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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)	OMB No 1545-0047 <div> 2012 Open to Public Inspection </div>
	The organization may have to use a copy of this return to satisfy state reporting requirements	

A For the 2012 calendar year, or tax year beginning 01-01-2012 , 2012, and ending 12-31-2012

B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization SANTIAM MEMORIAL HOSPITAL		D Employer identification number 93-0415219
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) 1401 N 10TH AVENUE	Room/suite	E Telephone number (503) 769-2175
	City or town, state or country, and ZIP + 4 STAYTON, OR 973831311		G Gross receipts \$ 35,729,827
	F Name and address of principal officer TERRY FLETCHALL 1401 N 10TH AVENUE STAYTON, OR 973831311		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
J Website: ▶ WWW.SANTIAMHOSPITAL.ORG			




K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ☐ **L** Year of formation 1950 **M** State of legal domicile OR

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities GENERAL ACUTE HEALTH CARE HOSPITAL SERVING SANTIAM COMMUNITIES		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	9
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	9
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	311
	6 Total number of volunteers (estimate if necessary)	6	0
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
	b Net unrelated business taxable income from Form 990-T, line 34	7b	0
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	66,857	22,101
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	35,230,773	35,408,269
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	24,316	43,213
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	164,450	154,434
		35,486,396	35,628,017
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	17,036,990	18,959,075
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) \rightarrow 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	14,091,724	14,143,943
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	31,128,714	33,103,018
	19 Revenue less expenses Subtract line 18 from line 12	4,357,682	2,524,999
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	45,595,331	57,094,687
	21 Total liabilities (Part X, line 26)	18,993,495	28,227,538
	22 Net assets or fund balances Subtract line 21 from line 20	26,601,836	28,867,149

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	*****				2013-11-14		
	Signature of officer				Date		
	TERRY FLETCHALL ADMINISTRATOR/CEO						
Type or print name and title							
Paid Preparer Use Only	Print/Type preparer's name WESLEY B HANSEN		Preparer's signature		Date	Check <input type="checkbox"/> if self-employed	PTIN P00226581
	Firm's name  DELAP LLP					Firm's EIN  93-0418710	
	Firm's address  5885 MEADOWS ROAD NO 200 LAKE OSWEGO, OR 97035					Phone no (503) 697-4118	

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

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

SANTIAM MEMORIAL HOSPITAL'S MISSION IS TO PROVIDE QUALITY HEALTH CARE TO PERSONS SUFFERING FROM ILLNESS, INJURIES, OR DISABILITIES AND TO PROMOTE THE GENERAL HEALTH AND WELFARE OF THE COMMUNITY THROUGH EDUCATION, SUPPORT, AND MEDICAL SERVICES

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 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 \$ 28,640,109 including grants of \$) (Revenue \$ 35,410,398)

ACUTE HOSPITAL CARE PATIENT DAYS 2,468, NURSERY DAYS 279, SWING BED DAYS 96, AMBULANCE TRIPS 1,659, OUTPATIENT DAYS 34,995, REFERENCE LABORATORY 132,362

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 28,640,109

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> 	Yes	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? 	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>		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>		No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i>		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> 		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> 		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> 		No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, 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> 		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> 		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> 	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> 		No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i> 		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> 		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> 		No
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> 		No
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i> 	Yes	
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 and XII is optional</i> 		No
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		No
14a Did the organization maintain an office, employees, or agents outside of the United States?		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, Parts I and IV</i>		No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? <i>If "Yes," complete Schedule F, Parts II and IV</i>		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 United States? <i>If "Yes," complete Schedule F, Parts III and IV</i>		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 (see instructions)</i>		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>		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>		No
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i> 	Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 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 lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
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		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
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, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		No
b	If 'Yes' to line 35a, 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		
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 11b 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.	77	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	311	
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).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?		No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.		
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, securities account, or other financial account)?		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?		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
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 as charitable contributions?		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
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?		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8822?		No
d	If "Yes," indicate the number of Forms 8822 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	No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	No
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
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. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the 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 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	9	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	9	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	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
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	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
11b	Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	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?		
15a	The organization's CEO, Executive Director, or top management official	15a	Yes
15b	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	No
16b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	OR
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)	
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 during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization	
TERRY FLETCHALL 1401 N TENTH AVENUE STAYTON, OR (503) 769-2175		

Part VII

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

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

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

- 1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid

List all of the organization's **current** key employees, if any See instructions for definition of "key employee "

List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) RON ETZEL DIRECTOR	3 00	X						0	0	0
(2) ELAINE HANSEN VICE PRESIDENT	3 00	X						0	0	0
(3) VICTOR KINTZ PRESIDENT	3 00	X						0	0	0
(4) MARYANN MEREDITH SECRETARY	3 00	X						0	0	0
(5) MIKE ODENTHAL DIRECTOR	3 00	X						0	0	0
(6) RANDY MICKEY DIRECTOR	3 00	X						0	0	0
(7) GEORGE LONG DIRECTOR	3 00	X						0	0	0
(8) LAWRENCE FISHER DIRECTOR	3 00	X						0	0	0
(9) FRANCIS HENDRICKS DIRECTOR	3 00	X						0	0	0
(10) TERRY FLETCHALL CEO	50 00			X				240,317	0	32,613
(11) MAGGIE HUDSON CFO/COO	50 00			X				183,363	0	24,742
(12) GENNY BALDWIN CHIEF NURSING OFFICER	50 00			X				177,995	0	29,613
(13) ERIC VON BORSTEL MD	32 00					X		227,651	0	17,565
(14) JOHN HOFFMAN MD	40 00						X	385,507	0	22,579
(15) SUSAN TAYLOR MD	50 00						X	299,191	0	21,976
(16) LORI BORELLA MD	32 00						X	289,021	0	12,663
(17) FREDRICK CARLOCK MD	32 00						X	257,389	0	21,976

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	2,060,434	0	183,727

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. 8

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
CHARLES H STRINGHAM MD , 1401 N 10TH AVE STAYTON OR 973831311	EMERGENCY ROOM PHYSICIAN	449,706
ROBERT L JACQUES MD , 1401 N 10TH AVE STAYTON OR 973831311	EMERGENCY ROOM PHYSICIAN	341,638
HEINZ MECHANICAL 2615 NW ST HELENS PORTLAND OR 97210	CONSTRUCTION SERVICES	242,069
CONSTRUCTION SYSTEMS MANAGEMENT LLC 810 TUKWILA DRIVE WOODBURN OR 97071	CONSTRUCTION MANAGEMENT SERVICES	161,040
DANNY SPARKS MD , 1401 N 10TH AVE STAYTON OR 973831311	EMERGENCY ROOM PHYSICIAN	158,308

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 ▶5

Part VIII

Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d					
	e	Government grants (contributions)	1e	16,511				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	5,590				
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f			22,101			
Program Service Revenue			Business Code					
	2a	ACUTE HOSPITAL CARE	900099	30,459,765	30,459,765			
	b	MEDICARE/MEDICAID PMTS	900099	29,641,758	29,641,758			
	c	ELECTRONIC HLTH RECORDS	990009	1,067,585	1,067,585			
	d	PROVISION FOR CHARITY	900099	-1,475,656	-1,475,656			
	e	CONTRACTUAL ALLOWANCES	900099	-24,596,269	-24,596,269			
	f	All other program service revenue		311,086	311,086			
	g	Total. Add lines 2a-2f			35,408,269			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		30,094	4		30,090	
	4	Income from investment of tax-exempt bond proceeds . . .						
	5	Royalties						
	6a	(i) Real		(ii) Personal				
		94,800						
		98,292						
		-3,492						
	b	Less rental expenses						
	c	Rental income or (loss)						
	d	Net rental income or (loss)		-3,492	-3,492			
	7a	(i) Securities		(ii) Other				
		11,601		5,036				
		0		3,518				
		11,601		1,518				
	b	Less cost or other basis and sales expenses						
	c	Gain or (loss)						
	d	Net gain or (loss)		13,119			13,119	
	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 . . .						
	9a	Gross income from gaming activities See Part IV, line 19						
a								
b	Less direct expenses							
c	Net income or (loss) from gaming activities . . .							
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 . . .							
Miscellaneous Revenue		Business Code						
11a	CAFETERIA REVENUE	900099	157,926				157,926	
b								
c								
d	All other revenue							
e	Total. Add lines 11a-11d			157,926				
12	Total revenue. See Instructions			35,628,017	35,404,781	0	201,135	

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).

