SUBSTANTIAL RELATIONSHIPS WITH LOCAL COLLEGES AND UNIVERSITIES TO INVEST IN THE EDUCATION OF VARIOUS HEALTH PROFESSIONS COMMUNITY HEALTH GRANTS SUPPORT HOAG HEALTH ASSOCIATES - ORGANIZATIONS THAT PROVIDE A BROAD RANGE OF SERVICES, INCLUDING THE FOLLOWING FREE MEDICAL AND DENTAL CARE, ADULT DAY CARE AND EDUCATION FOR PERSONS WHO SUFFER FROM ALZHEIMER'S DISEASE OR MILD DEMENTIA WITH SUPPORT AND EDUCATION FOR THEIR CAREGIVERS AND FAMILIES, TRANSPORTATION SERVICES FOR LOCAL SENIOR CENTERS HOAG MEMORIAL HOSPITAL PRESBYTERIAN IS A NOT-FOR-PROFIT ORGANIZATION THAT OPERATES GENERAL ACUTE CARE HOSPITALS IN NEWPORT BEACH AND IRVINE, CALIFORNIA THE HOSPITAL PROVIDES INPATIENT, OUTPATIENT, AND EMERGENCY SERVICES FOR RESIDENTS OF ORANGE COUNTY, CALIFORNIA HOAG OPERATES A 484 LICENSED BED FACILITY IN NEWPORT BEACH AND AN 84 LICENSED BED FACILITY IN IRVINE HOAG HOSPITAL NEWPORT BEACH AND HOAG HOSPITAL IRVINE ARE DESIGNATED MAGNET HOSPITALS BY THE AMERICAN NURSES CREDENTIALING CENTER (ANCC) AND ARE FULLY ACCREDITED BY DNV HOAG OFFERS A VARIETY OF HEALTH CARE SERVICES TO TREAT VIRTUALLY ANY ROUTINE OR COMPLEX MEDICAL CONDITION THROUGH ITS MEDICAL STAFF, STATE-OF-THE-ART EQUIPMENT AND MODERN FACILITIES, HOAG PROVIDES A FULL SPECTRUM OF HEALTH CARE SERVICES INCLUDING FIVE INSTITUTES THAT PROVIDE SPECIALIZED SERVICES IN THE FOLLOWING AREAS CANCER, HEART AND VASCULAR, NEUROSCIENCES, WOMEN'S HEALTH, AND ORTHOPEDICS THROUGH HOAG'S AFFILIATE, HOAG ORTHOPEDIC INSTITUTE HOAG HAS BEEN NAMED ONE OF THE BEST REGIONAL HOSPITALS IN THE U S NEWS & WORLD REPORT METRO EDITION NATIONAL RESEARCH CORPORATION HAS ENDORSED HOAG AS ORANGE COUNTY'S MOST PREFERRED HOSPITAL FOR THE PAST 16 CONSECUTIVE YEARS, AND FOR AN UNPRECEDENTED 16 YEARS, RESIDENTS OF ORANGE COUNTY HAVE CHOSEN HOAG AS THE COUNTY'S BEST HOSPITAL IN A NEWSPAPER SURVEY BY THE ORANGE COUNTY REGISTER THE ORGANIZATION HAS ALSO RANKED NATIONALLY FOR ORTHOPEDICS AND PLACED HIGH-RANKING IN CANCER, GERIATRICS, NEPHROLOGY, PULMONARY, GATROENTEROLOGY, GYNECOLOGY, NEUROLOGY & NEUROSURGERY, AND UROLOGY SINCE ITS FOUNDING THE HOSPITAL HAS WELDED A STRONG COMMITMENT TO THE COMMUNITY THAT IT SERVES, INCLUDING THE PROVISION OF SERVICES FOR THOSE WHO CONSTITUTE A MORE VULNERABLE, AT-RISK POPULATION SUCH CARE, FOR BOTH IMPATIENTS AND OUTPATIENTS, IS OFTEN ONLY PARTIALLY COMPENSATED WITH EXCELLENCE OF MANAGEMENT AND THE DILIGENT STEWARDSHIP OF FUNDS, HOAG HAS BEEN ABLE TO SUSTAIN ITS FINANCIAL STRENGTH AS A RESULT, HOAG HAS BEEN ABLE TO MAINTAIN A CONTINUING COMMITMENT TO QUALITY OF CARE WHILE DEVELOPING AND EXPANDING COMMUNITY PROGRAMS AND PARTNERSHIPS MOST OF THE FUNDS EXPENDED UPON HOAG'S COMMUNITY BENEFIT PROGRAM ARE FROM OPERATING INCOME NURSING PROFESSORSHIP GRANTS AND OUR CELL BIOLOGY WORK IN PRIMARY CLINICAL RESEARCH ARE FUNDED BY TRANSFERS FROM THE HOSPITAL FOUNDATION

Identifier	Return Reference	Explanation
BUSINESS RELATIONSHIP	FORM 990, PART VI, LINE 2	OFFICERS ROBERT BRAITHWAITE AND JENNIFER MITZNER HAVE A BUSINESS RELATIONSHIP

Identifier	Return Reference	Explanation
CLASSES OF MEMBERS AND THE NATURE OF THEIR RIGHTS	FORM 990, PART VI, LINE 6	IN ACCORDANCE WITH THE BY LAWS OF THE CORPORATION, THE MEMBERS OF THE CORPORATION ARE FIFTY (50) IN NUMBER AND ARE DIVIDED EQUALLY BETWEEN THE GEORGE HOAG FAMILY FOUNDATION AND THE CONSTITUENT CHURCHES OF THE LOS RANCHOS PRESBYTERY OF THE PRESBYTERIAN CHURCH (USA), AS REPRESENTED BY THE ASSOCIATION OF PRESBYTERIAN MEMBERS

Identifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF PERSONS AND THE NATURE OF THEIR RIGHTS	FORM 990, PART VI, LINE 7A	THE MEMBERS OF THE CORPORATION HAVE THE POWER TO ELECT OR REMOVE DIRECTORS FROM THE BOARD OF DIRECTORS OF THE CORPORATION

Identifier	Return Reference	Explanation
DECISIONS REQUIRING APPROVAL	FORM 990, PART VI, LINE 7B	THE POWERS AND RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION INCLUDE, BUT ARE NOT LIMITED TO (A) TO ASSURE THE BOARD OF DIRECTORS CARRIES OUT THE CORPORATION'S MISSION, (B) TO CONSIDER THE QUALIFICATIONS OF DIRECTORS TO BE ELECTED TO THE BOARD OF DIRECTORS, (C) TO APPROVE ANY CHANGE TO THE NAME OF THE CORPORATION, (D) TO APPROVE ANY CHANGES TO THE CORPORATION'S MISSION STATEMENT, AND (E) TO APPROVE ANY SALE OR ALIENATION TO THE PROPERTY OR ASSETS OF THE CORPORATION

Identifier	Return Reference	Explanation
PROCESS USED BY MANAGEMENT AND/OR GOVERNING BODY TO REVIEW 990	FORM 990, PART VI, LINE 11B	THE ORGANIZATION'S BOARD OF DIRECTORS HAS DELEGATED TO THE AUDIT AND COMPLIANCE COMMITTEE OF THE BOARD THE REVIEW OF THE FORM 990 PRIOR TO ISSUANCE. MANAGEMENT, INCLUDING AN OFFICER OF THE ORGANIZATION, PREPARES AND REVIEWS THE FORM 990. THE AUDIT AND COMPLIANCE COMMITTEE IS PROVIDED WITH A DRAFT FORM 990 AND IS PROVIDED AMPLE TIME TO READ THE DOCUMENT AND DEVELOP QUESTIONS. THE AUDIT AND COMPLIANCE COMMITTEE THEN CONVENES PRIOR TO ISSUANCE OF THE FORM 990 TO REVIEW AND DISCUSS THE DRAFT FORM 990 WITH MANAGEMENT AND EXTERNAL EXPERTS HIRED BY MANAGEMENT. AN ELECTRONIC VERSION OF THE FORM 990 IS POSTED TO A SECURE WEB SITE AVAILABLE TO ALL OF THE BOARD OF DIRECTORS PRIOR TO FILING.

Identifier	Return Reference	Explanation
PROCESS USED TO MONITOR TRANSACTIONS FOR CONFLICT OF INTEREST	FORM 990, PART VI, LINE 12C	THE ORGANIZATION HAS A COMPREHENSIVE CONFLICT OF INTEREST POLICY. OFFICERS, DIRECTORS, NON-DIRECTOR MEMBERS OF BOARD COMMITTEES, AND SENIOR EXECUTIVES ARE REQUIRED TO COMPLETE AN ANNUAL CONFLICT OF INTEREST QUESTIONNAIRE. RESPONSES TO THE QUESTIONNAIRE ARE REVIEWED BY THE CHAIR AND CEO AND MATTERS ARE DISCUSSED AT THE APPROPRIATE LEVEL AS APPLICABLE GIVEN THE SITUATION. INDIVIDUAL TRANSACTIONS THAT OCCUR BETWEEN THE ANNUAL QUESTIONNAIRE ARE REVIEWED BY THE CORPORATION'S LEGAL AND COMPLIANCE OFFICERS FOR POTENTIAL CONFLICTS OF INTEREST. ANY DIRECTOR WHO HAS A CONFLICT OF INTEREST WITH RESPECT TO A PROPOSED CONTRACT, TRANSACTION OR ARRANGEMENT SHALL REFRAIN FROM VOTING ON ANY MATTER RELATING TO THE CONTRACT, TRANSACTION OR ARRANGEMENT, OR BE EXCUSED FROM ANY MEETING WHERE THE PROPOSED CONTRACT IS DISCUSSED.

Identifier	Return Reference	Explanation
PROCESS USED TO DETERMINE COMPENSATION	FORM 990, PART VI, LINE 15A AND 15B	THE COMPENSATION OF THE CEO, CFO AND ALL SENIOR VICE PRESIDENTS (KEY EMPLOYEES) IS REVIEWED BY THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS, COMPRISED SOLELY OF INDEPENDENT DIRECTORS PLUS ONE OUTSIDE NON-VOTING MEMBER THE COMPENSATION COMMITTEE RECEIVES A STUDY PERFORMED BY AN INDEPENDENT CONSULTING FIRM THAT REVIEWS LEVELS OF COMPENSATION AT COMPARABLE ORGANIZATIONS FOR COMPARABLE POSITIONS WHEN SETTING COMPENSATION OF THE KEY EXECUTIVES THE COMPENSATION COMMITTEE'S RECOMMENDATIONS RELATIVE TO EXECUTIVE COMPENSATION ARE REVIEWED AND APPROVED BY THE FULL BOARD OF DIRECTORS, MEETING IN EXECUTIVE SESSION, WHOSE MINUTES DOCUMENT THAT THE APPROVED COMPENSATION IS DEEMED REASONABLE THIS PROCESS OF USING COMPARABLE DATA TO ESTABLISH LEVELS OF COMPENSATION HAS BEEN IN PLACE FOR IN EXCESS OF 36 YEARS THIS PROCESS WAS LAST COMPLETED IN 2012

Identifier	Return Reference	Explanation
Avail of Gov Docs, Conflict of Interest Policy, & Fin Strmts to Gen Public	FORM 990, PART VI, QUESTION 19	The Corporation's financial statements are made available to the public in summary by inclusion in an Annual Report that is available on its web site http://www.hoag.org/about/corporate-information. Hoag's Code of Conduct is posted on its public Web site as well. The Code of Conduct provides readers with an understandable review of the code of conduct that must be adhered to by all employees, directors and vendors. The Corporation makes its governing documents available upon request.

