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Form 990

Return of Organization Exempt From Income Tax

2012

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

► The organization may have to use a copy of this return to satisfy state reporting requirements

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 05-01-2012, 2012, and ending 04-30-2013

B Check if applicable	C Name of organization HARRISON MEDICAL CENTER		D Employer identification number 91-0565546
<input type="checkbox"/> Address change	Doing Business As		
<input type="checkbox"/> Name change			
<input type="checkbox"/> Initial return	Number and street (or P O box if mail is not delivered to street address)	Room/suite	E Telephone number (360) 744-6507
<input type="checkbox"/> Terminated	2520 CHERRY AVENUE		
<input type="checkbox"/> Amended return	City or town, state or country, and ZIP + 4 BREMERTON, WA 983104270		
<input type="checkbox"/> Application pending			G Gross receipts \$ 436,414,239
F Name and address of principal officer SCOTT BOSCH 2520 CHERRY AVENUE BREMERTON, WA 983104270		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)	
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 HARRISONMEDICAL ORG	
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ►		L Year of formation 1918	M State of legal domicile WA

Part I Summary

1 Briefly describe the organization's mission or most significant activities HARRISON MAKES A POSITIVE DIFFERENCE IN PEOPLE'S LIVES THROUGH EXCEPTIONAL HEALTH CARE. THE RESIDENTS OF KITSAP PENINSULA AND ADJACENT AREAS HAVE ACCESS TO ACUTE MEDICAL AND SURGICAL SERVICES INCLUDING EMERGENCY, ONCOLOGY AND CARDIO VASCULAR SERVICES. ADDITIONALLY, HARRISON PROVIDES OUTPATIENT SERVICES, IN-HOME HEALTH AND PEDIATRIC REHABILITATION AND OPERATES URGENT CARE AND PRIMARY CARE FACILITIES IN BOTH PORT ORCHARD AND BELFAIR AND PRIMARY CARE FACILITIES IN POULSBO AND FORKS	
2 Check this box ► if the organization discontinued its operations or disposed of more than 25% of its net assets	
3 Number of voting members of the governing body (Part VI, line 1a)	3 15
4 Number of independent voting members of the governing body (Part VI, line 1b)	4 13
5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5 2,682
6 Total number of volunteers (estimate if necessary)	6 512
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a 2,144,542
b Net unrelated business taxable income from Form 990-T, line 34	7b 1,174,536

8 Contributions and grants (Part VIII, line 1h)	Prior Year 724,684	Current Year 953,555
9 Program service revenue (Part VIII, line 2g)	362,821,898	355,196,445
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	27,767	7,208,789
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	40,271	3,334,724
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	363,614,620	366,693,513

13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	435,761	534,246
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)	175,206,176	178,757,303
16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b Total fundraising expenses (Part IX, column (D), line 25) ► ⁰		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	179,990,843	169,036,973
18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	355,632,780	348,328,522
19 Revenue less expenses Subtract line 18 from line 12	7,981,840	18,364,991

20 Total assets (Part X, line 16)	Beginning of Current Year 389,256,468	End of Year 440,826,933
21 Total liabilities (Part X, line 26)	177,187,442	210,860,225
22 Net assets or fund balances Subtract line 21 from line 20	212,069,026	229,966,708

Part II Signature Block

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

Sign Here	***** Signature of officer FORREST G EHLINGER SENIOR VP & CFO Type or print name and title	2014-03-13 Date
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Paid Preparer Use Only	Print/Type preparer's name SARA ELIZABETH J HYRE	Preparer's signature	Date 2014-02-19	Check <input type="checkbox"/> if self-employed	PTIN P00235495
	Firm's name ► CLARK NUBER PS			Firm's EIN ► 91-1194016	
	Firm's address ► 10900 NE 4TH STREET SUITE 1700 BELLEVUE, WA 98004			Phone no (425) 454-4919	

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

Part III Statement of Program Service AccomplishmentsCheck if Schedule O contains a response to any question in this Part III **1** Briefly describe the organization's mission

HARRISON MEDICAL CENTER PROVIDES ACUTE MEDICAL AND SURGICAL SERVICES, EMERGENCY SERVICES AND A RANGE OF GENERAL AND SPECIALIZED SERVICES TO RESIDENTS OF THE KITSAP PENINSULA AND ADJACENT AREAS