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.				
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	688,642		688,642	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	13,559,196	12,620,080	939,116	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	342,795	298,092	44,703	
9	Other employee benefits.	3,342,879	2,048,566	1,294,313	
10	Payroll taxes.	1,025,563	837,749	187,814	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	80,730		80,730	
c	Accounting.	117,862		117,862	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	1,856,309	1,759,270	97,039	
12	Advertising and promotion.	125,272		125,272	
13	Office expenses.	73,500	55,125	18,375	
14	Information technology.	133,022	107,102	25,920	
15	Royalties.				
16	Occupancy.	285,731	274,302	11,429	
17	Travel.	222		222	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	1,420	1,420		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	1,349,369	1,221,638	127,731	
23	Insurance.	163,865	112,215	51,650	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	SUPPLIES	4,553,351	4,465,212	88,139	
b	BAD DEBTS	3,187,046	3,187,046		
c	EQUIPMENT RENTAL & MAIN	571,067	493,812	77,255	
d	CLINIC EXPENSE	521,918	521,918		
e	All other expenses	1,123,259	636,562	486,697	
25	Total functional expenses. Add lines 1 through 24e.	33,103,018	28,640,109	4,462,909	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		240	1	240
	2	Savings and temporary cash investments		8,159,869	2	11,609,952
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		6,426,645	4	5,920,388
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		15,063	7	19,132
	8	Inventories for sale or use		1,103,455	8	1,142,548
	9	Prepaid expenses and deferred charges		574,610	9	460,618
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a48,752,760			
	b	Less accumulated depreciation	10b13,612,473	26,998,937	10c	35,140,287
	11	Investments—publicly traded securities		501,339	11	554,404
	12	Investments—other securities See Part IV, line 11		531,172	12	539,574
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		1,284,001	15	1,707,544
	16	Total assets. Add lines 1 through 15 (must equal line 34)		45,595,331	16	57,094,687
Liabilities	17	Accounts payable and accrued expenses		8,658,762	17	5,358,787
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		10,334,733	23	22,868,751
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D			25	
	26	Total liabilities. Add lines 17 through 25		18,993,495	26	28,227,538
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		26,601,836	27	28,867,149
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> 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		26,601,836	33	28,867,149
	34	Total liabilities and net assets/fund balances		45,595,331	34	57,094,687

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	35,628,017
2	Total expenses (must equal Part IX, column (A), line 25)	2	33,103,018
3	Revenue less expenses Subtract line 2 from line 1	3	2,524,999
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	26,601,836
5	Net unrealized gains (losses) on investments	5	38,285
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-297,971
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	28,867,149

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both <input checked="" type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	Yes	
2c	If "Yes," to line 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	
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?	Yes	
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	Yes	

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

2012

Open to Public
Inspection

Name of the organization SANTIAM MEMORIAL HOSPITAL	Employer identification number 93-0415219
---	--

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 described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- 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 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 monetary support
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in Sections 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
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 2012 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2011 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2012. 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—2011. If the organization did not check a 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—2012. 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—2011. 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 IIISupport Schedule for Organizations Described in Section 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. 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—2011. 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
SANTIAM MEMORIAL HOSPITAL

Employer identification number
93-0415219

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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can 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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

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 education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

Complete lines 2a through 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, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1▶\$ _____

b

Assets included in Form 990, Part X▶\$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

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

3

Using the organization's acquisition, 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 XIII

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 XIII and complete the following table

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	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 XIII. Check here if the explanation has been provided in Part XIII

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a	Beginning of year balance				
b	Contributions				
c	Net investment earnings, gains, and 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 current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%

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)

(ii) related organizations

3a(ii)

b

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

3b

4

Describe in Part XIII 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	232,930	1,091,087		1,324,017
b Buildings	1,289,643	9,728,416	5,758,997	5,259,062
c Leasehold improvements		616,390	451,903	164,487
d Equipment		10,176,986	7,401,573	2,775,413
e Other		25,617,308		25,617,308
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				35,140,287

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

1	Total revenue, gains, and other support per audited financial statements	1	32,181,285
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	38,285
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	-3,187,046
e	Add lines 2a through 2d	2e	-3,148,761
3	Subtract line 2e from line 1	3	35,330,046
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 XIII)	4b	297,971
c	Add lines 4a and 4b	4c	297,971
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)	5	35,628,017

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

1	Total expenses and losses per audited financial statements	1	29,915,972
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 XIII)	2d	
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	29,915,972
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 XIII)	4b	3,187,046
c	Add lines 4a and 4b	4c	3,187,046
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)	5	33,103,018

Part XIII 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, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
PART XI, LINE 2D - OTHER ADJUSTMENTS		BAD DEBT EXPENSE -3,187,046
PART XI, LINE 4B - OTHER ADJUSTMENTS		REVENUE FROM WILLAMETTE VALLEY COMMUNITY HEALTH, LLC 297,967 REVENUE FROM DISPROPORTIONATE SHARE HOSPITAL 3 TRUST 4
PART XII, LINE 4B - OTHER ADJUSTMENTS		BAD DEBT EXPENSE 3,187,046

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

2012

Open to Public Inspection

Name of the organization
SANTIAM MEMORIAL HOSPITAL

Employer identification number
93-0415219

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance 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 Financial Assistance at cost (from Worksheet 1)	1	708	731,925		731,925	2 210 %
b Medicaid (from Worksheet 3, column a)	1	25,800	4,257,499	3,656,946	600,553	1 810 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs	2	26,508	4,989,424	3,656,946	1,332,478	4 020 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	8	2,834	76,750	9,046	67,704	0 200 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total Other Benefits	8	2,834	76,750	9,046	67,704	0 200 %
k Total . Add lines 7d and 7j	10	29,342	5,066,174	3,665,992	1,400,182	4 220 %

Part II

Community Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(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
1	Physical improvements and housing					
2	Economic development					
3	Community support					
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy					
8	Workforce development					
9	Other					
10	Total					

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

3,187,046

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

2,549,637

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

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

5

8,512,145

6

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

6

11,082,735

7

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

7

-2,570,590

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

Yes

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

Yes

Part IV

Management Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

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

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
1

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	SANTIAM MEMORIAL HOSPITAL 1401 N 10TH AVENUE STAYTON, OR 973831311	X	X					X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

SANTIAM MEMORIAL HOSPITAL

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>11</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	Yes
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	Yes
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes
a	<input checked="" type="checkbox"/> Hospital facility's website		
b	<input type="checkbox"/> Available upon request from the hospital facility		
c	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input type="checkbox"/> Execution of the implementation strategy		
c	<input type="checkbox"/> Participation in the development of a community-wide plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input type="checkbox"/> Prioritization of health needs in its community		
h	<input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	Yes
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>150 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>250 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a <input checked="" type="checkbox"/> Income level			
b <input checked="" type="checkbox"/> Asset level			
c <input checked="" type="checkbox"/> Medical indigency			
d <input checked="" type="checkbox"/> Insurance status			
e <input type="checkbox"/> Uninsured discount			
f <input checked="" type="checkbox"/> Medicaid/Medicare			
g <input type="checkbox"/> State regulation			
h <input type="checkbox"/> Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?		13	Yes
14 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)		14	Yes
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
b <input checked="" type="checkbox"/> The policy was attached to billing invoices			
c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
f <input checked="" type="checkbox"/> The policy was available upon request			
g <input type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
15 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?		15	Yes
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a <input checked="" type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			
17 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?		17	No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☐

Notified individuals of the financial assistance policy on admission
- b

☐

Notified individuals of the financial assistance policy prior to discharge
- c

☐

Notified individuals 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)

Policy Relating to Emergency Medical Care

		Yes	No
19	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	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	<input checked="" type="checkbox"/> Other (describe in Part VI)			
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI	21		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI	22	Yes	

Part V

Facility Information (continued)

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?