Identifier	Return Reference	Explanation
HOURS DEVOTED TO RELATED ORGANIZATIONS	FORM 990, PART VII	RICHARD AFABLE, M.D. IS A BOARD MEMBER OF HOAG HOSPITAL FOUNDATION (HHF) AND THE PRESIDENT & CEO / BOARD MEMBER OF HOAG MEMORIAL HOSPITAL PRESBYTERIAN (HMHP). HE DEVOTED 3 HOURS PER WEEK TO HHF AND 50 HOURS PER WEEK TO HMHP. FLYNN ANDRIZZI IS THE PRESIDENT OF HHF, SVP OF HMHP, AND BOARD MEMBER OF HCS. HE DEVOTED 50 HOURS PER WEEK TO HHF, 3 HOURS PER WEEK TO HMHP, AND 1 HOUR PER WEEK TO HCS. STEPHEN JONES IS A BOARD MEMBER OF HHF AND THE CHAIR OF HMHP. HE DEVOTED 1 HOUR PER WEEK TO HHF AND 3 HOURS PER WEEK TO HMHP. JENNIFER MITZNER IS THE SVP OF CORPORATE SERVICES OF HMHP, AND THE CFO OF HMHP AND HOI. SHE DEVOTED 50 HOURS PER WEEK TO HMHP, AND 3 HOURS PER WEEK TO HOI. ROBERT BRAITHWAITE IS A BOARD MEMBER OF HOI. HE DEVOTED 1 HOUR PER WEEK TO HOI. MAX HAMPTON IS A BOARD MEMBER OF HHF & HMHP. HE DEVOTED 2 HOURS PER WEEK TO HHF AND 3 HOURS PER WEEK TO HMHP.

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCE	FORM 990, PART XI, LINE 5	INCREASE IN VALUE OF CRT \$677,561 UNREALIZED GAINS \$74,357,253 CHANGE IN FMV OF INTEREST RATE SWAP (\$1,646,928) OTHER \$94,192 ----- TOTAL \$73,482,078

Identifier	Return Reference	Explanation
CONSOLIDATED AUDITED FINANCIAL STATEMENTS	FORM 990, PART XII, LINE 2B	Hoag Memorial Hospital Presbyterian is included in the consolidated audited financial statements for Hoag Memorial Hospital Presbyterian and Affiliates. A stand-alone audit is not prepared for Hoag Memorial Hospital Presbyterian.

Identifier	Return Reference	Explanation
SCHEDULE K, PART VI - SUPPLEMENTAL INFORMATION		DESCRIPTION OF PURPOSE SCHEDULE K, PART I, LINE A, COLUMN F - REFUND BONDS ISSUED ON 06/01/09 AND IMPROVE & EQUIP FACILITY SCHEDULE K, PART I, LINE B, COLUMN F - REFUND BONDS ISSUED ON 05/31/07 & 05/22/08 AND IMPROVE & EQUIP FACILITY SCHEDULE K, PART I, LINE C, COLUMN F - REFUND BONDS ISSUED ON 08/24/05 & 05/31/07 TOTAL PROCEEDS OF ISSUE SCHEDULE K, PART II, LINE 3, COLUMN A, B & C - DIFFERENCE BETWEEN TOTAL PROCEEDS AND ISSUE PRICE IS INVESTMENT EARNINGS EARNED THROUGH 09/30/12 YEAR OF SUBSTANTIAL COMPLETION SCHEDULE K, PART II, LINE 13, COLUMN A - PROCEEDS OF THE SERIES 2008 BOND ISSUE WERE USED TO FINANCE MULTIPLE PROJECTS MOST OF THESE HAVE BEEN SUBSTANTIALLY COMPLETED AS OF MAY 2012 ONE PROJECT WHICH WAS PARTIALLY FINANCED WITH SERIES 2008 BOND PROCEEDS IN TOTAL AMOUNT OF \$35,988 IS EXPECTED TO BE SUBSTANTIALLY COMPLETED IN FISCAL YEAR 2014 SCHEDULE K, PART II, LINE 13, COLUMN C - PROCEEDS OF THE SERIES 2011 BOND ISSUE WERE USED TO FINANCE MULTIPLE PROJECTS MOST OF THESE PROJECTS HAVE BEEN SUBSTANTIALLY COMPLETED AS OF MAY 2012 ONE PROJECT WHICH WAS PARTIALLY FINANCED WITH SERIES 2011 BOND PROCEEDS IN TOTAL AMOUNT OF \$86,089 IS EXPECTED TO BE SUBSTANTIALLY COMPLETED IN FISCAL YEAR 2014 QUALIFIED HEDGE SCHEDULE K, PART IV, LINE 3, COLUMN C - IN FEBRUARY 2012, THE ORGANIZATION ENTERED INTO A TRI-PARTY SWAP NOVATION AGREEMENT WITH CITIBANK N A AND WELLS FARGO BANK N A EFFECTIVE THE SWAP NOVATION DATE IN FEBRUARY 2012, WELLS FARGO BANK REPLACED CITIBANK AS THE CONNECTION WITH THIS SWAP NOVATION TRANSACTION

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
HOAG MEMORIAL HOSPITAL PRESBYTERIAN

Employer identification number
95-1643327

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) NEWPORT HEALTHCARE CENTER LLC ONE HOAG DRIVE BOX 6100 NEWPORT BEACH, CA 92663 33-1127904	Medical bldg	CA	9,415,071	149,287,608	HMHP
(2) HOAG OUTPATIENT CENTERS LLC ONE HOAG DRIVE BOX 6100 NEWPORT BEACH, CA 92663 45-3587572	PATIENT SVCS	CA	209,285	311,505	HMHP

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) HOAG HOSPITAL FOUNDATION ONE HOAG DRIVE BOX 6100 NEWPORT BEACH, CA 92663 95-3222343	FUNDRAISING	CA	501(C)(3)	7	HMHP	Yes	
(2) HOAG CHARITY SPORTS 3920 BIRCH STREET SUITE 105 NEWPORT BEACH, CA 92660 45-2982422	SUPPORT	CA	501(c)(3)	7	HHF	Yes	

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) NEWPORT IMAGING CENTER LP 360 SAN MIGUEL NEWPORT BEACH, CA 92660 33-0191776	MEDICAL IMAGING	CA	HMHP	RELATED	-444,627	6,671,966		No	0	Yes		99 000 %
(2) HOAG ORTHOPEDIC INSTITUTE LLC ONE HOAG DRIVE BOX 6100 NEWPORT BEACH, CA 92663 61-1588294	SPECIALTY HSPL	CA	HMHP	RELATED	6,458,464	46,479,540		No	0	Yes		51 000 %
(3) MAIN STREET SPECIALTY SURGERY CENTER LLC 280 MAIN STREET SUITE 100 ORANGE, CA 92868 95-4813233	SURGERY	CA	NA	N/A								
(4) ORTHO SURGERY CENTER OF ORANGE COUNTY LL 22 CORPORATE PLAZA DRIVE NEWPORT BEACH, CA 92660 33-0841806	SURGERY	CA	NA	N/A								
(5) ORTHOPEDIC SPECIALISTS OF NEWPORT BEACH 22 CORPORATE PLAZA DRIVE NEWPORT BEACH, CA 92660 20-3014704	INVESTMENT	CA	N/A	N/A								

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) HOAG MANAGEMENT SERVICES INC ONE HOAG DRIVE BOX 6100 NEWPORT BEACH, CA 926586100 33-0731587	MEDICAL MGMT	CA	HMHP	C-CORP	791,322	33,682,245	100 000 %
(2) COASTAL MANAGEMENT SERVICES ORGANIZATION ONE HOAG DRIVE BOX 6100 NEWPORT BEACH, CA 926586100 33-0676831	PURCHASE CO-OP	CA	HMHP	C-CORP	275,799	521,180	100 000 %
(3) HOAG MEDICAL FOUNDATION ONE HOAG DRIVE BOX 6100 NEWPORT BEACH, CA 92663 45-3583707	HEALTH CARE	CA	HMHP	C-CORP	0	0	100 000 %

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

Yes

1b

No

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

Yes

1l

Yes

1m

No

1n

No

1o

No

1p

Yes

1q

No

1r

No

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

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

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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Software ID:

Software Version:

EIN: 95-1643327

Name: HOAG MEMORIAL HOSPITAL PRESBYTERIAN

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved (\$)	(d) Method of determining amount involved
(1) Hoag Hospital Foundation	a(IV)	182,445	ACCRUAL
(2) Hoag Orthopedic Institute	c	1,738,263	ACCRUAL
(3) Hoag Hospital Foundation	c	26,826,000	ACCRUAL
(4) Hoag Hospital Foundation	k	90,000	ACCRUAL
(5) Coastal Management Services Organization	k	87,811	ACCRUAL
(6) Newport Imaging Center	k	109,789	ACCRUAL
(7) Hoag Management Services Inc	l	2,961,827	ACCRUAL

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Hoag Memorial Hospital Presbyterian and Affiliates

Consolidated Financial Statements and Supplementary Information

Years Ended September 30, 2012 and 2011

Contents

Report of Independent Auditors.....	1
Audited Consolidated Financial Statements	
Consolidated Balance Sheets	2
Consolidated Statements of Operations.....	3
Consolidated Statements of Changes in Net Assets	4
Consolidated Statements of Cash Flows.....	5
Notes to Consolidated Financial Statements.	6
Supplementary Information	
Report of Independent Auditors on Supplementary Information	53
Consolidating Balance Sheet	54
Consolidating Statement of Operations	56

Report of Independent Auditors

Board of Directors
Hoag Memorial Hospital Presbyterian and Affiliates

We have audited the accompanying consolidated balance sheets of Hoag Memorial Hospital Presbyterian and Affiliates (the Organization) 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 Organization'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Organization's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hoag Memorial Hospital Presbyterian and Affiliates as of September 30, 2012 and 2011, and the consolidated results of their operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

January 11, 2013

Hoag Memorial Hospital Presbyterian and Affiliates

Consolidated Balance Sheets (In Thousands)

	September 30	
	2012	2011
Assets		
Current assets		
Cash and equivalents	\$ 217,953	\$ 115,409
Patient accounts receivable, net of allowance for doubtful accounts of \$40,544 in 2012 and \$35,231 in 2011	88,494	97,056
Investments	11,885	17,803
Board-designated investments for short-term cash needs	234,916	241,390
Current donations and bequests pledged, net of allowance and discount	9,831	13,023
Other receivables	26,714	15,763
Other current assets	18,997	23,549
Total current assets	608,790	523,993
Long-term investments for		
Board-designated investments for capital improvements	739,645	658,115
Endowments	116,692	107,000
Under indenture agreement held by trustee	52	9,877
Cash collateral held by swap counterparty	—	26,211
Malpractice reserves	15,802	14,232
Total long-term investments	872,191	815,435
Noncurrent donations and bequests pledged, net of allowance and discount	31,038	34,529
Property and equipment, net	903,198	870,809
Intangibles, net	56,444	58,291
Other assets	25,578	24,473
Total assets	\$ 2,497,239	\$ 2,327,530
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 46,036	\$ 42,091
Accrued expenses		
Payroll and related taxes	25,009	14,949
Employee benefits	46,780	43,957
Other	21,986	31,334
Accrued liabilities under capitated contracts	25,877	19,476
Current portion of debt	160,699	79,830
Total current liabilities	326,387	231,637
Self-insurance liabilities	30,432	30,210
Noncurrent portion of debt	412,421	495,068
Interest rate swap	55,702	54,055
Other long-term liabilities	19,490	17,621
Total liabilities	844,432	828,591
Net assets		
Unrestricted		
Controlling interest	1,475,291	1,318,195
Noncontrolling interests in subsidiaries	44,216	41,963
Temporarily restricted	82,594	92,989
Permanently restricted	50,706	45,792
Total net assets	1,652,807	1,498,939
Total liabilities and net assets	\$ 2,497,239	\$ 2,327,530

See accompanying notes

Hoag Memorial Hospital Presbyterian and Affiliates

Consolidated Statements of Operations (In Thousands)