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations 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 \$ 262,704,816 including grants of \$ 534,246) (Revenue \$ 355,196,445)

DURING THE FISCAL YEAR ENDED APRIL 30, 2013, THE MEDICAL CENTER EXPERIENCED 13,466 HOSPITAL INPATIENT ADMISSIONS REPRESENTING 55,645 DAYS OF CARE TO ADULTS AND PEDIATRIC PATIENTS SERVICES PROVIDED INCLUDED 69,149 EMERGENCY ROOM VISITS, 11,178 SURGERY PATIENTS INCLUDING 246 OPEN HEART CASES, 1,882 BIRTHS INCLUDING 3,613 DAYS OF CARE, 22,233 HOME HEALTH VISITS, 35,272 URGENT CARE VISITS, AND 36,476 PRIMARY CARE VISITS. HARRISON PROVIDES NEEDED MEDICAL CARE TO INDIGENT PATIENTS REGARDLESS OF THEIR ABILITY TO PAY. THE MEDICAL CENTER HAS ESTABLISHED CRITERIA FOR DETERMINING WHETHER A PATIENT IS ELIGIBLE FOR CHARITY CARE. THE AMOUNT OF PATIENT REVENUES FOREGONE FOR CHARITY CARE PROVIDED BY HARRISON FOR THE FISCAL YEAR ENDED APRIL 30, 2013 AMOUNTED TO \$26,820,776. ALL FINANCIAL SURPLUSES FROM OPERATIONS ARE USED TO FURTHER THE CHARITABLE PURPOSES OF THE MEDICAL CENTER. THESE SURPLUSES ARE USED TO HELP FUND NEW HEALTH SERVICE PROGRAMS IN THE FUTURE AND FUND NEW AND REPLACEMENT EQUIPMENT AND FACILITIES. COMMUNITY HEALTH EDUCATION HARRISON MEDICAL CENTER VALUES THE RELATIONSHIPS WE MAINTAIN WITH THE COMMUNITY AND COMMUNITY ORGANIZATIONS. THE MEDICAL CENTER HAS A LONG-STANDING COMMITMENT TO PROMOTE COMMUNITY EDUCATION IN THE HEALTH CARE AREA. THE COMMITMENT IS DEMONSTRATED THROUGH AN ACTIVE PROGRAM OF CLASSES DIRECTED AT THE COMMUNITY-AT-LARGE AND SPECIALIZED CLASSES DIRECTED AT PERSONS WITH SPECIAL NEEDS. THESE COMMUNITY EDUCATIONAL SERVICES ARE PROVIDED BY STAFF OR TRAINED PROFESSIONALS WHO ARE EMPLOYEES OF THE MEDICAL CENTER. THERE ARE NUMEROUS COMMUNITY BASED SUPPORT GROUPS, WHICH MEET AT HARRISON ON A REGULAR BASIS USING THE MEDICAL CENTER'S MEETING ROOMS AT NO CHARGE. THE FACILITATORS OF THESE GROUPS ARE OFTEN STAFF AND TRAINED PROFESSIONALS OF THE MEDICAL CENTER. HEALTH-RELATED VOLUNTEER SERVICE OF HARRISON MEDICAL CENTER EMPLOYEES MANY OF HARRISON'S EMPLOYEES SERVE