5

Name and address	Type of Facility (describe)
1 SUBLIMITY MEDICAL CLINIC 114 SE CHURCH ST SUBLIMITY, OR 97325	PHYSICIAN CLINIC
2 AUMSVILLE MEDICAL CLINIC 205 MAIN ST AUMSVILLE, OR 97325	PHYSICIAN CLINIC
3 CASCADE MEDICAL CLINIC 1375 N 10TH AVENUE STE B STAYTON, OR 97383	PHYSICIAN CLINIC
4 SANTIAM MEDICAL CLINIC 280 S FIRST AVENUE MILL CITY, OR 97360	PHYSICIAN CLINIC
5 SANTIAM WOMEN'S CLINIC 1373 N 10TH AVENUE STAYTON, OR 97383	PHYSICIAN CLINIC
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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE COSTING METHODOLOGY USED TO DETERMINE THE AMOUNT ON LINE 2 THE GROSS BAD DEBT CHARGES, \$3,187,046, WERE APPLIED TO THE PATIENT CARE COST TO CHARGES RATIO ESTABLISHED IN WORKSHEET 2 BAD DEBTS ARE DETERMINED AFTER THE PATIENT RECEIVED 4 STATEMENTS AFTER DATE OF SERVICE OR DATE OF PAYMENT BY INSURANCE AFTER THE 4TH STATEMENT, THE PATIENT RECEIVES A LETTER EXPLAINING THAT THEIR ACCOUNT WILL BE TURNED OVER TO A COLLECTION AGENCY IF PAYMENT IS NOT RECEIVED BY THE END OF THE MONTH THE COSTING METHODOLOGY USED TO DETERMINE THE AMOUNT ON LINE 3 THROUGH OBSERVATION OF CHARITY CARE COORDINATOR, 80% OF BAD DEBTS MAY HAVE QUALIFIED FOR CHARITY CARE BECAUSE OF 1) INCORRECT CONTRACT INFORMATION GIVEN TO HOSPITAL, 2) UNABLE OR UNWILLINGNESS TO FILL OUT AND COMPLETE CHARITY CARE FORMS AND SUPPORTING DOCUMENTATION AND 3) THE STIGMA ASSOCIATED WITH THE ACCEPTANCE OF CHARITY CARE
		PART III, LINE 9B FINANCIAL ASSISTANCE IS GRANTED ON A SLIDING SCALE IF AMOUNT DEEMED TO BE PAYABLE BY THE PATIENT IS DELINQUENT, THE PATIENT IS SENT TO COLLECTION AGENCY FOR THE PORTION OUTSTANDING

Identifier	ReturnReference	Explanation
SANTIAM MEMORIAL HOSPITAL		PART V, SECTION B, LINE 3 CONSULTED WITH MARION COUNTY DEPARTMENT OF HEALTH AND OTHER COMMUNITY MEMBERS REGARDING THE NEEDS OF STAYTON AND SURROUNDING AREAS SERVED
SANTIAM MEMORIAL HOSPITAL		PART V, SECTION B, LINE 4 SALEM HEALTH SYSTEM, SILVERTON HOSPITAL NETWORK

Identifier	ReturnReference	Explanation
SANTIAM MEMORIAL HOSPITAL		PART V, SECTION B, LINE 7 CHIP PLANNING IMPLEMENTED IN 2012
SANTIAM MEMORIAL HOSPITAL		PART V, SECTION B, LINE 20D ALL PATIENTS ARE CHARGED AT THE SAME GROSS CHARGES

Identifier	ReturnReference	Explanation
SANTIAM MEMORIAL HOSPITAL		PART V, SECTION B, LINE 22 ALL PATIENTS ARE BILLED THE SAME GROSS CHARGES REGARDLESS OF INSURANCE STATUS ALL PATIENTS ARE GIVEN A 10% DISCOUNT FOR PAYMENT OVER \$ 500
REPORTS FILED WITH STATES	PART VI, LINE 7	OR

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

2012

Open to Public Inspection

Name of the organization
SANTIAM MEMORIAL HOSPITAL

Employer identification number
93-0415219

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. <div><input type="checkbox"/> First-class or charter travel</div> <div><input type="checkbox"/> Travel for companions</div> <div><input type="checkbox"/> Tax idemnification and gross-up payments</div> <div><input type="checkbox"/> Discretionary spending account</div> <div><input type="checkbox"/> Housing allowance or residence for personal use</div> <div><input type="checkbox"/> Payments for business use of personal residence</div> <div><input type="checkbox"/> Health or social club dues or initiation fees</div> <div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div>			
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 of the expenses described above? If "No," complete Part III to explain	1b		
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		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III. <div><input type="checkbox"/> Compensation committee</div> <div><input type="checkbox"/> Independent compensation consultant</div> <div><input type="checkbox"/> Form 990 of other organizations</div> <div><input checked="" type="checkbox"/> Written employment contract</div> <div><input checked="" type="checkbox"/> Compensation survey or study</div> <div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div>			
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?	4a		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b		No
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.	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?	5a	Yes	
b	Any related organization? If "Yes," to line 5a or 5b, describe in Part III.	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?	6a		No
b	Any related organization? If "Yes," to line 6a or 6b, describe in Part III.	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 Regulations 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 duplicate copies if additional space is 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, applicable column (D) and (E) amounts for that individual

(A) Name and Title		(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 as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1)TERRY FLETCHALL CEO	(i) (ii)	168,720 0	49,097 0	22,500 0	19,500 0	13,113 0	272,930 0	0 0
(2)MAGGIE HUDSON CFO/COO	(i) (ii)	151,879 0	25,097 0	6,387 0	10,613 0	14,129 0	208,105 0	0 0
(3)GENNY BALDWIN CHIEF NURSING OFFICER	(i) (ii)	152,398 0	25,097 0	500 0	16,500 0	13,113 0	207,608 0	0 0
(4)ERIC VON BORSTEL MD	(i) (ii)	226,554 0	1,097 0	0 0	6,891 0	10,674 0	245,216 0	0 0
(5)JOHN HOFFMAN MD	(i) (ii)	384,410 0	1,097 0	0 0	7,500 0	15,079 0	408,086 0	0 0
(6)SUSAN TAYLOR MD	(i) (ii)	298,094 0	1,097 0	0 0	7,500 0	14,476 0	321,167 0	0 0
(7)LORI BORELLA MD	(i) (ii)	287,924 0	1,097 0	0 0	7,500 0	5,163 0	301,684 0	0 0
(8)FREDRICK CARLOCK MD	(i) (ii)	256,292 0	1,097 0	0 0	7,500 0	14,476 0	279,365 0	0 0

Part III **Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
SANTIAM MEMORIAL HOSPITAL

Employer identification number
93-0415219

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	THE HOSPITAL HAS APPROXIMATELY 400 MEMBERS WHO VOTE ON SELECTING BROAD OF DIRECTORS
	FORM 990, PART VI, SECTION A, LINE 7A	THE HOSPITAL HAS APPROXIMATELY 400 MEMBERS WHO VOTE ON SELECTING BROAD OF DIRECTORS
	FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 IS REVIEWED BY THE DIRECTORS AND OFFICERS
	FORM 990, PART VI, SECTION B, LINE 12C	THE BOARD OF DIRECTORS, KEY EMPLOYEES AND CHIEF OF STAFF IS REQUIRED TO SIGN AN ANNUAL CONFLICT OF INTEREST STATEMENT ATTESTING TO THEIR COMPLIANCE
	FORM 990, PART VI, SECTION B, LINE 15	SMH USES A THIRD PARTY COMPENSATION AND BENEFIT SERVICE OLNEY & ASSOCIATES THE SURVEY PROVIDES DATA ON HOSPITAL KEY EMPLOYEE COMPENSATION AND BENEFITS BASED ON BED SIZE, GEOGRAPHIC REGION, ADMISSIONS AND GROSS REVENUE THE BOARD OF DIRECTORS REVIEW COMPENSATION AND BENEFITS FOR THE CEO (TERRY FLETCHALL), COO/CFO(MAGGIE HUDSON) AND CHIEF NURSING OFFICER(GENNY BALDWIN) THE CEO'S CONTRACT IS THROUGH THE HOSPITAL APPROVED BY THE BOARD AND THE CHIEF NURSING OFFICER AND COO/CFO CONTRACTS ARE WITH THE HOSPITAL APPROVED BY THE CEO
	FORM 990, PART VI, SECTION C, LINE 19	SANTIAM MEMORIAL HOSPITAL MAKES COPIES OF ITS GOVERNING DOCUMENTS AND AUDITED FINANCIAL STATEMENTS AVAILABLE UPON REQUEST THE AUDITED FINANCIAL STATEMENTS ARE ALSO AVAILABLE BY CONTACTING THE STATE OF OREGON DEPARTMENT OF JUSTICE THE CONFLICT OF INTEREST POLICY IS NOT AVAILABLE TO THE PUBLIC
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	TAXABLE INCOME FROM WILLAMETTE VALLEY COMMUNITY HEALTH, LLC -297,967 TAXABLE INCOME FROM DSH3 TRUST -4