	Year Ended September 30	
	2012	2011
Unrestricted operating revenues		
Patient service, net of contractual allowances and discounts	\$ 816,653	\$ 794,335
Less provision for doubtful accounts	(28,796)	(30,738)
Net patient service revenues	787,857	763,597
Capitation	92,104	80,426
Other	43,597	39,251
Net assets released from restrictions used for specific program purposes	8,316	7,968
Total unrestricted operating revenues	931,874	891,242
Operating expenses		
Salaries and employee benefits	388,409	413,819
Professional fees	19,972	16,846
Supplies	147,273	153,070
Utilities	8,294	9,578
Insurance	2,923	5,709
Lease rental	23,459	24,006
Other	75,629	77,660
Purchased services	109,713	97,921
Depreciation and amortization	79,141	70,591
Interest related to interest rate swap agreement	7,148	7,162
Interest	14,063	13,517
Total operating expenses less restructuring costs	876,024	889,879
Income from operations before restructuring costs	55,850	1,363
Restructuring costs	—	7,124
Income (loss) from operations	55,850	(5,761)
Other income (expense)		
Investment income, net	91,957	13,283
Change in fair value of interest rate swap	(1,647)	(9,720)
Other non-operating losses	(2,743)	(3,193)
Other income, net	87,567	370
Excess (deficiency) of revenues over expenses	143,417	(5,391)
Less excess of revenues over expenses attributable to noncontrolling interests	(10,641)	(3,769)
Excess (deficiency) of revenues over expenses attributable to controlling interest	\$ 132,776	\$ (9,160)
Excess (deficiency) of revenues over expenses attributable to controlling interest	\$ 132,776	\$ (9,160)
Excess of revenues over expenses attributable to noncontrolling interests	10,641	3,769
Cumulative effect of loss on goodwill impairment upon adoption of new accounting principle	—	(3,983)
Net assets released from restrictions used for purchase of property and equipment attributable to controlling interest	24,159	6,932
Distributions paid attributable to noncontrolling interest	(8,686)	(2,675)
Other changes in net assets	459	—
Increase (decrease) in unrestricted net assets	\$ 159,349	\$ (5,117)

See accompanying notes

Hoag Memorial Hospital Presbyterian and Affiliates

Consolidated Statements of Changes in Net Assets

(In Thousands)

	Year Ended September 30	
	2012	2011
Unrestricted net assets		
Excess (deficiency) of revenues over expenses attributable to controlling interest	\$ 132,776	\$ (9,160)
Excess of revenues over expenses attributable to noncontrolling interests	10,641	3,769
Cumulative effect of loss on goodwill impairment upon adoption of new accounting principle attributable to noncontrolling interests	—	(3,983)
Net assets released from restrictions used for purchase of property and equipment attributable to controlling interest	24,159	6,932
Distributions to noncontrolling interest	(8,686)	(2,675)
Other changes in net assets	459	—
Increase (decrease) in unrestricted net assets	159,349	(5,117)
Temporarily restricted net assets		
Contributions	10,796	10,970
Investment income (loss)	9,665	(145)
Change in value of split-interest agreements	931	1,444
Net assets released from restrictions used for purchase of property and equipment and specific program purposes or redesignation	(31,580)	(16,209)
Other changes in net assets	(207)	—
Decrease in temporarily restricted net assets	(10,395)	(3,940)
Permanently restricted net assets		
Contributions	5,884	144
Investment income	—	4
Change in value of split-interest agreements	5	(11)
Net assets released from restrictions used for purchase of property and equipment and specific program purposes or redesignation	(975)	1,309
Increase in permanently restricted net assets	4,914	1,446
Increase (decrease) in net assets	153,868	(7,611)
Net assets, beginning of the year	1,498,939	1,506,550
Net assets, end of the year	\$ 1,652,807	\$ 1,498,939

See accompanying notes

Hoag Memorial Hospital Presbyterian and Affiliates

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended September 30	
	2012	2011
Operating activities		
Increase (decrease) in net assets	\$ 153,868	\$ (7,611)
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities		
Depreciation and amortization	79,141	70,591
Provision for doubtful accounts	29,741	32,852
Net loss on disposition of property and equipment	1,091	3,273
Temporarily and permanently restricted contributions	(15,322)	(14,314)
Change in fair value of interest rate swap	1,647	9,729
Cumulative effect of loss on goodwill impairment upon adoption of new accounting principle	-	3,983
Amortization of bond premium	(1,381)	(1,714)
Other changes in net assets	(375)	-
Changes in operating assets and liabilities		
Patient accounts receivable	(21,179)	(40,847)
Investments	5,918	9,760
Other receivables and other current and noncurrent assets	2,652	(9,905)
Board-designated investments and endowments	(84,748)	15,002
Under indenture agreement held by trustee	9,825	(9,812)
Malpractice reserves	(1,570)	124
Donations and bequests pledged	(897)	2,868
Accounts payable	3,945	(4,980)
Accrued expenses	4,036	16,403
Accrued liabilities under capitated contracts	6,401	2,019
Other long-term liabilities	1,869	(1,398)
Self-insurance liabilities	(1,719)	2,641
Net cash provided by operating activities	172,943	78,655
Investing activities		
Purchase of property and equipment, net	(102,819)	(93,287)
Net cash used in investing activities	(102,819)	(93,287)
Financing activities		
Proceeds from bond issuance	-	104,790
Borrowings on line of credit	-	8,000
Repayment of debt	(397)	(74,024)
Additions to bond issuance costs	(30)	(1,398)
Distributions to noncontrolling interests	(8,686)	(2,675)
Cash collateral held by swap counterparty	26,211	2,624
Proceeds from temporarily and permanently restricted contributions	15,322	14,314
Net cash provided by financing activities	32,420	51,631
Net increase in cash and equivalents	102,544	36,999
Cash and equivalents, beginning of the year	115,409	78,410
Cash and equivalents, end of the year	\$ 217,953	\$ 115,409
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 21,257	\$ 19,573

See accompanying notes

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012

1. Summary of Significant Accounting Policies

Organization

Hoag Memorial Hospital Presbyterian (the Hospital) is a nonprofit corporation operating general acute care hospitals in Newport Beach and Irvine, California. The Hospital provides inpatient, outpatient, and emergency services for residents of Orange County, California. The Hospital operates a 484 licensed bed hospital facility in Newport Beach and a second hospital facility that operates 84 beds located in Irvine (Irvine Hospital), within the existing Hospital's primary service area. The Hospital also has the following affiliated entities:

Hoag Hospital Foundation (the Foundation) is a nonprofit corporation which raises funds to support the Hospital. The Hospital is the sole voting corporate member of the Foundation. In July 2011, the Foundation filed Articles of Incorporation for Hoag Charity Sports, a California nonprofit public benefit corporation created as a support organization for the Foundation whereby the Foundation is the sole corporate member of Hoag Charity Sports. On May 31, 2012, Hoag Charity Sports received notification of its exempt status from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Hoag Orthopedic Institute, LLC (HOI) is a 51% owned joint venture over which the Hospital exerts significant influence. HOI operates a 70 licensed bed orthopedic specialty hospital within the Irvine Hospital facility which commenced operations in November 2010. HOI holds a majority ownership interest in two outpatient surgery centers, Main Street Specialty Surgery Center, LLC (MSSSC) and Orthopedic Surgery Center of Orange County, LLC (OSCO), and a holding company, Orthopedic Specialists of Newport Beach, LLC (OSNB). On December 14, 2012, OSNB merged into OSCOC which resulted in HOI owning 100% of OSCOC.

Hoag Management Services, Inc. (HMSI) is a nonprofit taxable California corporation that provides services to other affiliates of the Hospital. HMSI is wholly owned by the Hospital.

Coastal Physicians Purchasing Group, Inc. (Coastal Physicians) is a for-profit taxable California corporation wholly owned by the Hospital.

Newport Healthcare Center, LLC (NHC) is a wholly owned subsidiary of the Hospital that acquires, develops and manages property.

Hoag Memorial Hospital Presbyterian and Affiliates
Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Newport Imaging Center (NIC) is a 99% owned joint venture that operates imaging centers in Orange County, California.

Hoag Outpatient Centers, LLC (HOC) is a wholly owned subsidiary of the Hospital created to provide various outpatient services. The operations of HOC commenced in May 2012.

Hoag Medical Foundation, Inc (HMF, formerly known as HMTS Healthcare) is a nonprofit benefit corporation created to operate as a medical foundation as defined in Section 1206(l) of the California Health & Safety Code. The Hospital is the sole corporate member of HMF.

Basis of Consolidation

The consolidated financial statements include the accounts of the Hospital, the Foundation (including Hoag Charity Sports), HOI (including MSSSC, OSCOC and OSNB), HMSI, Coastal Physicians, NHC, NIC, HOC and HMF (collectively, the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Reclassifications

Certain reclassifications were made to the 2011 consolidated financial statements in order to conform to the 2012 presentation.

Cash and Equivalents

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. The carrying amount approximates fair value because of the short maturity of the investments. Cash and equivalents also include money market investments with weighted-average maturities of three months or less.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Investments

Investments in equity securities, mutual funds and all investments in debt securities are measured at fair value in the consolidated balance sheets and classified as trading. Investment in partnerships, limited liability companies and similarly structured entities, including equity and fixed income commingled funds, are accounted for using the equity method of accounting, under which the Organization records its proportionate share of income or loss reported by the underlying entity. Investment income or loss (including realized and unrealized 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.

Accounts Receivable

The Organization receives payment for services rendered to patients from the federal and state governments under the Medicare and Medi-Cal programs, privately sponsored managed care programs for which payment is made based on terms defined under formal contracts, and other payors. The following table summarizes the percentage of net accounts receivable from all payors at September 30.

	<u>2012</u>	<u>2011</u>
Government	12%	13%
Contracted	55	55
Other	33	32
	<u>100%</u>	<u>100%</u>

The Organization's management believes there is no material credit risk associated with receivables from government programs. Receivables from contracted payors and others are from various payors who are subject to differing economic conditions, and do not represent any concentrated risks to the Organization. Management continually monitors and adjusts the provision for contractual discounts associated with receivables based on historical experience as well as consideration of new developments. Management believes that an adequate allowance has been recorded for the possibility of these receivables proving uncollectible and continually monitors and adjusts these allowances as necessary.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Long-Term Investments

Long-term investments include assets that are held by trustees under indenture and malpractice reserves, cash collateral held by swap counterparty and Foundation endowment assets. Long-term investments also include assets set aside by the Hospital's Board of Directors (the Board) for future capital improvements or short-term cash needs over which the Board retains control and may, at its discretion, subsequently re-designate for other purposes.

Donations and Bequests

Donations and bequests of private support are recorded as revenue upon the receipt of the unconditional promise to give. Assets that relate to irrevocable, unconditional promises to give are included in the consolidated financial statements at fair value on date of gift in temporarily or permanently restricted net assets, depending on donor restrictions. 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 consolidated statements 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 consolidated financial statements. Conditional promises to give and indications of intentions to give are not recorded until the gift is received or the conditions are met. The Organization believes that certain donations and bequests pledged may not be collected and has provided an allowance for such amounts based on historical experience.

Split-interest Agreements

Split-interest agreements, which are a component of donations and bequests pledged, are arrangements in which a donor enters into trust or other arrangements under which the benefits of such arrangements are distributed to a designated beneficiary or beneficiaries over the trust term or agreement's term. The Organization has received contributions under charitable remainder trust arrangements whereby the Organization serves as trustee. The contributions are recognized in the period in which the trust is established. The assets are recorded at fair value when received and the liability to the designated beneficiary is recorded at the present value of the estimated future payments to be distributed over the expected life of the beneficiary using a

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

discount rate that reflects current market conditions at the time the gift was received. The Organization has also received contributions under charitable gift annuity arrangements whereby the donor contributes assets to the recipient in exchange for a promise by the recipient to pay a fixed amount for a specified period of time to the donor or others designated by the donor. The fair value of split-interest agreements assets is \$12.0 million at September 30, 2012, and \$12.4 million at September 30, 2011, and is recorded within donations and bequests pledged. The present value of the related liabilities is \$2.3 million at September 30, 2012 and \$2.4 million at September 30, 2011, and is recorded within other long-term liabilities.

The Organization is a beneficiary of assets contributed by donors under unconditional, irrevocable agreements held by independent trustees or other fiscal agents. Where known, assets have been included at fair value in the accompanying consolidated financial statements. In some cases, the fair value of such assets cannot be estimated due to confidentiality provisions or other factors and, accordingly, such assets are not included in the accompanying consolidated financial statements.

The Organization is also the beneficiary of various revocable trusts. Assets that relate to revocable trusts or conditional promises to give are not included in the accompanying consolidated financial statements. The Organization recognizes these donations as revenue when the amounts are received or when the promise to give becomes unconditional.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives range from three to seven years for equipment and ten to 40 years for buildings and improvements. Depreciation of leasehold improvements is provided over the shorter of the estimated useful lives of the assets or the lease term and is computed using the straight-line method.

Accounting for the Impairment or Disposal of Long-Lived Assets

The Organization reviews long-lived assets for events or changes in circumstances that indicate that their carrying value may not be recoverable. Impairment is recorded as applicable. As of September 30, 2012, no long-lived assets were considered impaired by the Organization's management.