AS COMMUNITY SOCIAL SERVICE ORGANIZATION BOARD MEMBERS AS WELL AS DONATING THEIR TIME TO INDIVIDUAL HEALTH AGENCY PROJECTS. EMPLOYEES OF HARRISON REGULARLY CONTRIBUTE THEIR OWN TIME TO SUPPORT VARIOUS COMMUNITY FUNDRAISING EVENTS SUCH AS AMERICAN HEART ASSOCIATION HEART WALK, MARCH OF DIMES WALK-A-THON, MS WALK-A-THON, ALZHEIMER'S MEMORY WALK, AMERICAN CANCER SOCIETY RELAY FOR LIFE, CYSTIC FIBROSIS GREAT STRIDES WALK, KITSAP COUNTY AIDS WALK AND UNITED WAY DAY OF CARING. THE MEDICAL CENTER ALSO CONTRIBUTES TO THESE CAUSES BY PROVIDING EVENT MEALS FOR THE VOLUNTEERS AND PAID TIME FOR EMPLOYEES DURING REGULAR WORKING HOURS TO ORGANIZE THE EVENTS. HEALTH-RELATED SERVICE OF HARRISON MEDICAL CENTER VOLUNTEERS HARRISON'S VOLUNTEERS ARE INVOLVED IN A PROGRAM THAT PROVIDES PATIENTS AND THEIR FAMILIES WITH COMPLEMENTARY THERAPIES DURING THEIR STAY AT THE MEDICAL CENTER. THESE THERAPIES INCLUDE HAND MASSAGE, THERAPEUTIC ART, BOOK AND BEVERAGE CART SERVICE, SERVICE PET ROUNDING, AND THERAPEUTIC MUSIC, SUCH AS HARP, ACOUSTIC GUITAR, FLUTE AND PIANO TRAINING AND EDUCATION FOR HEALTHCARE PROFESSIONALS. HARRISON MEDICAL CENTER CONTINUES TO SERVE AS A CLINICAL SITE FOR STUDENTS IN NURSING, PHYSICAL THERAPY, MEDICAL RECORDS, RADIOLOGY, PHARMACY, SOCIAL WORK, AND DIETARY PROGRAMS AND A NON-CLINICAL SITE FOR STUDENTS IN MATERIALS MANAGEMENT. STUDENTS ARE ON-SITE AND UNDER HARRISON'S DIRECTION FOR SERVICE FOR SEVERAL THOUSAND HOURS EACH YEAR. COMMUNITY HEALTHCARE INFORMATION HARRISON MEDICAL CENTER HAS DEVELOPED AN INTERNET WEB SITE AND PROVIDES THE COMMUNITY WITH AREAS TO LOOK UP HOSPITAL PROGRAMS AND SERVICES, COMMUNITY AND HEALTHCARE NEWS. IT ALSO CONTAINS A PHYSICIAN DATABASE THAT IS USEFUL TO INDIVIDUALS WHO ARE CHOOSING A PHYSICIAN. THE MEDICAL AND HEALTHCARE CONSUMER LIBRARIES MAINTAINED BY HARRISON MEDICAL CENTER ARE RESOURCES FOR HEALTH PROFESSIONALS AND THE PUBLIC IN OUR COMMUNITY. OUR MEDICAL LIBRARY WORKS IN COOPERATION WITH THE REGIONAL PUBLIC LIBRARY, NAVY HOSPITAL AND COMMUNITY COLLEGE LIBRARY TO PROVIDE HEALTHCARE INFORMATION FOR AREA RESIDENTS.