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

2012

Open to Public Inspection

Name of the organization
SANTIAM MEMORIAL HOSPITAL

Employer identification number
93-0415219

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to 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 entity?	
						Yes	No
(1) SANTIAM MEMORIAL HOSPITAL AUXILIARY 1401 N 10TH AVENUE STAYTON, OR 97383 23-7399406	OPERATION OF GIFT SHOP AT THE HOSPITAL	OR	501(C)(3)	LINE 3			No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" to 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	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V

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

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

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 or (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 Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

No

No

No

No

No

No

Yes

No

No

No

No

No

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) SANTIAM MEMORIAL HOSPITAL AUXILIARY	N		

Schedule R (Form 990) 2012

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]

Software ID:

Software Version:

EIN: 93-0415219

Name: SANTIAM MEMORIAL HOSPITAL

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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**Financial Statements and
Supplementary Information
and Single Audit Reports**

**Years Ended
December 31, 2012
and 2011**

Santiam Memorial Hospital dba Santiam Hospital

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Independent Auditors' Report

To the Board of Directors of
Santiam Memorial Hospital,
dba Santiam Hospital

We have audited the accompanying balance sheets of Santiam Memorial Hospital, dba Santiam Hospital (the Hospital) (an Oregon nonprofit corporation), as of December 31, 2012 and 2011, and the related statements of operations and changes in unrestricted net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santiam Memorial Hospital, dba Santiam Hospital, as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the accompanying financial statements, the Hospital changed its presentation of the provision for bad debts in the statements of operations and changes in unrestricted net assets as a result of the adoption of guidance issued by the Financial Accounting Standards Board. Our opinion is not modified with respect to that matter.



Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2013, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

DELAP LLP

April 8, 2013

Santiam Memorial Hospital dba Santiam Hospital

Balance Sheets

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 10,178,021	\$ 7,113,816
Assets limited as to use	583,738	-
Short-term investments	-	103,141
Patient accounts receivable - net of allowance for doubtful accounts of \$1,172,000 in 2012 (\$1,168,000 in 2011)	4,207,678	5,389,769
Supplies inventory	1,142,548	1,103,455
Prepaid expenses and other current assets	<u>1,616,617</u>	<u>1,256,226</u>
Total current assets	17,728,602	14,966,407
Assets limited as to use - net of current portion	1,388,007	1,474,324
Long-term investments	554,404	501,339
Property and equipment - net	34,250,555	26,045,656
Rental property - professional buildings and property held for future development - net of accumulated depreciation of \$635,320 in 2012 (\$569,293 in 2011)	1,307,951	953,280
Other noncurrent assets - net	<u>1,865,159</u>	<u>1,654,325</u>
Total Assets	<u><u>\$ 57,094,678</u></u>	<u><u>\$ 45,595,331</u></u>

**Santiam Memorial Hospital
dba Santiam Hospital**
Balance Sheets (Continued)
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Liabilities and Unrestricted Net Assets		
Current liabilities		
Accounts payable	\$ 1,204,870	\$ 756,041
Accrued liabilities		
Payroll, payroll taxes, and withholdings	652,779	613,540
Vacation	467,743	424,910
Other	392,962	387,160
Estimated third-party payor settlements payable	648,029	534,015
Mortgage note payable due within one year	<u>515,334</u>	<u>120,092</u>
Total current liabilities	3,881,717	2,835,758
Retainage and construction accounts payable	980,194	4,770,334
Mortgage note payable - net of current portion	22,353,408	10,334,733
Other noncurrent liabilities	<u>1,012,210</u>	<u>1,052,670</u>
Total liabilities	28,227,529	18,993,495
Unrestricted net assets	<u>28,867,149</u>	<u>26,601,836</u>
Total Liabilities and Unrestricted Net Assets	<u><u>\$ 57,094,678</u></u>	<u><u>\$ 45,595,331</u></u>

The accompanying notes are an integral part of the financial statements

Santiam Memorial Hospital dba Santiam Hospital

Statements of Operations and Changes in Unrestricted Net Assets

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenue		
Patient service revenue - net of contractual allowances and discounts	\$ 34,025,520	\$ 33,734,275
Provision for bad debts	<u>(3,187,046)</u>	<u>(3,235,109)</u>
Net patient service revenue	30,838,474	30,499,166
Electronic health record incentive payments	1,067,585	1,436,713
Other revenue	<u>176,641</u>	<u>224,448</u>
Total revenue	<u>32,082,700</u>	<u>32,160,327</u>
Expenses		
Operating departments	20,839,774	19,699,097
Service departments	2,739,457	2,396,910
Administrative and general	4,987,372	4,431,846
Depreciation related to health care operations	<u>1,349,369</u>	<u>1,365,752</u>
Total expenses	<u>29,915,972</u>	<u>27,893,605</u>
Operating Income	<u>2,166,728</u>	<u>4,266,722</u>
Other income (loss)		
Investment income (loss) - net	79,976	(2,522)
Other - net	<u>18,609</u>	<u>65,697</u>
Total other income - net	<u>98,585</u>	<u>63,175</u>
Excess of Revenue Over Expenses	2,265,313	4,329,897
Unrestricted net assets - beginning of year	<u>26,601,836</u>	<u>22,271,939</u>
Unrestricted Net Assets - End of Year	<u><u>\$ 28,867,149</u></u>	<u><u>\$ 26,601,836</u></u>

The accompanying notes are an integral part of the financial statements

Santiam Memorial Hospital dba Santiam Hospital

Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Excess of revenue over expenses	\$ 2,265,313	\$ 4,329,897
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities		
Provision for bad debts	3,187,046	3,235,109
Depreciation and amortization	1,415,396	1,405,742
Net realized and unrealized losses (gains) on investments	(49,887)	19,965
Changes in certain operating assets and liabilities		
Investments	99,963	29,000
Patient accounts receivable	(2,004,955)	(4,191,202)
Supplies inventory	(39,093)	66,668
Prepaid expenses and other current assets	(360,391)	(217,272)
Other noncurrent assets	(210,834)	(303,929)
Accounts payable	448,829	(3,658)
Accrued liabilities	87,874	108,229
Estimated third-party payor settlements payable	114,014	60,343
Other noncurrent liabilities	(40,460)	539,506
Net cash provided by operating activities	<u>4,912,815</u>	<u>5,078,398</u>
Cash Flows From Investing Activities		
Increase in assets limited as to use - net	(497,421)	(6,291)
Purchases of property and equipment and rental and other property	<u>(1,351,189)</u>	<u>(2,334,743)</u>
Net cash used by investing activities	<u>(1,848,610)</u>	<u>(2,341,034)</u>
Net Increase in Cash and Cash Equivalents	3,064,205	2,737,364
Cash and cash equivalents - beginning of year	<u>7,113,816</u>	<u>4,376,452</u>
Cash and Cash Equivalents - End of Year	<u>\$ 10,178,021</u>	<u>\$ 7,113,816</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 850,944</u>	<u>\$ 246,179</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Property and equipment purchased with proceeds of mortgage note payable	<u>\$ 8,623,777</u>	<u>\$ 9,139,063</u>

The accompanying notes are an integral part of the financial statements

Santiam Memorial Hospital dba Santiam Hospital

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

1. Business, Organization, and Summary of Significant Accounting Policies

Business and organization

Santiam Memorial Hospital, dba Santiam Hospital (the Hospital), is an Oregon nonprofit corporation located in Stayton, Oregon. The Hospital provides inpatient, outpatient, and emergency health care services primarily to residents in the local geographic area.

Method of accounting

The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U S) (GAAP) using the accrual method of accounting which recognizes revenue and income when earned and expenses and losses when incurred. The preparation of financial statements in conformity with GAAP requires management of the Hospital (Management) to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, income, expenses, and losses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with remaining maturities of three months or less at the time of purchase by the Hospital, excluding assets limited as to use. The Hospital maintains its bank accounts at several financial institutions. The Hospital's interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each financial institution. The Hospital's non-interest bearing accounts were protected by unlimited insurance coverage provided by the FDIC through December 31, 2012, such coverage expired effective January 1, 2013. Accordingly, effective January 1, 2013, all of the Hospital's bank accounts are insured up to \$250,000 at each financial institution. As of December 31, 2012, the Hospital's bank balances exceeded the applicable FDIC coverage, however, Management believes that the Hospital's credit risk with respect to these accounts is minimal due to the financial strength of the financial institutions.