Hoag Memorial Hospital Presbyterian and Affiliates
Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization 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 Organization in perpetuity.

Deferred Financing Costs

Costs incurred in obtaining long-term financing are amortized over the term of the related obligations using the interest method.

Original Issue Premium or Discount

Premium or discount received in excess of or below the par value of issued bonds is amortized to interest expense using the effective interest method over the period of time the Organization benefits from the reduced effective yield on the bonds or recognizes charges for the increased effective yield on the bonds

Derivative and Hedging Instruments

The Organization recognizes all derivatives on the consolidated balance sheets at fair value. Derivatives that are not hedges must be adjusted to fair value through the performance indicator in the consolidated statements of operations. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair values of the derivatives are offset against either the change in fair value of assets, liabilities, or firm commitment through the consolidated statements of operations, or recognized as a change in unrestricted net assets until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value, if any, is immediately recognized in the consolidated statements of operations. In 2007, the Hospital entered into a derivative financial instrument, specifically, an interest rate swap agreement in which the swap agreement is not designated as a cash flow hedge (see Note 8).

Excess of Revenues over Expenses

The consolidated statements of operations include excess of revenues over expenses. Changes in unrestricted net assets that are excluded from excess of revenues over expenses include cumulative effect of loss on goodwill impairment upon adoption of new accounting principle, net assets released from restrictions, distributions paid, appreciation in assets contributed to joint venture, and appreciation in value of investment in joint venture.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The Organization considers the performance indicator to be the excess of revenues over expenses.

Net Patient Service Revenues

Net patient service revenues are reported at net realizable amounts from patients, third-party payors, and others when services are rendered, including estimated settlements under reimbursement agreements with third-party payors. Settlements from all payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that actual settlements in the near term will differ from the estimated accrued settlements, although such differences are not expected to be material to the consolidated financial position or results of operations of the Organization. In the opinion of the Organization's management, adequate provision has been made for such adjustments, if any, that might arise.

The Organization presents the provision for doubtful accounts in accordance with Accounting Standards Update (ASU) 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities – a consensus of the FASB Emerging Issues Task Force*. The Hospital recognizes significant amounts of patient service revenues at the time the services are rendered even though a patient's ability to pay is not assessed. The Hospital records its provision for doubtful accounts based upon historical experience, as well as collections trends for major payor types, which is reported within net patient service revenues in the consolidated statements of operations.

Patient service revenues, net of contractual allowances and discounts, recognized for the years ended September 30 are as follows.

	2012	2011
	<i>(In Thousands)</i>	
Government	\$ 205,771	\$ 180,697
Contracted	552,158	546,110
Other	58,724	67,528
	\$ 816,653	\$ 794,335

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The Organization is reimbursed for services provided to patients under certain programs administered by governmental agencies. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations, and it is not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medi-Cal programs.

Revenue Earned on Capitation Contracts

The Hospital has agreements with various health plans to provide medical services to subscribing participants. Under these agreements, the Hospital receives monthly capitation payments based on the number of each plan's participants enrolled with participating medical groups that have designated the Hospital as their provider. The Hospital is responsible for certain hospital contracted services provided to these plan participants, including services rendered at other health care facilities. The agreements include risk-sharing arrangements between the Hospital and the participating physician groups dependent primarily on utilization. The Hospital has accrued for estimated risk-sharing settlements and claims for services from outside providers within accrued liabilities under capitated contracts in the accompanying consolidated balance sheets. Accrued liabilities related to these services are generally based on historical claims lag analyses and are continually monitored and reviewed by management.

Charity Care

Patients with incomes below 400% of the current federal poverty level qualify for the Hospital's charity program under which care is provided without charge or at amounts less than established rates. The Hospital does not pursue collection of amounts determined to qualify as charity care and no net revenue is recognized for these services.

Self-Insurance

The Organization is self-insured with respect to professional liability and comprehensive general liability risks, subject to certain limitations. Professional and general liability risks in excess of \$2.0 million per occurrence are reinsured with major independent insurance companies. Based on actuarially determined estimates, provisions have been made in the accompanying

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

consolidated financial statements (included in both other accrued expenses and self-insurance liabilities) for all known claims and incurred but not reported claims as of September 30, 2012 and 2011. The accruals for professional liability and comprehensive general liability claims totaled \$11.0 million and \$11.8 million at September 30, 2012 and 2011, respectively, and are not discounted. Estimation differences between actual payments and amounts recorded in previous years are recognized as expense in the year such amounts become determinable.

The Organization is self-insured for workers' compensation claims, subject to certain limitations. The liability risks in excess of \$1.0 million per occurrence are reinsured with major independent insurance companies. Based on actuarially determined estimates, provisions have been made in the accompanying consolidated financial statements (included in both accrued employee benefits and self-insurance liabilities) for all known claims and incurred but not reported claims as of September 30, 2012 and 2011. The accruals for workers' compensation claims totaled \$26.9 million and \$26.0 million at September 30, 2012 and 2011, respectively, and are not discounted. Estimation differences between actual payments and amounts recorded in previous years are recognized as expense in the year such amounts become determinable.

The Organization maintains self-insured medical and unemployment coverage for all active, regularly scheduled, full-time and part-time employees. The cost of such benefit plans is accrued in the period services are rendered. Accruals for unpaid claims are based on estimated settlements for reported claims and on experience-based estimates for unreported claims. Claims are paid as received.

The Organization provides certain benefits to its employees and others under health and other insurance programs and is self-insured with respect to certain of the benefits under such programs. Employee health claims in excess of \$400,000 per individual are reinsured with major independent insurance companies.

Income Taxes

The Hospital and the Foundation are exempt from federal and California state income and franchise taxes under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701(d), respectively. The Hospital and Foundation are recognized as public charities under Sections 509(a)(1) and 170(b)(1)(A)(iii) and (vi), respectively. Neither entity is a private foundation as defined by Section 509(a). HOI operates as a limited liability company for tax purposes. No provision for federal and state income taxes has been recorded as payment for income taxes is the responsibility of the individual members.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Accounting Standards Codification (ASC) 740, *Income Taxes*, clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. ASC 740 also provides guidance on derecognition, measurement, classification, interest and penalties, disclosure, and transition. The guidance is applicable to pass-through entities and tax-exempt organizations. No significant tax liability for tax benefits, interest or penalties was accrued at September 30, 2012 or 2011.

Goodwill and Other Intangibles

Goodwill and other intangible assets consist primarily of costs in excess of the fair value of tangible assets of acquired entities. The Organization assesses goodwill for impairment annually (see Note 7). Definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets. To the extent that operating results indicate the probability that the carrying values of such assets have been impaired, provisions for losses are recorded based upon the discounted cash flows of the acquired entities over the remaining amortization period.

Other Non-Operating Losses

Other non-operating losses for the years ended September 30, consists of:

	<u>2012</u>	<u>2011</u>
	<i>(In Thousands)</i>	
HOC and HMF pre-opening costs	\$ 2,284	\$ —
Capital improvement projects that were abandoned due to other considerations and net loss on disposition of property and equipment	1,091	3,273
Amortization of bond issuance costs in connection with bond redemption	—	754
Other non-operating gains	(632)	(834)
	<u>\$ 2,743</u>	<u>\$ 3,193</u>

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

California Hospital Quality Assurance Fee Program

California legislation established a program that imposes a Quality Assurance Fee (QA Fee) on certain general acute care hospitals in order to make supplemental and grant payments and increased capitation payments (Supplemental Payments) to hospitals up to the aggregate upper payment limit for various periods. There have been three such programs since inception. The first two programs were a 21-month program (21-Month Program) covering the period April 1, 2009 to December 31, 2010, and a six-month program (Six-Month Program) covering the period January 1, 2011 to June 30, 2011 (the Original Programs), and the third, a 30-month program covering the period from July 1, 2011 to December 31, 2013 (the 30-Month Program, collectively, the Programs). The 30-Month Program was signed into law by the Governor of California in September 2011. The Programs are designed to make supplemental inpatient and outpatient Medi-Cal payments to private hospitals, including additional payments for certain facilities that provide high-acuity care and trauma services to the Medi-Cal population. This hospital QA Fee program provides a mechanism for increasing payments to hospitals that serve Medi-Cal patients, with no impact on the state's General Fund. Some of these payments will be made directly by the state, while others will be made by Medi-Cal managed care plans, which will receive increased capitation rates from the state in amounts equal to the Supplemental Payments. Outside of the legislation, the California Hospital Association (CHA) has created a private program, operated by the California Health Foundation and Trust (CHFT), which was established to alleviate disparities potentially resulting from the implementation of the Programs.

The Original Programs required full federal approval by the Centers for Medicare and Medicaid Services (CMS) in order for them to be fully enacted. If final federal approval was not ultimately obtained, provisions in the underlying legislation allowed for the QA Fee, previously assessed, and Supplemental Payments, previously received, to be returned and recouped, respectively. As such, revenue and expense recognition was not allowed until full CMS approval was obtained. Full CMS approvals for the 21-Month Program and Six-Month Program were obtained in December 2010 and December 2011, respectively. For the year ended September 30, 2011, the Organization recognized payments to the California Department of Health Care Services (DCHS) for the QA Fee in the amount of \$21.7 million within other expenses. The Organization recognized Supplemental Payments and grant revenue from CHFT in the amount of \$9.8 million and \$11.9 million, respectively, within net patient services revenues and other operating revenues, respectively, for the year ended September 30, 2011.

Hoag Memorial Hospital Presbyterian and Affiliates
Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

During the year ended September 30, 2012, under the Six-Month Program, the Organization recognized payments to DCHS for the QA Fee in the amount of \$7.3 million within other expenses. During the year ended September 30, 2012, the Organization also recognized Supplemental Payments and grant revenue from CHFT in the amount of \$3.4 million and \$3.9 million, respectively, within net patient services revenues and other operating revenues, respectively.

In June 2012, the legislation governing the Program was amended to allow for the fee-for-service portion of the 30-Month Program to be administered separately from the managed care portion. Accordingly, upon CMS approval of the fee-for-service portion of the Program in June 2012, for the year ended September 30, 2012, the Organization recognized \$16.7 million for the 30-Month Program QA Fee payments, within other expenses, of which \$5.7 million was recognized in accounts payable as of September 30, 2012. Additionally, the Organization recognized Supplemental Payments and grant revenue from CHFT in the amount of \$3.2 million and \$13.5 million, respectively, within net patient services revenues and other operating revenues, respectively, for the year ended September 30, 2012, of which \$10.5 million was recognized in other receivables as of September 30, 2012.

Adoption of New Accounting Pronouncements

The Organization adopted ASU 2010-24, *Healthcare Entities (Topic 954), Presentation of Insurance Claims and Related Insurance Recoveries*, which requires health care entities to present insurance claims and related recoveries at gross values within the financial statements. Adoption of the new standard resulted in \$12.8 million and \$11.3 million of related recoveries as of September 30, 2012 and 2011, respectively, which was recorded primarily within other assets.

As of October 1, 2011, the Organization adopted ASU 2010-23, *Healthcare Entities (Topic 954), Measuring Charity Care for Disclosures*, requiring health care entities to present charity care disclosures at cost and provide additional disclosures relating to the measurement of charity cost. In addition, the standard requires separate disclosure of any offsetting funds received. Adoption of the new standard did not have a significant impact on the consolidated financial statements (see Note 12).

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In May 2011, ASU 2011-04, *Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, was released and effective for financial statements for annual periods beginning after December 15, 2011, relating to the intent of existing fair value measurement and disclosure requirements under ASC 820, *Fair Value Measurements and Disclosures*. The Organization is currently evaluating the impact of this standard to the consolidated financial statements.

2. Investments

Board-Designated Investments for Short-Term Cash Needs

The Board has established a short-term investment pool that is set aside primarily to meet the near-term capital funding requirements of the Organization's long-term capital plan, as well as other short-term liquidity needs including the payment of tendered bonds in the event of a failed remarketing. The Board reevaluates the size of the short-term investment pool from time to time based on funding requirements for its long-term financial plan and other liquidity needs. The composition of this short-term investment pool at September 30, is as follows:

	2012	2011
	(In Thousands)	
Cash and cash equivalents	\$ 76,684	\$ 92,762
U.S. government agency and treasury notes	88,872	84,994
Debt and equity securities	69,360	63,634
	<u>\$ 234,916</u>	<u>\$ 241,390</u>

Board-designated investments for short-term cash needs are limited as to use.