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 ► 262,704,816

Part IV Checklist of Required Schedules

1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A

2 Is the organization required to complete Schedule B, *Schedule of Contributors* (see instructions)?

3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I

4 **Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II

5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III

6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I

7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II

8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III

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? If "Yes," complete Schedule D, Part IV

10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V

11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable

a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI

b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII

c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII

d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX

e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X

f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part XI

12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII

b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional

13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E

14a Did the organization maintain an office, employees, or agents outside of the United States?

b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV

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? If "Yes," complete Schedule F, Parts II and IV

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? If "Yes," complete Schedule F, Parts III and IV

17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)

18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II

19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III

20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H

b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?

	Yes	No
1	Yes	
2	Yes	
3		No
4	Yes	
5		No
6		No
7		No
8		No
9		No
10		No
11a	Yes	
11b	Yes	
11c		No
11d		No
11e	Yes	
11f		No
12a	Yes	
12b		No
13		No
14a		No
14b		No
15		No
16		No
17		No
18		No
19		No
20a	Yes	
20b	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? If "Yes," complete Schedule I, Parts I and II	<input checked="" type="checkbox"/>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III	<input checked="" type="checkbox"/>	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? If "Yes," complete Schedule J	<input checked="" type="checkbox"/>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25	<input checked="" type="checkbox"/>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		24b	No	
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		24c	No	
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		24d	No	
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I	<input checked="" type="checkbox"/>	25a	No	
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I	<input checked="" type="checkbox"/>	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? If "Yes," complete Schedule L, Part II	<input checked="" type="checkbox"/>	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? If "Yes," complete Schedule L, Part III	<input checked="" type="checkbox"/>	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? If "Yes," complete Schedule L, Part IV	<input checked="" type="checkbox"/>	28a	No	
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	<input checked="" type="checkbox"/>	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? If "Yes," complete Schedule L, Part IV	<input checked="" type="checkbox"/>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M	<input checked="" type="checkbox"/>	29	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M	<input checked="" type="checkbox"/>	30	No	
31	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I	<input checked="" type="checkbox"/>	31	No	
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II	<input checked="" type="checkbox"/>	32	No	
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I	<input checked="" type="checkbox"/>	33	No	
34	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1	<input checked="" type="checkbox"/>	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)? If "Yes," complete Schedule R, Part V, line 2		35b		
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2	<input checked="" type="checkbox"/>	36	No	
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI	<input checked="" type="checkbox"/>	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	1a 189		
b Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b 0		
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c Yes		
2a Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a 2,682		
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b Yes		
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a Yes		
b If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b Yes		
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a No		
b If "Yes," enter the name of the foreign country See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a No		
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b No		
c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c		
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a No		
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7 Organizations that may receive deductible contributions under section 170(c).	7a No		
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?	7b		
b If "Yes," did the organization notify the donor of the value of the goods or services provided?	7c No		
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7d		
d If "Yes," indicate the number of Forms 8282 filed during the year	7e No		
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7f No		
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7g		
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7h		
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	8		
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?	9a		
9 Sponsoring organizations maintaining donor advised funds.	9b		
a Did the organization make any taxable distributions under section 4966?			
b Did the organization make a distribution to a donor, donor advisor, or related person?			
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	1a 15		
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			
b Enter the number of voting members included in line 1a, above, who are independent	1b 13		
2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No	
3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No	
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No	
5 Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No	
6 Did the organization have members or stockholders?	6	No	
7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	No	
b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No	
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following	8a	Yes	
a The governing body?	8b	Yes	
b Each committee with authority to act on behalf of the governing body?	9	No	
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			

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

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

Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed
- 18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply

Own website Another's website Upon request 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
FORREST G EHLINGER 2520 CHERRY AVENUE BREMERTON, WA (360) 744-6507

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent ContractorsCheck 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	Office	Key employee	Highest compensated	Former			
(1) DAVID A VETERANE CHAIR	2 00 0 00	X		X				0	0	0
(2) JAMES T CIVILLA VICE CHAIR	2 00 0 00	X		X				0	0	0
(3) JAMES L SMALLEY SECRETARY / TREASURER	2 00 0 00	X		X				0	0	0
(4) GLEN CARLSON MD CHIEF OF STAFF	2 00 0 00	X		X				28,187	0	0
(5) FRED BARRETT TRUSTEE	2 00 0 00	X						0	0	0
(6) GRIFFITH BLACKMON MD MP TRUSTEE (THRU 10/12)	2 00 0 00	X						0	0	0
(7) CARL CRAMER TRUSTEE	2 00 0 00	X						0	0	0
(8) MARY GARGUILE TRUSTEE	2 00 0 00	X						0	0	0
(9) RUTH HANSTEN RN PHD FACHE TRUSTEE	2 00 0 00	X						0	0	0
(10) GREGORY S HENDERSON MD PHD TRUSTEE	2 00 0 00	X						0	0	0
(11) LINDA STREISSGUTH AICP TRUSTEE	2 00 0 00	X						0	0	0
(12) RONALD MUHLEMAN TRUSTEE	2 00 0 00	X						0	0	0
(13) KELLY R NELSON CPA TRUSTEE	2 00 2 00	X						0	0	0
(14) JOAN SORIANO TRUSTEE	2 00 0 00	X						0	0	0
(15) RICK TIIFT TRUSTEE	2 00 2 00	X						0	0	0
(16) JOHN WALLEN PAST CHAIR	2 00 0 00	X						0	0	0
(17) ADAR PALIS EXEC VP & COO	50 00 0 00			X				402,509	0	63,641