Investments and assets limited as to use

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying balance sheets (see Note 9). Investment income or loss (including interest, dividends, and realized and unrealized gains and losses on sales of investments) is included in the excess of revenue over expenses unless the income or loss is restricted by donor or law. As of December 31, 2012 and 2011, all of the Hospital's investment securities are classified as trading securities which are debt and equity securities that the Hospital buys and holds principally to sell in the near-term. For cash flow reporting purposes, purchases, sales, and maturities of assets limited as to use are classified as investing activities, and purchases, sales, and maturities of other investments are classified as cash flows from operating activities.

Assets limited as to use consist of assets (money market accounts and certificates of deposit) designated by the Hospital's Board of Directors (the Board) for future capital acquisitions, over which the Board retains control and may, at its discretion, subsequently use for other purposes (internally designated assets), and cash held in escrow accounts restricted pursuant to a mortgage note payable agreement (the Mortgage Note) (see Notes 2 and 4).

Santiam Memorial Hospital dba Santiam Hospital

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

1. Business, Organization, and Summary of Significant Accounting Policies (Continued)

Investments and assets limited as to use (continued)

As of December 31, 2012, investments consisted of mutual and exchange-traded funds and equity securities (see Note 2). Management believes that the Hospital's credit risk with respect to investments and assets limited as to use is minimal due to the diversity of the individual instruments, FDIC insurance coverage, and the financial strength of the entities which have issued the securities or instruments. However, due to changes in economic conditions, interest rates, and common stock prices, the fair value of the Hospital's investments and assets limited as to use can be volatile, and, consequently, the fair value can significantly change in the near-term as a result of such volatility.

Patient accounts receivable and allowance for doubtful accounts

The collection of receivables from third-party payors and patients is the Hospital's primary source of cash and is critical to its operating performance. When the Hospital provides care to patients, it does not require collateral, however, it maintains an estimated allowance for doubtful accounts. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but the patient is responsible for the remaining amount outstanding (generally deductibles and co-payments). The Hospital does not maintain a significant allowance for doubtful accounts from third-party payors, nor has it historically had significant write-offs from third-party payors. However, for services provided to patients who have third-party coverage, the Hospital records the related patient service revenue and patient accounts receivable net of contractual discounts and allowances.

For patient accounts receivable due from self-pay patients – which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill – the Hospital records a significant allowance for doubtful accounts. The allowance for doubtful accounts is estimated based primarily upon the Hospital's historical collection experience, the age of patients' accounts, Management's estimate of the patient's economic ability to pay, and the effectiveness of collection efforts. Patient accounts receivable balances are routinely reviewed in conjunction with historical collection rates and other economic conditions which might ultimately affect the collectibility of patient accounts when considering the adequacy of the amounts recorded in the allowance for doubtful accounts. The difference between the Hospital's standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. Recoveries of amounts charged off are added to the allowance. Actual write-offs have historically been within Management's expectations. Significant changes in payor mix, business office operations, economic conditions, or trends in federal and state governmental health care coverage could affect the Hospital's collection of patient accounts receivable, cash flows, and results of operations.

Significant concentrations of gross patient accounts receivable as of December 31, 2012 and 2011 were approximately as follows:

	<u>2012</u>	<u>2011</u>
Medicare	33%	37%
Oregon Health Plan (OHP) and Medicaid	12	20
Commercial insurance and other third-party payors	31	23
Self-pay	<u>24</u>	<u>20</u>
	<u>100%</u>	<u>100%</u>

Santiam Memorial Hospital dba Santiam Hospital

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

1. Business, Organization, and Summary of Significant Accounting Policies (Continued)

Patient accounts receivable and allowance for doubtful accounts (continued)

The Hospital's allowance for doubtful accounts represented 51% and 52% of gross self-pay patient accounts receivable as of December 31, 2012 and 2011, respectively. The following is a summary of the activity in the Hospital's allowance for doubtful accounts for the years ended December 31, 2012 and 2011:

	2012	2011
Balance - beginning of year	\$ 1,168,000	\$ 956,000
Provision for bad debts	3,187,046	3,235,109
Accounts written off, net of recoveries	(3,183,046)	(3,023,109)
Balance - end of year	<u>\$ 1,172,000</u>	<u>\$ 1,168,000</u>

During the year ended December 31, 2011, the Hospital refined its approach to estimating the allowances for doubtful accounts and certain contractual adjustments. This refinement in estimate had the effect of decreasing net patient accounts receivable and increasing the provision for bad debts and other deductions from patient service revenue by approximately \$560,000 as of and for the year ended December 31, 2011.

Supplies inventory

Supplies inventory is recorded at the lower of cost (first-in, first-out method) or market.

Property and equipment

Property and equipment acquisitions (including acquisitions of rental property - professional buildings and property held for future development) are recorded at cost. Donated property and equipment items are recorded on the basis of estimated fair value at the date of their donation. Improvements and replacements of property and equipment are capitalized. Routine maintenance and repairs are charged to expense as incurred.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. All costs directly incurred relating to construction projects (which include payments to construction contractors, architects, attorneys, and consultants) – and interest costs incurred on borrowed funds during the period of construction of capital assets – are capitalized as a component of the cost of acquiring those assets.

Management reviews property and equipment for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. If there is an indication of impairment, Management would prepare an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these estimated cash flows were less than the carrying amount of the asset, an impairment loss would be recognized to write down the asset to its estimated fair value.

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

Santiam Memorial Hospital dba Santiam Hospital

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

1. Business, Organization, and Summary of Significant Accounting Policies (Continued)

Other assets

Other assets as of December 31, 2012 and 2011 include deferred financing costs of approximately \$1,018,000 and \$1,016,000, respectively, incurred in connection with the mortgage note payable (see Note 4). Deferred financing costs are amortized to interest expense over the term of the mortgage note payable using the interest method.

In July 2012, the Hospital invested approximately \$273,000 in Willamette Valley Community Health, LLC (WVCH), a coordinated care organization, which represents an approximate 9% ownership interest. This investment in WVCH is included in other assets in the accompanying December 31, 2012 balance sheet. The Hospital accounts for its interest in WVCH at cost and will record any dividends or distributions from WVCH as other income when received. WVCH was established to coordinate the care for, and contract with various providers to serve, OHP patients effective August 1, 2012. The Hospital has a managed care contract with WVCH to provide health care services to certain OHP patients. The Hospital's net patient service revenue related to this contract was approximately \$1,150,000 for the year ended December 31, 2012, and the Hospital's net patient accounts receivable related to this contract was approximately \$258,000 as of December 31, 2012.

Net patient service revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements primarily include prospectively determined rates per discharge, reimbursed costs, and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered and includes estimates for potential retroactive revenue adjustments under reimbursement agreements with third-party payors. Such estimates are adjusted in future periods as final settlements are determined.

A significant portion of the Hospital's services is provided to Medicare, OHP, and Medicaid patients under contractual arrangements. Inpatient acute care services rendered to Medicare program beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors (i.e., "Medicare severity-diagnosis related groups" or "MS-DRGs"). Such payments include a capital cost component and may be greater or less than the actual charges for services. Most outpatient services related to Medicare beneficiaries are reimbursed prospectively under the ambulatory payment classifications methodology. Inpatient non-acute care services related to Medicare beneficiaries are reimbursed under a cost reimbursement methodology. In addition, certain outpatient services related to Medicare beneficiaries are reimbursed based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after audits of the Hospital's annual cost reports by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited and final settled by the Medicare fiscal intermediary through December 31, 2007.

Services rendered to OHP beneficiaries are primarily reimbursed at discounts from standard charges. Services rendered to Medicaid program beneficiaries primarily are reimbursed under a cost reimbursement methodology. Under this methodology, the Hospital is reimbursed at a tentative rate with final settlement determined after audits of the Hospital's annual cost reports by Medicaid. The Hospital's Medicaid cost reports have been audited and final settled by Medicaid through December 31, 2006.