Long-term Investments

Long-term investments are recorded at fair value and include assets which have been designated by the Board for major equipment purchases, the renovation and replacement of facilities, endowments, assets held under indenture agreement, cash collateral held by swap counterparty, and payment of potential malpractice and general liability claims.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

Funds held by trustee under indenture agreements are subject to draws by the Hospital for qualified expenditure reimbursements.

The composition of long-term investments at September 30 is as follows:

	2012	2011
	<i>(In Thousands)</i>	
Board-designated investments for capital improvements:		
Cash and cash equivalents	\$ 45,815	\$ 29,822
U.S. government agency and treasury notes	21,356	6,550
Mutual funds	41,431	173,454
Fixed income commingled funds	—	35,959
Equity commingled funds	128,547	117,411
Debt and equity securities	287,169	125,834
Hedge funds	134,621	125,040
Private equity	38,396	27,725
Real assets	42,310	16,320
	\$ 739,645	\$ 658,115
Endowments:		
Cash and cash equivalents	\$ 6,467	\$ 7,868
U.S. government agency and treasury notes	2,893	1,950
Mutual funds	21,203	26,111
Equity commingled funds	18,568	17,846
Debt and equity securities	26,361	26,540
Hedge funds	22,715	16,661
Private equity	9,230	7,534
Real assets	9,255	2,490
	\$ 116,692	\$ 107,000

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

	2012	2011
	<i>(In Thousands)</i>	
Under indenture agreement held by trustee:		
Cash and cash equivalents	<u>\$ 52</u>	<u>\$ 9,877</u>
Cash collateral held by swap counterparty:		
Cash and cash equivalents	<u>\$ –</u>	<u>\$ 26,211</u>
Malpractice reserves:		
Cash and short-term investments	\$ 699	\$ 593
Mutual funds	5,247	9,272
Equity exchange traded funds	9,856	4,367
	<u>\$ 15,802</u>	<u>\$ 14,232</u>

The Organization's classification of "mutual funds" includes equity and fixed income mutual funds which may be non-diversified under federal securities laws and may concentrate assets in geographic regions or countries, sectors, and securities issuers. Certain fixed income mutual funds are registered under the Investment Company Act of 1940, but not under the Securities Act of 1933. The Organization's classification of mutual funds also includes a mutual fund which deploys a commodity real return strategy. As of September 30, 2012 and 2011, this commodity real return fund comprised approximately 2% of the Organization's long-term investments.

The Organization's classification of "fixed income commingled funds" includes an investment in a global bond commingled trust account which may invest in U.S. and non-U.S. dollar securities including but not limited to government, corporate, mortgage-backed, asset-backed, high yield and derivative securities, or in common trust funds investing in such securities. The trust account provides for liquidity twice a month, subject to certain notice requirements.

The Organization's classification of "equity commingled funds" includes investments in commingled fund vehicles, a Delaware limited liability company, a Delaware limited partnership and Delaware statutory trusts, which invest primarily in marketable equity securities. The equity commingled funds have monthly liquidity subject to certain notice requirements.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

The Organization's classification of "hedge funds" consists of direct and multi-manager fund-of-funds hedge fund investments which implement a range of alternative investment strategies including, but not limited to, long or short equity, credit, market neutral, mean reversion, distressed subprime, special opportunities, event driven and other strategies. The Organization's investments in hedge funds have limited liquidity since shares or interests in the hedge funds are not freely transferable and are subject to various lock-up periods, redemption fee and notice requirements. In addition, the hedge funds typically reserve the rights to reduce or suspend redemptions and to satisfy redemptions by making distributions in-kind, under certain circumstances. Additionally, hedge funds may hold directly or indirectly, side pocket investments where no redemptions are permitted until such investments are liquidated or deemed realized.

The Organization's classification of "private equity" consists of direct and fund-of-funds private equity investments, including private equity buyout, venture capital, energy, direct financing (debt and equity), mezzanine and secondary private equity funds. These private equity investments generally have initial terms greater than ten years. The Organization may not withdraw or sell, assign or transfer its interests in the private equity funds except in certain very limited circumstances, subject to consent by the general partners of the funds.

The Organization's classification of "real assets" consists of eight investment funds which invest in a variety of real asset strategies, including global real estate, distressed real estate, timberland, global commodities, and energy. The initial terms of the timberland, distressed real estate, and energy funds are greater than ten years and the Organization may not withdraw or sell, assign or transfer its interests in these funds except in certain very limited circumstances, subject to consent by the general partners of the funds. The global real estate fund is structured as a Delaware limited partnership and has quarterly liquidity with thirty days' advance written notice, and subject to certain withdrawal fees, audit holdbacks. The fund has reserved the right to suspend redemptions in certain circumstances. The global commodities fund is structured as a New Hampshire investment trust and has daily liquidity with ten days' advance notice. The trustee has reserved the right to postpone payment of redemption price and to suspend redemption rights in certain circumstances.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

Except for the global real estate and global commodities funds, the Organization's investments in the real asset and private equity funds described in the preceding paragraphs are structured as drawdown funds, which means that the Organization has committed capital to the funds and the fund managers make capital calls as the investment opportunities develop over initial investment periods that could last between two and six years.

The table below summarizes the Organization's commitments and uncalled capital as of September 30, 2012:

	Commitment	Drawn Down	Uncalled
	<i>(In Thousands)</i>		
Private equity	\$ 81,432	\$ 45,145	\$ 36,287
Real assets	28,000	15,012	12,988
Total	<u>\$ 109,432</u>	<u>\$ 60,157</u>	<u>\$ 49,275</u>

Other Current Investments

The following is a summary of investments, other than long-term investments, held by the Organization at September 30, stated at fair value:

	2012	2011
	<i>(In Thousands)</i>	
Cash and cash equivalents	\$ —	\$ 34
Guaranteed income funds	1,379	1,225
Mutual funds	10,392	16,430
Debt and equity securities	114	114
Total	<u>\$ 11,885</u>	<u>\$ 17,803</u>

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

Net investment income for the years ended September 30, consists of:

	2012	2011
	<i>(In Thousands)</i>	
Interest and dividend income	\$ 18,052	\$ 16,915
Net realized gains on investments	157	26,601
Net unrealized gains (losses) on fair value of investments	38,450	(31,996)
Gains recognized under the equity method of accounting	39,143	6,528
Investment fees	(3,845)	(4,765)
	<u>\$ 91,957</u>	<u>\$ 13,283</u>

3. Fair Value Measurements

ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, accounting pronouncements establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Pricing is based on observable inputs such as quoted prices in active markets. Financial assets in Level 1 generally include cash and cash equivalents, U.S. Treasury securities, mutual funds, and listed equities.
- Level 2: Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets and liabilities in this category generally include guaranteed income funds, U.S. Government Agency and Treasury notes, corporate debt securities and interest rate swaps.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Fair Value Measurements (continued)

- Level 3: Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparables, third-party appraisals, discounted cash flow models, and fund manager estimates. Financial assets and liabilities in this category include bequests.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in the tables below. Where more than one technique is noted, individual assets or liabilities were valued using one or more of the noted techniques. The valuation techniques are as follows:

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

The fair values of the Organization's current assets and liabilities, excluding investments and debt, approximate stated values due to the short-term nature of the accounts.

The fair value of the Hospital's bonds payable is estimated based on the quoted market prices for the same or similar issues (Level 2). The fair value of the Hospital's debt was approximately \$594.5 million and \$584.3 million at September 30, 2012 and 2011, respectively.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Fair Value Measurements (continued)

The Organization's investments in partnerships, limited liability companies and similarly structured entities, including equity and fixed income commingled funds, hedge funds, private equity, and real asset investments, amounting to approximately \$403.6 million and \$367.0 million as of September 30, 2012 and 2011, respectively, are accounted for using the equity method of accounting, which approximates fair value. Of these amounts, approximately \$343.9 million and \$322.5 million of the Organization's investments in partnerships, limited liability companies, and similarly structured entities are reported in board designated for capital improvements as of September 30, 2012 and 2011, respectively, and \$59.7 million and \$44.5 million are reported in endowments as of September 30, 2012 and 2011, respectively.

The Organization records donations and bequests pledged at fair value at the time the gift is made. Certain gifts are made through charitable remainder trusts and similar structures, the values of which vary over time. A portion of these trusts holds investment securities and the Organization adjusts the amount of such gifts to fair value. In some cases the Organization is not the trustee, for which the Organization adjusts the bequest to fair value using present value techniques based on mortality tables and discount rates that are consistent with Internal Revenue Service (IRS) published rates.

The Organization is liable to income beneficiaries under certain split-interest and gift annuity agreements. The fair values of these liabilities are estimated using present value techniques based on mortality tables and discount rates that are consistent with IRS published rates.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Fair Value Measurements (continued)

The following tables provide the method used to fair value certain assets and liabilities as of September 30. Only assets and liabilities measured at fair value on a recurring basis are shown in the three-tier fair value hierarchy.

<i>All amounts are in thousands</i>	September 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Instruments	Equity Method Investments	Total	Valuation Technique (a,b,c)
Current assets								
Cash and equivalents	\$ 217,953	\$ 217,953	\$ —	\$ —	\$ 217,953	\$ —	\$ 217,953	a
Investments and other current assets								
Guaranteed income funds	\$ 1,379	\$ —	\$ 1,379	\$ —	\$ 1,379	\$ —	\$ 1,379	a, c
Mutual funds								
Fixed income	5,393	5,393	—	—	5,393	—	5,393	a
Equity	4,093	4,093	—	—	4,093	—	4,093	a
Asset allocation	811	811	—	—	811	—	811	a
Specialty	95	95	—	—	95	—	95	a
Debt and equity securities	114	114	—	—	114	—	114	a
	<u>\$ 11,885</u>	<u>\$ 10,506</u>	<u>\$ 1,379</u>	<u>\$ —</u>	<u>\$ 11,885</u>	<u>\$ —</u>	<u>\$ 11,885</u>	
Board-designated investments for short-term cash needs								
Cash and cash equivalents	\$ 76,684	\$ 76,684	\$ —	\$ —	\$ 76,684	\$ —	\$ 76,684	a
U.S. government agency and treasury notes	88,872	61,423	27,449	—	88,872	—	88,872	a, c
Debt and equity securities	69,360	—	69,360	—	69,360	—	69,360	a, c
	<u>\$ 234,916</u>	<u>\$ 138,107</u>	<u>\$ 96,809</u>	<u>\$ —</u>	<u>\$ 234,916</u>	<u>\$ —</u>	<u>\$ 234,916</u>	

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Fair Value Measurements (continued)

<i>All amounts are in thousands</i>	September 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Instruments	Equity Method Investments	Total	Valuation Technique (a,b,c)
Long-term investments for								
Board-designated investments								
for capital improvements								
Cash and cash equivalents	\$ 45,815	\$ 45,815	\$ —	\$ —	\$ 45,815	\$ —	\$ 45,815	a, c
U.S. government agency and treasury notes	21,356	11,966	9,390	—	21,356	—	21,356	a, c
Mutual funds								
Equity	27,921	27,921	—	—	27,921	—	27,921	a
Commodity real return	13,510	13,510	—	—	13,510	—	13,510	a
Debt and equity securities	287,169	249,503	36,257	1,409	287,169	—	287,169	a, c
Equity commingled funds	128,547	—	—	—	—	128,547	128,547	
Hedge funds	134,621	—	—	—	—	134,621	134,621	
Private equity	38,396	—	—	—	—	38,396	38,396	
Real assets	42,310	—	—	—	—	42,310	42,310	
	<u>\$ 739,645</u>	<u>\$ 348,715</u>	<u>\$ 45,647</u>	<u>\$ 1,409</u>	<u>\$ 395,771</u>	<u>\$ 343,874</u>	<u>\$ 739,645</u>	
Endowments								
Cash and cash equivalents	\$ 6,467	\$ 6,467	\$ —	\$ —	\$ 6,467	\$ —	\$ 6,467	a, c
U.S. government agency and treasury notes	2,893	1,726	1,167	—	2,893	—	2,893	a, c
Mutual funds								
Fixed income	15,524	15,524	—	—	15,524	—	15,524	a
Equity	3,071	3,071	—	—	3,071	—	3,071	a
Commodity real return	2,608	2,608	—	—	2,608	—	2,608	a
Debt and equity securities	26,361	21,622	4,739	—	26,361	—	26,361	a, c
Equity commingled funds	18,568	—	—	—	—	18,568	18,568	
Hedge funds	22,715	—	—	—	—	22,715	22,715	
Private equity	9,230	—	—	—	—	9,230	9,230	
Real assets	9,255	—	—	—	—	9,255	9,255	
	<u>\$ 116,692</u>	<u>\$ 51,018</u>	<u>\$ 5,906</u>	<u>\$ —</u>	<u>\$ 56,924</u>	<u>\$ 59,768</u>	<u>\$ 116,692</u>	