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

(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	Instrumental trustee	Office leg	Key employee ee for pay	Highest compensated employee			
(18) PATRICIA COCHRELL VP & CNO	50.00 0.00			X			332,586	0	62,679
(19) FORREST G EHLINGER SENIOR VP/ CFO	50.00 0.00			X			299,647	0	49,957
(20) SCOTT W BOSCH PRESIDENT & CEO	50.00 0.00			X			572,462	0	199,295
(21) GORDON CROMWELL INTERIM CHIEF MEDICAL OFFICER	50.00 0.00			X			133,770	0	0
(22) MARIEL KAGAN VP & CHIEF LEGAL OFFICER	50.00 0.00			X			377,434	0	53,273
(23) MALCOLM W WINTER PHYSICIAN	40.00 0.00				X		826,019	0	35,456
(24) RONALD ROBERT REIMER PHYSICIAN	40.00 0.00				X		852,873	0	30,359
(25) DENNIS MICHAEL WILLERFORD PHYSICIAN	40.00 0.00				X		726,415	0	38,771
(26) JOSEPH LOWELL JOHNSON PHYSICIAN	40.00 0.00				X		568,746	0	37,766
(27) ROBERT C KING PHYSICIAN	40.00 2.00				X		559,835	0	40,716
(28) CYNTHIA MAY CNO & DIR NURSING	50.00 0.00				X		254,987	0	32,284
(29) SANDON K SAFFIER FORMER VP, CMO	0.00 0.00				X		371,829	0	33,508
1b Sub-Total									
c Total from continuation sheets to Part VII, Section A									
d Total (add lines 1b and 1c)							6,307,299	0	677,705

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **►206**

	Yes	No
3 Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual	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? If "Yes," complete Schedule J for such individual	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? If "Yes," complete Schedule J for such person	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
CLARO GROUP LLC 70 W MADISON ST SUITE 4800 CHICAGO IL 60602	CONSULTING	5,573,829
SOUND PHYSICIANS 1123 PACIFIC AVE TACOMA WA 98402	EMERGENCY PHYSICIAN CALL COVERAGE	2,007,692
FOCUSONE SOLUTIONS LLC PO BOX 3037 OMAHA NE 68103	TEMPORARY STAFFING	1,913,960
ADVANCED MEDICAL IMAGING LLC PO BOX 2629 PORT ORCHARD WA 98366	IMAGING SERVICES	1,847,093
S&S SECURITY SERVICES PO BOX 459 BELFAIR WA 98528	FACILITY SECURITY SERVICES	1,682,596

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 **►76**

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	854,221			
	e Government grants (contributions)	1e	91,294			
	f All other contributions, gifts, grants, and similar amounts not included above	1f	8,040			
	g Noncash contributions included in lines 1a-1f \$		152,114			
	h Total. Add lines 1a-1f		953,555			
Program Service Revenue	2a PATIENT REVENUE	Business Code				
		622110	197,678,709	196,210,196	1,468,513	
	b MEDICARE/MEDICAID	622110	157,517,736	157,517,736		
	c					
	d					
	e					
	f All other program service revenue					
	g Total. Add lines 2a-2f		355,196,445			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		4,307,930		676,029	
	4 Income from investment of tax-exempt bond proceeds					
	5 Royalties					
	6a Gross rents	(i) Real	(ii) Personal			
		131,910				
	b Less rental expenses	0				
	c Rental income or (loss)	131,910				
	d Net rental income or (loss)			131,910		131,910
7a Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
	69,385,303	3,236,282				
b Less cost or other basis and sales expenses	66,692,911	3,027,815				
c Gain or (loss)	2,692,392	208,467				
d Net gain or (loss)			2,900,859		2,900,859	
8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18						
b Less direct expenses	b					
c Net income or (loss) from fundraising events						
9a Gross income from gaming activities See Part IV, line 19	a					
b Less direct expenses	b					
c Net income or (loss) from gaming activities						
10a Gross sales of inventory, less returns and allowances	a					
b Less cost of goods sold	b					
c Net income or (loss) from sales of inventory						
Miscellaneous Revenue		Business Code				
11a EHR PAYMENTS		900099	3,202,814		3,202,814	
b						
c						
d All other revenue						
e Total. Add lines 11a-11d		3,202,814				
12 Total revenue. See Instructions		366,693,513	353,727,932	2,144,542	9,867,484	