Gross patient service revenue for services provided by the Hospital to Medicare, OHP, and Medicaid patients aggregated approximately \$30,931,000 and \$30,123,000 for the years ended December 31, 2012 and 2011, respectively.

Santiam Memorial Hospital dba Santiam Hospital

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

1. Business, Organization, and Summary of Significant Accounting Policies (Continued)

Net patient service revenue (continued)

The laws and regulations governing the Medicare, OHP, and Medicaid programs are extremely complex and subject to interpretation. In addition, the Recovery Audit Contractors program requires the evaluation of certain Medicare and Medicaid claims for propriety by third-party contractors. As a result, there is at least a reasonable possibility that estimated third-party payor settlements payable will change by a material amount in the near term.

Activity related to the Hospital's estimated third-party payor settlements payable for the years ended December 31, 2012 and 2011 was approximately as follows:

	<u>Medicare</u>	<u>Medicaid</u>	<u>Total</u>
Estimated third-party payor settlements payable - December 31, 2010	\$ (294,226)	\$ (179,446)	\$ (473,672)
Settlements paid related to prior year cost reports	39,367	-	39,367
Revisions of estimates for prior year cost report settlements - net	(8,287)	14,562	6,275
Estimates for current year cost report settlements	<u>(62,534)</u>	<u>(43,451)</u>	<u>(105,985)</u>
Estimated third-party payor settlements payable - December 31, 2011	(325,680)	(208,335)	(534,015)
Settlements received related to prior year cost reports	(72,130)	-	(72,130)
Revisions of estimates for prior year cost report settlements - net	82,674	8,334	91,008
Estimates for current year cost report settlements	<u>(91,951)</u>	<u>(40,941)</u>	<u>(132,892)</u>
Estimated third-party payor settlements payable - December 31, 2012	<u>\$ (407,087)</u>	<u>\$ (240,942)</u>	<u>\$ (648,029)</u>

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations to provide medical services to subscribing participants. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge and discounts from established charges.

Charity care

The Hospital also provides services to patients who meet the criteria of its charity care policy without charge or at amounts less than its established rates. The Hospital's criteria for the determination of charity care include the patient's – or other responsible party's – annual household income, assets, credit history, existing debt obligations, and other indicators of the patient's ability to pay. Generally, those individuals with an annual household income at, or less than, 150% of the Federal Poverty Guidelines (the Guidelines) qualify for charity care under the Hospital's policy. In addition, the Hospital provides discounts on a sliding scale to those individuals with an annual household income of between 150% and 250% of the Guidelines. Since the Hospital does not pursue collection of amounts determined to qualify as charity care, those amounts are not reported as net patient service revenue (see Note 5).

Santiam Memorial Hospital dba Santiam Hospital

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

1. Business, Organization, and Summary of Significant Accounting Policies (Continued)

EHR incentive payments

Under certain provisions of the American Recovery and Reinvestment Act of 2009 (ARRA), federal incentive payments are available to hospitals, physicians, and certain other professionals (collectively, "health care providers") when they adopt, implement, or upgrade (AIU) certified electronic health record (EHR) technology or become "meaningful users" – as defined under ARRA – of EHR technology in ways that demonstrate improved quality, safety, and effectiveness of care. Health care providers can become eligible for annual Medicare incentive payments by demonstrating meaningful use of EHR technology in each federal fiscal year. Medicaid providers can receive their initial incentive payment by satisfying AIU criteria but must demonstrate meaningful use of EHR technology in subsequent federal fiscal years in order to qualify for additional payments. Hospitals may be eligible for both Medicare and Medicaid EHR incentive payments, however, physicians and other professionals may be eligible for either Medicare or Medicaid incentive payments but not both. Hospitals that are meaningful users under the Medicare EHR incentive payment program are deemed meaningful users under the Medicaid EHR incentive payment program and do not need to meet additional criteria imposed by Medicaid. Medicaid EHR incentive payments to health care providers are 100% federally funded and administered by individual states. The Centers for Medicare and Medicaid Services (CMS) established the federal fiscal year ended September 30, 2011 as the first year states could offer EHR incentive payments. Before a state may offer EHR incentive payments, the state must submit – and CMS must approve – the state's incentive plan.

The Hospital recognizes EHR incentive payments in income using the "contingency model." Under the contingency model, the income from the payments is recognized in the year for which payment is made if all significant contingencies related to the payment are resolved. Generally, the Hospital expects to recognize payments from the Medicare and Medicaid programs in the Hospital's fiscal year that includes the end of the federal fiscal year for which the payments are made. During the years ended December 31, 2012 and 2011, the Hospital satisfied certain of the CMS AIU and meaningful use criteria. As a result, the Hospital recognized approximately \$1,068,000 and \$1,437,000 of Medicare and Medicaid EHR incentive payments as operating revenue in the accompanying statements of operations and changes in unrestricted net assets for the years ended December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, prepaid expenses and other current assets in the accompanying balance sheets include receivables of Medicare and Medicaid EHR incentive payments of approximately \$1,068,000 and \$488,000, respectively. Medicare EHR incentive payments are scheduled to be paid out in decreasing amounts over four federal fiscal years, while Medicaid EHR payments are scheduled to be paid out in decreasing amounts over three federal fiscal years. Medicare and Medicaid EHR incentive payments are subject to audit and/or final approval by CMS and Medicaid. As a result, there is at least a reasonable possibility that recorded Medicare and Medicaid EHR incentive payments will change by a material amount in the near-term.

Statements of operations and changes in unrestricted net assets

For purposes of presentation, transactions deemed by Management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as other income (loss).

Income taxes

The Hospital is a tax-exempt organization pursuant to Internal Revenue Code Section 501(c)(3). As such, only unrelated business income is subject to federal or state income taxes. It is Management's belief that none of the Hospital's activities have generated material unrelated business income, therefore, no provision for income taxes has been made in the accompanying financial statements.

Santiam Memorial Hospital dba Santiam Hospital

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

1. Business, Organization, and Summary of Significant Accounting Policies (Continued)

Income taxes (continued)

Income tax positions that meet a "more-likely-than-not" recognition threshold are measured at the largest amount of income tax benefit that is more than 50% likely to be realized upon settlement with the applicable taxing authority. The portion of the benefits associated with income tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized income tax benefits in the Hospital's balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized income tax benefits would be classified as income taxes in the Hospital's statements of operations and changes in unrestricted net assets. There were no unrecognized income tax benefits, nor any interest and penalties associated with unrecognized income tax benefits, accrued or expensed as of and for the years ended December 31, 2012 and 2011.

The Hospital files a federal information return in the U.S. and a state information return in Oregon. The Hospital is no longer subject to tax examinations by the related tax authorities for the Hospital's U.S. federal and Oregon information returns for years prior to 2009.

Recently issued accounting standards

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). The provisions of ASU 2011-04 clarify the FASB's intent regarding application of existing fair value measurement guidance and revise certain measurement and disclosure requirements to achieve convergence of GAAP and International Financial Reporting Standards (IFRS). ASU 2011-04 clarifies the FASB's intent about the application of the highest-and-best-use and valuation premise and with respect to the measurement of fair value of an instrument classified as equity. ASU 2011-04 also expands the information required to be disclosed with respect to fair value measurements categorized in Level 3 fair value measurements and the items not measured at fair value but for which fair value must be disclosed. ASU 2011-04 was effective for the Hospital beginning in 2012. The adoption of ASU 2011-04 did not have a significant effect on the Hospital's financial statements.

In July 2011, the FASB issued ASU No. 2011-07, *Health Care Entities (Topic 954) – Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU 2011-07). ASU 2011-07 was issued to provide financial statement users with greater transparency about a health care entity's net patient service revenue and the related allowance for doubtful accounts. ASU 2011-07 requires health care entities that recognize significant amounts of patient service revenue at the time the services are rendered – even though they do not assess the patient's ability to pay – to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statements of operations and changes in unrestricted net assets. ASU 2011-07 requires certain health care entities to change the presentation of their statements of operations and changes in unrestricted net assets by reclassifying – retrospectively for all periods presented – the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities are required to provide enhanced disclosures about their policies for recognizing revenue and assessing bad debts. ASU 2011-07 also requires disclosures of patient service revenue (net of contractual allowances and discounts), as well as certain qualitative and quantitative information about changes in the allowance for doubtful accounts. ASU 2011-07 was effective for the Hospital beginning in 2012. Accordingly, the provision for bad debts related to patient service revenue has been reclassified for all periods presented in the accompanying financial statements and notes in accordance with ASU 2011-07. Other disclosures required by ASU 2011-07 are included elsewhere in Notes 1 and 5.