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Fair Value Measurements (continued)

<i>All amounts are in thousands</i>	September 30,		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Fair Value Instruments		Equity Method Investments		Total		Valuation Technique (a,b,c)
	2012														
Under indenture agreement held by trustee	\$	52	\$	52	\$	—	\$	—	\$	52	\$	—	\$	52	a
Malpractice reserves															
Cash and cash equivalents	\$	699	\$	699	\$	—	\$	—	\$	699	\$	—	\$	699	a
Fixed income mutual funds		5,247		5,247		—		—		5,247		—		5,247	a
Equity exchange traded funds		9,856		9,856		—		—		9,856		—		9,856	a
	\$	15,802	\$	15,802	\$	—	\$	—	\$	15,802	\$	—	\$	15,802	
Bequests pledged	\$	6,030	\$	3,994	\$	—	\$	2,036	\$	6,030	\$	—	\$	6,030	a, c
Liabilities															
Interest rate swap	\$	55,702	\$	—	\$	55,702	\$	—	\$	55,702	\$	—	\$	55,702	a

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Fair Value Measurements (continued)

All amounts are in thousands

	September 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Instruments	Equity Method Investments	Total	Valuation Technique (a,b,c)
Current assets								
Cash and equivalents	\$ 115,409	\$ 115,409	\$ —	\$ —	\$ 115,409	\$ —	\$ 115,409	a
Investments and other current assets								
Cash and cash equivalents	\$ 34	\$ 34	\$ —	\$ —	\$ 34	\$ —	\$ 34	a
Guaranteed income funds	1,225	—	1,225	—	1,225	—	1,225	a, c
Mutual funds								
Fixed income	12,571	12,571	—	—	12,571	—	12,571	a
Equity	3,119	3,119	—	—	3,119	—	3,119	a
Asset allocation	691	691	—	—	691	—	691	a
Specialty	49	49	—	—	49	—	49	a
Debt and equity securities	114	114	—	—	114	—	114	a
	<u>\$ 17,803</u>	<u>\$ 16,578</u>	<u>\$ 1,225</u>	<u>\$ —</u>	<u>\$ 17,803</u>	<u>\$ —</u>	<u>\$ 17,803</u>	
Board-designated investments for short-term cash needs								
Cash and cash equivalents	\$ 92,762	\$ 91,362	\$ 1,400	\$ —	\$ 92,762	\$ —	\$ 92,762	a
U.S. government agency and treasury notes	84,994	53,690	31,304	—	84,994	—	84,994	a, c
Debt and equity securities	63,634	—	63,634	—	63,634	—	63,634	a, c
	<u>\$ 241,390</u>	<u>\$ 145,052</u>	<u>\$ 96,338</u>	<u>\$ —</u>	<u>\$ 241,390</u>	<u>\$ —</u>	<u>\$ 241,390</u>	

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Fair Value Measurements (continued)

<i>All amounts are in thousands</i>	September 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Instruments	Equity Method Investments	Total	Valuation Technique (a,b,c)
Long-term investments for:								
Board-designated investments								
for capital improvements								
Cash and cash equivalents	\$ 29,822	\$ 29,822	\$ —	\$ —	\$ 29,822	\$ —	\$ 29,822	a
U.S. government agency and treasury notes	6,550	2,800	3,750	—	6,550	—	6,550	a, c
Mutual funds								
Fixed income	123,686	123,686	—	—	123,686	—	123,686	a
Equity	23,309	23,309	—	—	23,309	—	23,309	a
World allocation	14,637	14,637	—	—	14,637	—	14,637	a
Commodity real return	11,822	11,822	—	—	11,822	—	11,822	a
Debt and equity securities	125,834	104,686	19,724	1,424	125,834	—	125,834	a, c
Fixed income commingled funds	35,959	—	—	—	—	35,959	35,959	
Equity commingled funds	117,411	—	—	—	—	117,411	117,411	
Hedge funds	125,040	—	—	—	—	125,040	125,040	
Private equity	27,725	—	—	—	—	27,725	27,725	
Real assets	16,320	—	—	—	—	16,320	16,320	
	<u>\$ 658,115</u>	<u>\$ 310,762</u>	<u>\$ 23,474</u>	<u>\$ 1,424</u>	<u>\$ 335,660</u>	<u>\$ 322,455</u>	<u>\$ 658,115</u>	
Endowments								
Cash and cash equivalents	\$ 7,868	\$ 7,868	\$ —	\$ —	\$ 7,868	\$ —	\$ 7,868	a
U.S. government agency and treasury notes	1,950	874	1,076	—	1,950	—	1,950	a, c
Mutual funds								
Fixed income	15,811	15,811	—	—	15,811	—	15,811	a
Equity	2,695	2,695	—	—	2,695	—	2,695	a
World allocation	4,798	4,798	—	—	4,798	—	4,798	a
Commodity real return	2,807	2,807	—	—	2,807	—	2,807	a
Debt and equity securities	26,540	21,231	5,309	—	26,540	—	26,540	a, c
Equity commingled funds	17,846	—	—	—	—	17,846	17,846	
Hedge funds	16,661	—	—	—	—	16,661	16,661	
Private equity	7,534	—	—	—	—	7,534	7,534	
Real assets	2,490	—	—	—	—	2,490	2,490	
	<u>\$ 107,000</u>	<u>\$ 56,084</u>	<u>\$ 6,385</u>	<u>\$ —</u>	<u>\$ 62,469</u>	<u>\$ 44,531</u>	<u>\$ 107,000</u>	

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Fair Value Measurements (continued)

<i>All amounts are in thousands</i>	September 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Instruments	Equity Method Investments	Total	Valuation Technique (a,b,c)
Under indenture agreement held by trustee	\$ 9 877	\$ 9 877	\$ —	\$ —	\$ 9 877	\$ —	\$ 9 877	a
Cash collateral held by swap counterparty	\$ 26 211	\$ 26 211	\$ —	\$ —	\$ 26 211	\$ —	\$ 26 211	a
Malpractice reserves								
Cash and cash equivalents	\$ 593	\$ 593	\$ —	\$ —	\$ 593	\$ —	\$ 593	a
Fixed income mutual funds	9 272	9 272	—	—	9 272	—	9 272	a
Equity exchange traded funds	4,367	4,367	—	—	4 367	—	4 367	a
	\$ 14 232	\$ 14 232	\$ —	\$ —	\$ 14 232	\$ —	\$ 14 232	
Bequests pledged	\$ 12 360	\$ 3 821	\$ —	\$ 8 539	\$ 12 360	\$ —	\$ 12 360	a, c
Liabilities								
Interest rate swap	\$ 54 055	\$ —	\$ 54 055	\$ —	\$ 54 055	\$ —	\$ 54 055	a

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Fair Value Measurements (continued)

The Organization's assets and liabilities valued using significant unobservable inputs (Level 3) are comprised of bequests receivable where the Organization is not the trustee, and liabilities to annuitants. The tables below set forth a summary of changes in the fair value of the Organization's Level 3 for the years ended September 30:

	Bequests	Debt and Equity Securities
	<i>(In Thousands)</i>	
2012		
Balance, beginning of year	\$ 8,539	\$ 1,424
Total gains or losses for the period	272	(15)
Receipts and settlements, net	(6,775)	—
Balance, end of year	<u>\$ 2,036</u>	<u>\$ 1,409</u>
2011		
Balance, beginning of year	\$ 6,962	\$ 1,458
Total gains or losses for the period	1,577	(34)
Settlements	—	—
Balance, end of year	<u>\$ 8,539</u>	<u>\$ 1,424</u>

The Organization has received restricted pledges and contributions, totaling \$16.7 million and \$11.1 million for the years ended September 30, 2012 and 2011, respectively, that were subject to fair value measurement. The restricted contributions were measured based on the actual cash received, or for pledge receivables, using discounted cash flow projections as outlined in the income valuation approach. Approximately \$8.0 million of the restricted contributions received in the period were recorded as a pledge receivable as of September 30, 2012.

In accordance with ASC 350, as of October 1, 2010, goodwill with a carrying amount of \$47.5 million was written down to its implied fair value of \$43.5 million resulting in an impairment charge of \$4.0 million recorded in unrestricted net assets as a cumulative effect of the adoption of the new accounting principle. The assets were measured using an income and market approach with significant unobservable inputs (Level 3).

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

4. Endowment

The Organization's endowment consists of approximately 31 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors of Hoag Hospital Foundation (Foundation Board) to function as endowments. Net assets associated with endowment funds, including funds designated by the Foundation Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

- a. The duration and preservation of the fund
- b. The purposes of the Organization and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Organization
- g. The investment policies of the Organization

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

4. Endowment (continued)

The endowment net asset composition by fund type was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	<i>(In Thousands)</i>			
As of September 30, 2012:				
Donor-restricted endowment funds	\$ —	\$ 30,065	\$ 43,039	\$ 73,104
Board-designated endowment funds	34,738	8,850	—	43,588
Total endowment funds	<u>\$ 34,738</u>	<u>\$ 38,915</u>	<u>\$ 43,039</u>	<u>\$ 116,692</u>
As of September 30, 2011:				
Donor-restricted endowment funds	\$ —	\$ 21,183	\$ 40,744	\$ 61,927
Board-designated endowment funds	37,255	7,818	—	45,073
Total endowment funds	<u>\$ 37,255</u>	<u>\$ 29,001</u>	<u>\$ 40,744</u>	<u>\$ 107,000</u>

Hoag Memorial Hospital Presbyterian and Affiliates
Notes to Consolidated Financial Statements (continued)

4. Endowment (continued)

Changes in endowment net assets during the years ended September 30, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	<i>(In Thousands)</i>			
2012				
Endowment net assets, beginning of period	\$ 37,255	\$ 29,001	\$ 40,744	\$ 107,000
Investment income	439	974	—	1,413
Net appreciation	3,792	8,517	—	12,309
Contributions, net	200	1,000	3,271	4,471
Appropriation of endowment assets for expenditure	(6,948)	(1,553)	—	(8,501)
Redesignation by donor	—	976	(976)	—
Endowment net assets, end of period	<u>\$ 34,738</u>	<u>\$ 38,915</u>	<u>\$ 43,039</u>	<u>\$ 116,692</u>
2011				
Endowment net assets, beginning of period	\$ 44,113	\$ 31,470	\$ 37,701	\$ 113,284
Investment income	463	893	—	1,356
Net appreciation (depreciation)	441	(899)	—	(458)
Contributions, net	201	1,003	1,734	2,938
Appropriation of endowment assets for expenditure	(7,963)	(2,157)	—	(10,120)
Redesignation by donor	—	(1,309)	1,309	—
Endowment net assets, end of period	<u>\$ 37,255</u>	<u>\$ 29,001</u>	<u>\$ 40,744</u>	<u>\$ 107,000</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment while balancing the risk of investment loss with the long-term preservation of purchasing power. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

4. Endowment (continued)

The Organization seeks to maintain the purchasing power of the endowment assets portfolio and to achieve rates of returns which over time exceed inflation by a specified margin. To achieve its long-term investment objectives within prudent risk constraints, the Organization develops strategic asset allocation ranges and targets for the endowment portfolio and considers factors including, but not limited to, time horizon, liquidity, and risk tolerance. The current asset allocation targets emphasize diversification across asset classes to manage risk and enhance returns. Actual allocations may differ from target allocations in the short term or during periods of significant market fluctuations. In addition, the Organization confirms the asset allocation ranges on an annual basis and updates the investment policy and/or target allocations, as needed, if there is a significant change in capital market expectations and/or investment objectives, including spending requirements. The Organization seeks to achieve returns which will compare favorably to the returns of the applicable markets and representative peers.