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	534,246	534,246		
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	2,146,982		2,146,982	
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	138,514,546	114,638,097	23,876,449	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	6,733,080	5,493,578	1,239,502	
9 Other employee benefits	18,168,330	14,940,703	3,227,627	
10 Payroll taxes	13,194,365	10,765,396	2,428,969	
11 Fees for services (non-employees)				
a Management				
b Legal	806,637		806,637	
c Accounting	84,171		84,171	
d Lobbying	44,481		44,481	
e Professional fundraising services See Part IV, line 17				
f Investment management fees	303,373	35,662	267,711	
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	34,922,385	19,413,505	15,508,880	
12 Advertising and promotion	1,050,254	39,034	1,011,220	
13 Office expenses	5,413,368	3,303,298	2,110,070	
14 Information technology	6,484,325	784,388	5,699,937	
15 Royalties				
16 Occupancy	6,433,152	5,226,510	1,206,642	
17 Travel				
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	604,415	169,491	434,924	
20 Interest	4,636,023	4,636,023		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	19,996,521	10,476,241	9,520,280	
23 Insurance	2,510,857	297,497	2,213,360	
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 MEDICAL SUPPLIES/EQUIP	67,644,048	67,644,048		
b BUSINESS TAXES	9,134,227		9,134,227	
c EQUIP RENT/MAINTENANCE	4,935,632	1,611,297	3,324,335	
d UNRELATED BUS INC TAXES	155,000		155,000	
e All other expenses	3,878,104	2,695,802	1,182,302	
25 Total functional expenses. Add lines 1 through 24e	348,328,522	262,704,816	85,623,706	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 SheetCheck if Schedule O contains a response to any question in this Part X

		(A) Beginning of year	(B) End of year
Assets			
1	Cash—non-interest-bearing	21,209,330	1 17,072,202
2	Savings and temporary cash investments	2,855,627	2 2,663,188
3	Pledges and grants receivable, net	3	
4	Accounts receivable, net	50,825,110	4 52,821,834
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	3,002,844	7 3,002,844
8	Inventories for sale or use	3,524,278	8 3,552,752
9	Prepaid expenses and deferred charges	3,530,061	9 3,743,829
10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 326,642,690	
b	Less accumulated depreciation	10b 181,878,399	
		128,186,898	10c 144,764,291
11	Investments—publicly traded securities	146,749,690	11 180,133,166
12	Investments—other securities See Part IV, line 11	10,025,778	12 22,689,222
13	Investments—program-related See Part IV, line 11	13	
14	Intangible assets	14	
15	Other assets See Part IV, line 11	19,346,852	15 10,383,605
16	Total assets. Add lines 1 through 15 (must equal line 34)	16 389,256,468	440,826,933
Liabilities			
17	Accounts payable and accrued expenses	46,097,078	17 51,170,229
18	Grants payable	18	
19	Deferred revenue	19	
20	Tax-exempt bond liabilities	84,444,927	20 116,302,448
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	23	
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	46,645,437	25 43,387,548
26	Total liabilities. Add lines 17 through 25	26 177,187,442	210,860,225
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	197,362,806	27 224,624,070
28	Temporarily restricted net assets	12,720,122	28 3,340,770
29	Permanently restricted net assets	1,986,098	29 2,001,868
	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	212,069,026	33 229,966,708
34	Total liabilities and net assets/fund balances	34 389,256,468	440,826,933

Part XI Reconciliation of Net AssetsCheck 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	366,693,513
2	Total expenses (must equal Part IX, column (A), line 25)	2	348,328,522
3	Revenue less expenses Subtract line 2 from line 1	3	18,364,991
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	212,069,026
5	Net unrealized gains (losses) on investments	5	9,879,824
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	-10,347,133
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	229,966,708

Part XII Financial Statements and ReportingCheck if Schedule O contains a response to any question in this Part XII

	Yes	No
1 Accounting method used to prepare the Form 990 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	2a	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	2b	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	2c	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?	3a	No
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	3b	