Santiam Memorial Hospital dba Santiam Hospital

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

1. Business, Organization, and Summary of Significant Accounting Policies (Continued)

Other reclassifications

In addition, certain other amounts for 2011 have been reclassified to conform with the 2012 presentation

Subsequent events

Management has evaluated, for potential recognition or disclosure in the financial statements, subsequent events that have occurred through April 8, 2013, which is the date that the financial statements were available to be issued

2. Investments and Assets Limited as to Use

Investments consisted of the following as of December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Mutual and exchange-traded funds	\$ 513,840	\$ 466,269
Equity securities	40,564	35,070
Certificate of deposit	-	103,141
	<u>554,404</u>	<u>604,480</u>
Less short-term investments	-	(103,141)
Long-term investments	<u>\$ 554,404</u>	<u>\$ 501,339</u>

Assets limited as to use consisted of the following as of December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Internally designated for capital acquisitions		
Money market accounts	\$ 76,041	\$ 75,845
Certificates of deposit	978,579	969,442
Total internally designated for acquisitions	<u>1,054,620</u>	<u>1,045,287</u>
Restricted amounts related to the Building Project and related Mortgage Note (see Notes 3 and 4)		
Cash held in escrow account related to certain off-site improvements	429,037	429,037
Cash held in escrow account for certain construction costs	240,000	-
Cash held in escrow account for principal repayment	124,358	-
Mortgage reserve fund held in trust	93,387	-
Other	<u>30,343</u>	<u>-</u>
Total restricted amounts related to the Building Project and related Mortgage Note	917,125	429,037

Santiam Memorial Hospital dba Santiam Hospital

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

2. Investments and Assets Limited as to Use (Continued)

	<u>2012</u>	<u>2011</u>
Less portion classified as current	\$ 583,738	\$ -
Total restricted amounts related to the Building Project and related Mortgage Note - net of current portion	<u>333,387</u>	<u>429,037</u>
Total assets limited as to use - net of current portion	<u>\$ 1,388,007</u>	<u>\$ 1,474,324</u>

Investment income (loss) consisted of the following for the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 30,089	\$ 17,443
Realized gains on sales of investments - net	11,602	7,821
Net unrealized gains (losses) on trading securities	<u>38,285</u>	<u>(27,786)</u>
Investment income (loss) - net	<u>\$ 79,976</u>	<u>\$ (2,522)</u>

3. Property and Equipment

Property and equipment consisted of the following as of December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Land	\$ 1,091,087	\$ 1,091,087
Land improvements	616,390	616,390
Buildings and improvements	9,728,418	9,726,025
Equipment	<u>10,176,988</u>	<u>9,787,199</u>
	21,612,883	21,220,701
Less accumulated depreciation	<u>(12,979,636)</u>	<u>(11,798,743)</u>
	8,633,247	9,421,958
Construction in progress	<u>25,617,308</u>	<u>16,623,698</u>
Property and equipment - net	<u>\$ 34,250,555</u>	<u>\$ 26,045,656</u>

Construction in progress as of December 31, 2012 primarily includes costs incurred in connection with a building expansion and renovation construction project (the Building Project) that was mostly financed with proceeds from the Mortgage Note (see Note 4) and was completed in February 2013. The Hospital entered into a guaranteed maximum price contract with a general contractor to complete the Building Project for approximately \$20 million. However, during the course of construction, various disputes arose between Management and the contractor (the Contractor) relating to certain costs billed by the Contractor, and the completion of the project was delayed beyond the original scheduled date of August 2012. As of December 31, 2012, the Hospital has recorded \$980,184 due to the Contractor as retention on the Building Project, and the Contractor asserts that the Hospital owes approximately \$3,000,000. However, Management believes that it has valid claims against the Contractor including, but not limited to, labor expenses, equipment purchases, substandard work performed, and failure to meet the deadline for substantial completion. The Hospital and the Contractor have attempted to have these disputes mediated and have

Santiam Memorial Hospital dba Santiam Hospital

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

3. Property and Equipment (Continued)

scheduled further mediation proceedings for July 2013, however, if no resolution occurs in mediation, an arbitration hearing has been scheduled for November 2013. Due to the status of these disputes and the related uncertainties, the ultimate settlement amount, if any, cannot presently be determined.

The Hospital's estimate of the amount owed to the contractor is recorded as retainage and construction accounts payable in the accompanying 2012 balance sheet and is classified as a noncurrent liability, because such amount is expected to be paid from proceeds of the Mortgage Note.

4. Mortgage Note Payable

In December 2010, the Hospital entered into a building loan agreement and the Mortgage Note, whereby the lender, Dougherty Mortgage LLC (Dougherty), agreed to loan the Hospital up to \$27,100,000 in connection with the Building Project. As of December 31, 2012 and 2011, the Hospital had \$22,868,742 and \$10,454,825, respectively, in outstanding borrowings under the Mortgage Note. The Mortgage Note is insured by the U.S. Department of Housing and Urban Development (HUD) and is secured by substantially all assets of the Hospital. Interest is payable at a fixed rate of 5.65%. From October through December 2012, the Hospital made monthly principal and interest payments ranging from approximately \$133,000 to \$136,000. However, since the Building Project was delayed (see Note 3) and the building loan agreement had not closed as of December 31, 2012, the principal portion of such payments through December 31, 2012 (\$124,358) was placed in an escrow account by Dougherty (see Note 2) to be applied against the Mortgage Note upon closing of the loan. In addition, \$240,000 of the borrowings under the Mortgage Note has been placed in an escrow account to be used for costs relating to completion of the Building Project (see Notes 2 and 3). As of April 8, 2013, the entire amount of the borrowings available under the \$27,100,000 Mortgage Note were outstanding, and principal and interest payments of approximately \$169,000 are required through September 2037.

In addition, also commencing in October 2012, the Hospital began making a deposit each quarter into a mortgage reserve fund so that such fund reaches certain scheduled year-end balances (including interest earned by the fund) growing from \$93,387 as of December 31, 2012 (see Note 2) to a maximum of approximately \$4,547,000 as of December 31, 2026. The mortgage reserve fund schedule (based on estimated interest earnings) anticipates that no quarterly deposits will be required from 2022 through 2026. Beginning in 2027, the mortgage reserve fund can be reduced (i.e., the Hospital can begin withdrawing amounts from the fund) in accordance with the mortgage reserve fund schedule such that no balance will remain as of December 31, 2036.

The Mortgage Note may be prepaid in whole or in part, beginning October 1, 2014, with a prepayment penalty of 8%, decreasing 1% per year thereafter, and without any penalty after September 30, 2022. The Mortgage Note and related agreements with Dougherty and HUD include requirements to meet certain financial and operating covenants. A regulatory agreement between the Hospital and HUD relating to the Mortgage Note requires the Hospital to annually report certain financial ratios. As of and for the year ended December 31, 2012, Management has calculated these ratios (each as defined in the regulatory agreement) to be as follows: (1) debt service coverage ratio of approximately 30.3, (2) current ratio of approximately 4.6, (3) average payment period of approximately 49.6 days, and (4) equity financing ratio of approximately 49.8%.