The Organization's policy allows the Foundation Board to determine a spending rate from endowment investments on an annual basis. In establishing this policy, the Organization considers the fair value and long-term expected return on its endowment and the factors described above.

5. Donations and Bequests Pledged

The Organization has received contributions under various types of split-interest agreements including charitable remainder trusts and charitable remainder gift annuities. Such unconditional irrevocable agreements are reported at fair value at the date the promise is received. In determining the fair value of such assets, the Organization uses the present value of estimated future cash flows using an IRS published discount rate commensurate with the risks involved. For unconditional irrevocable agreements where the assets, or a portion of the assets, are being held for the benefit of others, such as the donor or third parties designated by the donor, a liability, measured at the present value of the expected future payments to be made to other beneficiaries, has been recorded in the accompanying consolidated balance sheets.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Donations and Bequests Pledged (continued)

The amounts of net donations pledged that are receivable at September 30 consist of the following:

	2012	2011
	<i>(In Thousands)</i>	
Due in one year or less	\$ 10,315	\$ 13,684
Due after one year through five years	12,165	13,809
Due after five years	9,891	5,067
	<u>32,371</u>	<u>32,560</u>
Less amount representing interest	(3,527)	(3,362)
Pledges receivable, net	28,844	29,198
Bequests holding real property	5,995	5,994
Bequests measured at fair value	6,030	12,360
	<u>\$ 40,869</u>	<u>\$ 47,552</u>

Pledges receivable include approximately \$8.1 million restricted for endowments and \$17.6 million restricted for the benefit of neuroscience, cancer and heart programs.

The fair value of certain assets was determined by calculating the net present value of the estimated future cash flows using a discount rate at the time the pledge was made which ranged between 0.4% and 5.1%.

The Organization is the beneficiary of volunteers performing numerous non-clinical functions in all areas of the Organization. Management has not estimated the fair value of services provided and, therefore, no revenue is recognized as a result of these donated services.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

6. Property and Equipment

A summary of property and equipment at September 30 follows:

	2012	2011
	<i>(In Thousands)</i>	
Land	\$ 77,331	\$ 77,331
Buildings and improvements	925,786	858,496
Equipment	450,922	414,130
Construction-in-progress	54,746	79,557
	1,508,785	1,429,514
Less accumulated depreciation	(605,587)	(558,705)
Property and equipment, net	\$ 903,198	\$ 870,809

7. Intangible Assets

Intangible assets at September 30 consist of:

	2012	2011
	<i>(In Thousands)</i>	
Goodwill	\$ 43,889	\$ 43,514
Covenants not-to-compete	18,700	18,700
Other long-lived intangibles	520	520
	63,109	62,734
Less accumulated amortization	(6,665)	(4,443)
Intangibles, net	\$ 56,444	\$ 58,291

The Organization adopted the new standard related to the accounting treatment for goodwill and indefinite-lived intangible assets by not-for-profit organizations effective October 1, 2010, and accordingly, ceased the amortization of its goodwill. The new accounting standard requires that the Organization test the carrying value of goodwill for impairment at the reporting unit level on an annual basis, or more frequently if significant indicators of impairment exist. The Organization primarily utilized the income and market approaches in the valuation which includes the discounted cash flow method, the guideline company method, as well as other generally accepted valuation methodologies to determine the fair value of its reporting units.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

7. Intangible Assets (continued)

Upon completion of the transitional goodwill impairment test as of October 1, 2010, the Organization determined that the estimated fair value of two of its reporting units was less than their respective carrying values. As a result, the Organization recognized an impairment of \$4.0 million recorded as a reduction in net assets. The Organization has elected an annual measurement date of July 1.

Upon completion of the annual impairment assessment as of July 1, 2012, the Organization determined that the fair value of the reporting unit with goodwill exceeded its carrying value. As a result, the Organization determined that no indicators of impairment exist for its goodwill that would require additional analysis before its next annual evaluation.

Covenants not-to-compete are amortized over the expected term the Organization is expected to benefit, which ranges from eight to nine years. Approximately \$2.2 million of amortization expense was incurred in each of the years ended September 30, 2012 and 2011. Future amortization of covenants not-to-compete is as follows (in thousands):

Fiscal year:	
2013	\$ 2,222
2014	2,222
2015	2,222
2016	2,222
2017	2,222
Thereafter	925
	<u>\$ 12,035</u>

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

8. Debt

The Organization's outstanding debt, including unamortized discount/premium, as of September 30 is summarized as follows:

	2012	2011
	<i>(In Thousands)</i>	
Series 2011A Long-Term Interest Rate Bonds	\$ 104,751	\$ 104,775
Series 2009A Long-Term Interest Rate Bonds	67,819	68,049
Series 2009D and 2009E Long-Term Interest Rate Bonds	71,387	72,514
Series 2008C Variable Rate Demand Revenue Bonds	70,095	70,095
Series 2008D through 2008F Variable Rate Demand Revenue Bonds	250,000	250,000
Short-term line of credit	8,000	8,000
Notes payables and other	1,068	1,465
Total debt	573,120	574,898
Less current portion of debt	(160,699)	(79,830)
Debt, net of current portion	\$ 412,421	\$ 495,068

The aggregate amount of principal maturities and sinking fund requirements related to debt at September 30, 2012, is as follows (in thousands):

Fiscal year:	
2013	\$ 18,985
2014	11,561
2015	11,937
2016	11,985
2017	12,405
Thereafter	505,495
	<u><u>\$ 572,368</u></u>

Revenue Bonds Series 2011

On February 8, 2011, \$105.4 million of tax-exempt City of Newport Beach Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2011A (Series 2011A) were issued by the City of Newport Beach under a loan agreement with the Hospital and bond indenture agreement with the trustee (the 2011 Indenture).

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

8. Debt (continued)

Series 2011A Long-Term Interest Rate Bonds

The Series 2011A bonds were issued at total par of \$105.4 million and bear interest at annual rates of 3.00% to 6.00%. Interest is payable semi-annually on each June 1 and December 1, commencing June 1, 2011. The Series 2011A bonds provide for annual principal payments each December 1, from 2012 through 2040. The Series 2011A bonds maturing on or after December 1, 2030, are subject to optional redemptions prior to their stated maturity, on any date on or after December 1, 2021, and are also subject to mandatory sinking fund redemptions prior to their stated maturity, commencing on December 1, 2022, as described in the 2011 Indenture. The Series 2011A bonds are subject to extraordinary optional redemption and optional redemption in the event of a change in law prior to their stated maturity, at the option of City of Newport Beach (which option shall be exercised upon the request of the Organization), as described in the 2011 Indenture. The Series 2011A bonds were issued at an original issue discount of approximately \$0.6 million and carry effective interest rates ranging from 1.3% to 6.1%. The Series 2011A bonds are classified as current and long-term liabilities in the accompanying consolidated balance sheets.

Revenue Bonds Series 2009

On June 1, 2009, \$211.0 million of tax-exempt City of Newport Beach Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2009A through E (Series 2009) were issued by the City of Newport Beach under loan agreements with the Hospital and bond indenture agreements with the trustee (2009 Indentures), and are comprised of the following:

Series 2009A Long-Term Interest Rate Bonds

The Series 2009A bonds were issued at total par of \$66.8 million and bear interest at annual rates of 3.00% to 5.00%. Interest is payable semi-annually on each June 1 and December 1, commencing December 1, 2009. The Series 2009A bonds provide for annual principal payments each December 1, from 2012 through 2024. The Series 2009A bonds maturing on December 1, 2024, are subject to optional redemptions prior to their stated maturity, on any date on or after December 1, 2014, and are also subject to mandatory sinking fund redemptions prior to their stated maturity, commencing on December 1, 2020, as described in the 2009 Indentures. The Series 2009A bonds are subject to extraordinary optional redemption and optional redemption in the event of a change in law prior to their stated maturity, at the option of City of Newport Beach.

Hoag Memorial Hospital Presbyterian and Affiliates
Notes to Consolidated Financial Statements (continued)

8. Debt (continued)

(which option shall be exercised upon the request of the Organization), as described in the 2009 Indentures. The Series 2009A bonds were issued at an original issue premium of approximately \$1.7 million and carry effective interest rates ranging from 2.4% to 4.7%. The Series 2009A bonds are classified as current and long-term liabilities in the accompanying consolidated balance sheets.

Series 2009B and 2009C Long-Term Interest Rate Bonds

The Series 2009B and 2009C bonds, with total par of \$73.2 million, were paid in full on February 8, 2011, using proceeds from the Series 2011A Bonds.

Series 2009D and 2009E Long-Term Interest Rate Bonds

The Series 2009D and 2009E bonds were issued at total par of \$71.0 million and initially bear interest at a long-term interest rate of 5.0%. During the initial long-term interest rate period, interest is payable semi-annually on each June 1 and December 1, commencing December 1, 2009. These bonds are not subject to optional tender for purchase during the initial long-term interest rate period but are subject to mandatory tender for purchase and remarketing in February 2013. At the end of the initial long-term interest rate period in February 2013, the Hospital may convert these bonds to a different interest rate mode or a new term in accordance with the 2009 Indentures. The Series 2009D and 2009E bonds are currently supported by self-liquidity and the Hospital has agreed to pay the purchase price of any bonds not covered with remarketing proceeds upon the mandatory tender at the end of the initial long-term interest rate period or February 2013. The Series 2009D and 2009E bonds have final maturities in 2038 and are also subject to varying mandatory redemption payments prior to their stated maturity commencing on December 1, 2024. The Series 2009D and 2009E bonds were issued at an original issue premium of approximately \$4.0 million and carry an effective interest rate of 3.4%. Due to the holders' right to tender in February 2013, the Series 2009D and 2009E bonds are classified as current liabilities in the accompanying consolidated balance sheets.

Refunding Revenue Bonds Series 2008

On May 22, 2008, \$452.1 million of tax-exempt City of Newport Beach Refunding Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2008 A through F (Series 2008) were issued by the City of Newport Beach under a loan agreement with the Hospital and bond indenture agreements with the trustee (2008 Indentures), comprised of the following.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

8. Debt (continued)

Series 2008C Variable Rate Demand Revenue Bonds

The Series 2008C bonds were issued at par of \$70.1 million and bear interest at variable interest rates which are reset on a weekly basis depending on prevailing market conditions. Interest is payable on a monthly basis. The average interest rate for these bonds during the 12-month period ending on September 30, 2012, was 0.11%. The Hospital's remarketing agents have the authority to remarket these bonds at rates of interest up to 12%. These bonds mature in 2040. However, these bonds are subject to mandatory redemption prior to their stated maturity with varying redemption payments commencing on December 1, 2016. In addition, these bonds are subject to optional redemption at the discretion of the Hospital.

Holders of variable rate demand revenue bonds have the right to tender the bonds on a daily basis. To effect such tender while the bonds bear interest at a weekly rate, the holder or beneficial owner must deliver written notice of tender to the tender agent and the remarketing agent on a business day not fewer than seven days prior to the designated purchase date. These Series 2008C bonds are supported by self-liquidity and the Hospital has agreed to maintain, in the aggregate, sufficient assets, primarily marketable fixed income and other liquidity support vehicles, to be used to repurchase the bonds in the event that tendered bonds are not resold in the open market. Due to the holders' right to tender on a daily basis, the Series 2008C bonds are classified as current liabilities in the accompanying consolidated balance sheets.

Series 2008D through 2008F Variable Rate Demand Bonds

The Series 2008D through 2008F bonds were issued at total par of \$250.0 million and bear interest at variable interest rates which are reset on a weekly basis depending on prevailing market conditions. Interest is payable on a monthly basis. The average interest rate for these bonds during the 12-month period ending on September 30, 2012, was 0.15%. The Hospital's remarketing agents have the authority to remarket these bonds at rates of interest up to 12%. These bonds mature in 2040. However, these bonds are subject to mandatory redemption prior to their stated maturity, with varying redemption payments commencing on December 1, 2012. In addition, these bonds are subject to optional redemption at the discretion of the Hospital.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

8. Debt (continued)

Holders of variable rate demand revenue bonds have the right to tender the bonds on a daily basis. To effect such tender while the bonds bear interest at a weekly rate, the holder or beneficial owner must deliver written notice of tender to the tender agent and the remarketing agent on a business day not fewer than seven days prior to the designated purchase date. While the Series 2008D through 2008F bonds are in the weekly interest rate period mode, payment of the principal and purchase price of, and interest on the bonds is supported initially by irrevocable, direct-pay letter of credits.