Additional Data

Software ID:
Software Version:
EIN: 91-0565546
Name: HARRISON MEDICAL CENTER

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

(A) Name and Title	(B) Average hours per week (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
		Or director	Individual trustee	Institutional Trustee	Officer	Key employee			
DAVID A VETERANE CHAIR	2 00 0 00	X		X			0	0	0
JAMES T CIVILLA VICE CHAIR	2 00 0 00	X		X			0	0	0
JAMES L SMALLEY SECRETARY / TREASURER	2 00 0 00	X		X			0	0	0
GLEN CARLSON MD CHIEF OF STAFF	2 00 0 00	X		X			28,187	0	0
FRED BARRETT TRUSTEE	2 00 0 00	X					0	0	0
GRIFFITH BLACKMON MD MP TRUSTEE (THRU 10/12)	2 00 0 00	X					0	0	0
CARL CRAMER TRUSTEE	2 00 0 00	X					0	0	0
MARY GARGUILE TRUSTEE	2 00 0 00	X					0	0	0
RUTH HANSTEN RN PHD FACHE TRUSTEE	2 00 0 00	X					0	0	0
GREGORY S HENDERSON MD PHD TRUSTEE	2 00 0 00	X					0	0	0
LINDA STREISSGUTH AICP TRUSTEE	2 00 0 00	X					0	0	0
RONALD MUHLEMAN TRUSTEE	2 00 0 00	X					0	0	0
KELLY R NELSON CPA TRUSTEE	2 00 2 00	X					0	0	0
JOAN SORIANO TRUSTEE	2 00 0 00	X					0	0	0
RICK TIFT TRUSTEE	2 00 2 00	X					0	0	0
JOHN WALLEN PAST CHAIR	2 00 0 00	X					0	0	0
ADAR PALIS EXEC VP & COO	50 00 0 00			X			402,509	0	63,641
PATRICIA COCHRELL VP & CNO	50 00 0 00			X			332,586	0	62,679
FORREST G EHLINGER SENIOR VP / CFO	50 00 0 00			X			299,647	0	49,957
SCOTT W BOSCH PRESIDENT & CEO	50 00 0 00			X			572,462	0	199,295
GORDON CROMWELL INTERIM CHIEF MEDICAL OFFICER	50 00 0 00			X			133,770	0	0
MARIEL KAGAN VP & CHIEF LEGAL OFFICER	50 00 0 00			X			377,434	0	53,273
MALCOLM W WINTER PHYSICIAN	40 00 0 00				X		826,019	0	35,456
RONALD ROBERT REIMER PHYSICIAN	40 00 0 00				X		852,873	0	30,359
DENNIS MICHAEL WILLERFORD PHYSICIAN	40 00 0 00				X		726,415	0	38,771

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

(A) Name and Title	(B) Average hours per week (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
		Former Or director Individual trustee	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
JOSEPH LOWELL JOHNSON PHYSICIAN	40.00 0.00					X		568,746	0	37,766
ROBERT C KING PHYSICIAN	40.00 2.00					X		559,835	0	40,716
CYNTHIA MAY CNO & DIR NURSING	50.00 0.00						X	254,987	0	32,284
SANDON K SAFFIER FORMER VP, CMO	0.00 0.00						X	371,829	0	33,508

SCHEDULE A
(Form 990 or 990EZ)**Public Charity Status and Public Support****2012****Open to Public
Inspection**Department of the Treasury
Internal Revenue Service

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.

Name of the organization
HARRISON MEDICAL CENTER**Employer identification number**

91-0565546

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

e a Type I b Type II c Type III - Functionally integrated d Type III - Non-functionally integrated

f 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)

g 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

h 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?

i 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
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 III Support 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 C
(Form 990 or 990-EZ)**Political Campaign and Lobbying Activities****2012****Open to Public
Inspection****For Organizations Exempt From Income Tax Under section 501(c) and section 527**

► Complete if the organization is described below. ► Attach to Form 990 or Form 990-EZ.

► See separate instructions.

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

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

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

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

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

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

Name of the organization HARRISON MEDICAL CENTER	Employer identification number 91-0565546
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

- 1 Provide a description of the organization's direct and indirect political campaign activities in Part IV
- 2 Political expenditures ► \$ _____
- 3 Volunteer hours _____

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

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

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

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

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

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

A Check if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

B Check if the filing organization checked box A and "limited control" provisions apply

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

4-Year Averaging Period Under Section 501(h)

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.