Santiam Memorial Hospital dba Santiam Hospital

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

4. Mortgage Note Payable (Continued)

Required principal payments on the Mortgage Note for the five years subsequent to December 31, 2012, and thereafter, are approximately as follows

2013	\$ 515,000
2014	545,000
2015	577,000
2016	610,000
2017	646,000
Thereafter	<u>24,207,000</u>
Total	<u>\$ 27,100,000</u>

Interest cost incurred and capitalized during the years ended December 31, 2012 and 2011 was approximately \$898,000 and \$297,000, respectively

5. Net Patient Service Revenue

Patient service revenue - net of contractual allowances and discounts, for the years ended December 31, 2012 and 2011 was comprised of the following

	<u>2012</u>	<u>2011</u>
Charges at established rates	<u>\$ 60,097,445</u>	<u>\$ 58,264,469</u>
Deductions		
Medicare, OHP, and Medicaid contractual allowances	(18,615,708)	(17,365,413)
Charity allowances	(1,475,656)	(1,283,615)
Other contractual allowances	<u>(5,980,561)</u>	<u>(5,881,166)</u>
Total deductions	<u>(26,071,925)</u>	<u>(24,530,194)</u>
Patient service revenue - net of contractual allowances and discounts	<u>\$ 34,025,520</u>	<u>\$ 33,734,275</u>

Patient service revenue - net of contractual allowances and discounts, by major payor, for the years ended December 31, 2012 and 2011 was as follows

	<u>2012</u>	<u>2011</u>
Medicare	\$ 9,494,206	\$ 9,723,460
Medicaid and OHP	4,256,426	4,451,066
Regence BlueCross BlueShield of Oregon	3,767,883	3,846,711
Other third-party payors	13,190,073	12,951,407
Self-pay	<u>3,316,932</u>	<u>2,761,631</u>
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 34,025,520</u>	<u>\$ 33,734,275</u>

Santiam Memorial Hospital dba Santiam Hospital

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

5. Net Patient Service Revenue (Continued)

Management estimates that the net cost of charity care provided was approximately \$630,000 and \$640,000 for the years ended December 31, 2012 and 2011, respectively. These estimates were based on the Hospital's overall ratio of cost to charges in each year. The largest proportion of services provided on a charity care basis was for emergency room and surgical services. For the years ended December 31, 2012 and 2011, approximately 8.3% and 4.2%, respectively, of all inpatient admissions were classified as charity care, and approximately 2.2% and 0.9%, respectively, of all outpatient visits were classified as charity care. The largest proportion of services provided on a charity care basis was for emergency room and trauma services.

6. Retirement Plan

The Hospital maintains a tax-deferred retirement savings plan (the 401(k) Plan) which is available to all employees who are regularly scheduled to work at least twenty hours per week and are age nineteen or older. Employees can defer a portion of their earnings on a pre-tax basis through contributions to the 401(k) Plan. Participants who have completed one year of service are also eligible to receive Hospital contributions. Each eligible participant receives a "safe harbor" contribution from the Hospital equal to 3% of the participant's compensation. In addition, the Hospital may make additional contributions to the 401(k) Plan, at its discretion. For the years ended December 31, 2012 and 2011, the Hospital did not make any additional discretionary contributions to the 401(k) Plan. Employees are immediately vested in their own contributions and the Hospital's "safe harbor" contributions. Employees are vested in the Hospital's discretionary contributions based on a cliff vesting schedule after three years of service.

Total expense incurred by the Hospital related to the 401(k) Plan during the years ended December 31, 2012 and 2011 was approximately \$366,000 and \$324,000, respectively.

7. Functional Classification of Expenses

Expenses on a functional basis for the years ended December 31, 2012 and 2011 were approximately as follows:

	<u>2012</u>	<u>2011</u>
Health care services	\$ 26,848,000	\$ 25,175,000
General and administrative	<u>3,068,000</u>	<u>2,719,000</u>
	<u>\$ 29,916,000</u>	<u>\$ 27,894,000</u>

8. Commitments and Contingencies

Medical malpractice insurance

The Hospital has a claims-made basis medical malpractice insurance policy. Under this policy, medical malpractice claims reported by the Hospital to the insurance company during the policy period are covered, however, any medical malpractice claim that has been incurred but not reported (IBNR) to the insurance company during the policy period is not covered.

The Hospital has recorded estimated liabilities for reported and IBNR medical malpractice claims which aggregated \$483,000 and \$557,000 as of December 31, 2012 and 2011, respectively, and are included in other noncurrent liabilities in the accompanying balance sheets. Management believes that these estimated liabilities are adequate, however, the establishment of estimated liabilities for reported and IBNR medical malpractice claims is an inherently uncertain process, and there can be no assurance that currently established reserves will prove adequate to cover actual ultimate expenses. Subsequent actual experience could result in reserves being too high or too low, which could positively or negatively impact the Hospital's reported results of operations in future periods.

Santiam Memorial Hospital dba Santiam Hospital

Notes to Financial Statements

Years Ended December 31, 2012 and 2011

8. Commitments and Contingencies (Continued)

Self-insured health and dental claims

The Hospital is self-insured for health and dental benefits provided to its employees (and employees' eligible family members) for individual claims up to \$60,000. Such benefits are provided through the Santiam Memorial Hospital Health Plan (the Health Plan) (a revocable trust fund), which is administered by a third-party administrator. The provision and accrual for estimated claims include estimates of the ultimate costs for both reported claims and IBNR claims and are based upon the estimated costs of settlement. The Hospital has recorded estimated liabilities for reported and IBNR employee health and dental claims aggregating approximately \$271,000 and \$206,000, which are included in other accrued liabilities in the accompanying balance sheets as of December 31, 2012 and 2011, respectively. Management believes that these estimated liabilities are adequate to cover any related potential losses, however, the establishment of estimated liabilities for IBNR health and dental claims is an inherently uncertain process, and there can be no assurance that currently established reserves will prove adequate to cover actual ultimate expenses. Subsequent actual experience could result in reserves being too high or too low, which could positively or negatively impact the Hospital's reported results of operations in future periods. The Hospital's financial statements do not include the accounts of the Health Plan, as such accounts are not significant to the Hospital's financial statements.

Risk management

In the ordinary course of business, the Hospital is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, and natural disasters. However, Management believes that adequate commercial insurance coverage has been purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage for the years ended December 31, 2012 and 2011.

Regulation and litigation

The health care industry is subject to various laws and regulations from federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has remained strong with respect to investigations and allegations concerning possible violations by health care providers of regulations which could result in the expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments of patient services previously billed and collected. Management believes that the Hospital is in compliance with the fraud and abuse regulations, as well as other applicable government laws and regulations, however, 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.

In addition, the Hospital becomes involved in litigation and other regulatory investigations arising in the ordinary course of business. After consultation with legal counsel, Management believes that these matters will be resolved without causing a material adverse effect on the Hospital's future financial position or results of operations.

Health care reform legislation

Health care reform legislation (the *Patient Protection and Affordable Care Act* and the *Health Care and Education Reconciliation Act*) was passed in 2010 and is expected to dramatically impact the delivery of, and payment for, health care services as various provisions are phased in over approximately the next six to eight years. This legislation had minimal impact on the accompanying financial statements, however, Management cannot presently determine the impact of such legislation on the Hospital's future financial position or results of operations.

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9. Fair Value Measurements

GAAP defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The hierarchy of fair value valuation techniques under GAAP provides for three levels ranging from Level 1 – which provides the most reliable measure of fair value – to Level 3 which, if applicable, generally would require significant management judgment. The three levels for categorizing assets and liabilities under GAAP's fair value measurement requirements are as follows:

Level 1	Fair value of the asset or liability is determined using observable inputs such as quoted unadjusted prices in active markets for identical assets or liabilities,
Level 2	Fair value of the asset or liability is determined using inputs other than quoted prices that are observable for the applicable asset or liability, either directly or indirectly, such as quoted prices for similar (as opposed to identical) assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active, and
Level 3	Fair value of the asset or liability is determined using unobservable inputs that are significant to the fair value measurement and reflect the organization's own assumptions regarding the applicable asset or liability

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

As of December 31, 2012 and 2011, the Hospital's financial assets measured at fair value on a recurring basis were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2012				
Investments	\$ 554,404	\$ -	\$ -	\$ 554,404
Assets limited as to use	<u>1,971,745</u>	<u>-</u>	<u>-</u>	<u>1,971,745</u>
	<u>\$ 2,526,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,526,149</u>
2011				
Investments	\$ 604,480	\$ -	\$ -	\$ 604,480
Assets limited as to use	<u>1,474,324</u>	<u>-</u>	<u>-</u>	<u>1,474,324</u>
	<u>\$ 2,078,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,078,804</u>

Certain non-financial assets may also be measured at fair value on a non-recurring basis. These assets primarily consist of non-financial long-lived assets which are measured at fair value for periodic impairment assessments. As of December 31, 2012 and 2011, the Hospital had no financial liabilities – and no nonfinancial assets or liabilities – measured at fair value on a recurring basis and had no assets or liabilities measured at fair value on a nonrecurring basis. In addition, there were no transfers of assets or liabilities between Levels 1, 2, and 3 during 2012 or 2011.