The direct-pay letter of credit supporting the Series 2008D bonds is issued by JPMorgan Chase Bank, N.A. (JPM Chase), pursuant to and subject to the terms of the Letter of Credit Agreement dated as of February 1, 2011, among the Hospital and JPM Chase (the JPM Chase Letter of Credit). The JPM Chase Letter of Credit will expire on February 7, 2014, unless extended or terminated earlier pursuant to its provisions, and may, under certain circumstances, be replaced by a substitute letter of credit. In such event, the Series 2008D are subject to mandatory tender for purchase.

The direct-pay letter of credit supporting the Series 2008E bonds is issued by The Northern Trust Company (Northern Trust), pursuant to and subject to the terms of the Letter of Credit Agreement dated as of January 31, 2012, among the Hospital and Northern Trust (the Northern Trust Letter of Credit). The Northern Trust Letter of Credit will expire on January 31, 2017, unless extended or terminated earlier pursuant to its provisions, and may, under certain circumstances, be replaced by a substitute letter of credit. In such event, the Series 2008Es are subject to mandatory tender for purchase.

The direct-pay letter of credit supporting the Series 2008F bonds is issued by Bank of America, N.A. (Bank of America), pursuant to and subject to the terms of the Letter of Credit Agreement dated as of May 22, 2008, among the Hospital, Bank of America and certain other lenders, as amended on December 21, 2011 (the Bank of America Letter of Credit). The Bank of America Letter of Credit will expire on January 31, 2017, unless extended or earlier terminated pursuant to its provisions, and may, under certain circumstances, be replaced by a substitute letter of credit. In such event, the bonds are subject to mandatory tender for purchase. Due to the fact that the holders' right to tender the bonds on a daily basis is supported by letters of credit that would allow the Hospital to extend the principal repayment dates beyond the current period, the Series 2008D through 2008F bonds are classified as current and long-term liabilities in the accompanying consolidated balance sheets.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

8. Debt (continued)

Line of Credit

In July 2011, HOI entered into a credit agreement with JPMorgan Chase Bank, N.A. (the Bank) to provide a short-term revolving credit facility not to exceed \$12.5 million. The facility had an original termination date of July 6, 2012, which was extended to June 21, 2013, and accrued interest at variable rates. As of September 30, 2012, there was \$8.0 million outstanding on the credit facility. On December 14, 2012, HOI and the Bank amended and restated the original credit agreement to (1) term out the \$8.0 million in loans currently outstanding under the revolving credit facility, (2) reduce the available commitment under the existing revolving credit facility to \$4.5 million, and (3) extend the termination date of the short-term revolving credit facility to December 13, 2013. Additionally, the Bank cancelled and released the Hospital's limited guaranty of the payment and performance of the obligations under the credit agreement.

Assets Pledged Under Master Trust Indenture

Essentially all of the cash, investments, receivables, revenues, and income of the Hospital and NHC are pledged as collateral under a Master Trust Indenture dated of May 1, 2007, as supplemented and amended.

Interest Rate Swap

In 2007, the Hospital entered into a derivative financial instrument, specifically an interest rate swap agreement with an effective date of May 31, 2007, for the purpose of managing the Hospital's exposure to fluctuations in interest rates. The swap agreement is not designated as a cash flow hedge.

During fiscal year 2012, the Hospital novated these swap agreements, as amended in May 2008, to a new counterparty. As part of executing the novation, the collateral threshold was increased to \$60 million at the current credit rating level, from \$20 million at September 30, 2011. The novation was accounted for as a noncash settled termination. The impact of the novation was a change in fair value of the novated interest rate swaps in the amount of \$2.9 million, recorded within change in fair value of interest rate swap in the consolidated statements of operations.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

8. Debt (continued)

The interest rate swap converts a portion of the Hospital's Series 2008 bonds to a fixed-rate basis for the term of the bonds. Under the swap agreement, the Hospital pays a fixed rate equal to 3.229% and receives a floating rate equal to 55.7% of the USD-LIBOR-BBA rate plus 0.23%, based on a total notional amount of \$250.0 million. Settlements are made monthly over the term of the agreement. As of September 30, 2012 and 2011, the Hospital's fair value liability on the swap totaled \$55.7 million and \$54.1 million, respectively, and is recorded within other long-term liabilities in the accompanying consolidated balance sheets. The Hospital is required under certain circumstances to post collateral with the swap counterparty. As of September 30, 2012, the Hospital had not posted any collateral with the swap counterparty. As of September 30, 2011, the Hospital had posted \$26.2 million in collateral with the swap counterparty.

9. Temporarily and Permanently Restricted Net Assets

Restricted net assets are available for the following purposes or periods at September 30:

	2012		2011	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
	<i>(In Thousands)</i>			
Women's Pavilion	\$ 2,716	\$ 6,148	\$ 1,583	\$ 6,149
Heart programs	14,894	5,520	28,288	5,436
Cancer programs	32,663	14,337	31,350	14,124
Other programs	27,348	24,300	19,721	20,083
Time-restricted assets	4,973	401	12,047	—
	<u>\$ 82,594</u>	<u>\$ 50,706</u>	<u>\$ 92,989</u>	<u>\$ 45,792</u>

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

10. Net Assets Released from Restrictions or Redesignated

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets were also redesignated between programs. The activity for the years ended September 30, is as follows:

	2012	2011
	<i>(In Thousands)</i>	
Purpose restrictions accomplished or redesignated:		
Women's Pavilion	\$ (45)	\$ 522
Heart programs	16,162	5,278
Cancer programs	4,993	5,365
Education programs	1,004	1,896
Other programs	10,441	1,839
Total restrictions released or redesignated	<u>\$ 32,555</u>	<u>\$ 14,900</u>

11. Retirement Plan

The Organization has a 401(k) plan in which substantially all full-time employees who meet certain criteria, as defined, are eligible. The plan provides for a discretionary annual contribution by the Organization of 3% to 6.5% of gross wages based on years of service of eligible employees and a matching contribution by the Organization of 50%, up to 4% of gross wages of eligible employee contributions. Total expense for the plan was \$13.9 million and \$14.7 million for the years ended September 30, 2012 and 2011, respectively. It is the Organization's policy to make contributions to the plan equal to the amounts accrued as expense.

12. Charity Care and Community Benefit

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Generally, services are provided without charge to uninsured patients with family incomes at or below 200% of the Federal Poverty Level (FPL) as published by the Department of Health and Human Services. Charges are discounted to the Medicare fee schedule rate to uninsured patients with family incomes above 200% up to 350% of the FPL. Charges are discounted to 125% of the Medicare fee schedule rate to uninsured patients with family income above 350% up to 400% of the FPL. The Hospital maintains records to identify and monitor the level of charity care it provides.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

12. Charity Care and Community Benefit (continued)

The following is an estimate of the cost of providing charity care provided during the years ended September 30:

	2012	2011
	<i>(In Thousands)</i>	
Estimated costs and expenses incurred to provide charity and indigent care	\$ 8,306	\$ 7,200

In addition, the Hospital provides services to indigent individuals covered by governmental programs that reimburse health care providers at levels below the cost of providing such care (including Medi-Cal and governmental indigent programs). The Hospital also provides services to Medicare patients in which the costs of providing these services exceed the reimbursement from Medicare. The Hospital provides numerous other services free of charge to the community for which charges are not generated and revenues have not been accounted for in the accompanying consolidated financial statements. These services include referral services, health care screenings, community support groups, and health education programs. Estimated unreimbursed costs of community benefits, including charity care, care to indigent individuals, and Medicare patients, approximated \$121.6 million (unaudited) and \$143.5 million (unaudited) for the years ended September 30, 2012 and 2011, respectively.

13. Functional Expenses

The Organization provides general health care services to residents within its service areas. Expenses relating to providing these services are as follows for the years ended September 30:

	2012	2011
	<i>(In Thousands)</i>	
Health care services	\$ 645,880	\$ 685,078
General and administrative	206,303	187,562
Fundraising	9,778	10,846
Interest	14,063	13,517
	<u>\$ 876,024</u>	<u>\$ 897,003</u>

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

14. Commitments and Contingencies

Leases

The Organization is obligated under a noncancelable operating lease to operate the Irvine Hospital which commenced in February 2009 and will expire in 2024. The initial 15-year term of the lease is subject to multiple renewal options as well as a purchase option ten years following commencement. The agreement allows for a period of rent abatement followed by reduced rent during the initial 12 months of the lease. These lease costs are recognized as expense using the straight-line method. The Organization's deferred rent amounted to approximately \$18.1 million and \$18.7 million as of September 30, 2012 and 2011, respectively, and is recorded within accrued other expenses and other long-term liabilities in the accompanying consolidated balance sheets.

The Organization also leases certain equipment and office space under noncancelable operating lease agreements which expire on various dates through the year 2020. Certain leases contain escalation clauses that are fixed or variable based on inflationary measurements as well as renewal options of varying terms. These lease costs are recognized as expense using the straight-line method. These leases, including the Irvine Hospital lease, require minimum annual rental payments as follows (in thousands):

Fiscal year:	
2013	\$ 18,386
2014	17,491
2015	17,117
2016	16,185
2017	15,346
Thereafter	100,973
	<u>\$ 185,498</u>

Rental operating expense totaled \$23.5 million and \$24.0 million for the years ended September 30, 2012 and 2011, respectively.

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

14. Commitments and Contingencies (continued)

The Organization subleases certain office space to others under noncancelable operating leases expiring on various dates. Certain leases contain escalation clauses that are fixed or variable based on inflationary measurements as well as renewal options of varying terms. Future minimum rental revenue due the Organization under these leases is as follows (in thousands):

Fiscal year:	
2013	\$ 10,976
2014	9,415
2015	8,483
2016	7,090
2017	6,521
Thereafter	21,182
	<u>\$ 63,667</u>

Rental income totaled \$9.0 million and \$8.4 million for the years ended September 30, 2012 and 2011, respectively, and is included in other unrestricted operating revenues in the accompanying consolidated statements of operations.

Restructuring Costs

Late in fiscal year 2011, the Hospital incurred restructuring costs of approximately \$7.7 million. The restructuring costs included severance packages provided to employees separated from service, incentives paid to employees accepting early retirement packages, and accrued salary, wages, and benefits for employees given notice in September pursuant to their actual separation date in November. The restructuring plan has been fully implemented.

Seismic Regulations

California legislation requires hospitals to perform structural evaluations of their buildings and upgrade facilities to meet certain minimum seismic standards by 2015. The Organization has completed its initial evaluation of its buildings using the Hazards United States seismic criteria. The Organization has either obtained approval or is seeking approval by Office of Statewide Health Planning and Development of its mitigation plans. The Organization currently estimates the costs associated with these seismic improvements to be approximately \$18.7 million, of which \$15.8 million has been incurred through September 30, 2012.

Hoag Memorial Hospital Presbyterian and Affiliates
Notes to Consolidated Financial Statements (continued)

14. Commitments and Contingencies (continued)

Legal Matters

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

The Organization was named as a defendant in a wage and hour class-action lawsuit filed in Orange County Superior Court in August 2009. In November 2011, the parties reached agreement to resolve the matter on a class-wide basis and this settlement was approved by the Court in March 2012. The Organization funded the settlement amount in July 2012, the settlement fund has been administered by an independent claims administrator, and the case has been dismissed.

Health Care Regulatory Environment

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

Hoag Memorial Hospital Presbyterian and Affiliates

Notes to Consolidated Financial Statements (continued)

15. Subsequent Events

Hoag Memorial Hospital Presbyterian and St. Joseph Health System Affiliation

On August 15, 2012, the Hospital and St. Joseph Health System announced plans for a new regional health care affiliation (the Affiliation). On October 15, 2012, the organizations executed an Affiliation Agreement which sets forth certain terms of the proposed Affiliation. Notice of the proposed Affiliation was filed with the Attorney General of the State of California on October 19, 2012. The proposed Affiliation has not been finalized, and is subject to significant conditions precedent, including the requirement of approval by the California Attorney General.

Evaluation Date

The Organization has evaluated subsequent events through January 11, 2013, the date on which the consolidated financial statements were issued.