	(a)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a Volunteers?		No	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c Media advertisements?		No	
d Mailings to members, legislators, or the public?		No	
e Publications, or published or broadcast statements?		No	
f Grants to other organizations for lobbying purposes?		No	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i Other activities?	Yes		44,481
j Total Add lines 1c through 1i			44,481
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information

Identifier	Return Reference	Explanation
PART IV, SUPPLEMENTAL INFORMATION		PART II-B, LINE 1(I), LOBBYING ACTIVITIES A PORTION OF THE MEMBERSHIP DUES PAID TO WASHINGTON STATE HOSPITAL ASSOCIATION AND AMERICAN HOSPITAL ASSOCIATION WERE EXPENDED FOR LOBBYING ACTIVITIES

SCHEDULE D
(Form 990)**Supplemental Financial Statements****2012****Open to Public
Inspection**Department of the Treasury
Internal Revenue Service

► Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
 ► Attach to Form 990. ► See separate instructions.

Name of the organization
HARRISON MEDICAL CENTER**Employer identification number**

91-0565546

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

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? Yes No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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? Yes No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)	<input type="checkbox"/> Preservation of land for public use (e.g., recreation or education) <input type="checkbox"/> Preservation of an historically important land area
	<input type="checkbox"/> Protection of natural habitat <input type="checkbox"/> Preservation of a certified historic structure
	<input type="checkbox"/> 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	
a Total number of conservation easements	Held at the End of the Year
b Total acreage restricted by conservation easements	2a
c Number of conservation easements on a certified historic structure included in (a)	2b
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2c
3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ► _____	2d
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? <input type="checkbox"/> Yes <input type="checkbox"/> 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)? <input type="checkbox"/> Yes <input type="checkbox"/> 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	► \$ _____

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 <input type="checkbox"/> Public exhibition	d <input type="checkbox"/> Loan or exchange programs
b <input type="checkbox"/> Scholarly research	e <input type="checkbox"/> Other
c <input type="checkbox"/> Preservation for future generations	

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

	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	(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

(ii) related organizations

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

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

4 Describe in Part 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	5,497,226	6,832,354		12,329,580
b Buildings		78,677,919	37,049,621	41,628,298
c Leasehold improvements				
d Equipment		203,363,410	140,136,283	63,227,127
e Other		32,271,781	4,692,495	27,579,286
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				144,764,291

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) INVESTMENT IN JOINT VENTURES	834,767	F
(B) ALTERNATIVE INVESTMENTS	13,301,207	F
(C) REAL ESTATE FUND	8,553,248	F
Total. (Column (b) must equal Form 990, Part X, col (B) line 12)	22,689,222	

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. (Column (b) must equal Form 990, Part X, col (B) line 13)		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. (Column (b) must equal Form 990, Part X, col.(B) line 15.)

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of liability	(b) Book value
Federal income taxes	
ACCRUED PENSION LIABILITY	32,942,038
RESERVE FOR PROFESSIONAL LIABILITY CLAIMS	8,968,236
DEFERRED GAIN FROM SALE OF FACILITIES	490,732
CAPITAL LEASE	986,542
Total. (Column (b) must equal Form 990, Part X, col (B) line 25)	43,387,548

2. Fin 48 (ASC 740) Footnote In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII

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	365,429,810
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	9,879,824
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	-11,143,527
e	Add lines 2a through 2d	2e	-1,263,703
3	Subtract line 2e from line 1	3	366,693,513
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	
c	Add lines 4a and 4b	4c	0
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)	5	366,693,513

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

1	Total expenses and losses per audited financial statements	1	347,532,128
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	347,532,128
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	796,394
c	Add lines 4a and 4b	4c	796,394
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)	5	348,328,522

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		EXPENSES GROUPED WITH REVENUES ON FINANCIAL STATEMENTS -515,410 INVESTMENT FEES GROUPED WITH REVENUES ON FINANCIAL STATEMENTS -280,984 CHANGE IN OBLIGATIONS UNDER PENSION PLAN - 1,244,462 CHANGE IN INTEREST IN HARRISON MEDICAL CENTER FOUNDATION -9,102,671
PART XII, LINE 4B - OTHER ADJUSTMENTS		EXPENSES GROUPED WITH REVENUES ON FINANCIAL STATEMENTS 515,410 INVESTMENT FEES GROUPED WITH REVENUES ON FINANCIAL STATEMENTS 280,984

2012

Open to Public
InspectionSCHEDULE 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.Name of the organization
HARRISON MEDICAL CENTER

Employer identification number

91-0565546

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 checked="" type="checkbox"/> Applied uniformly to all hospital facilities	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	3a	Yes
<input checked="" type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %		
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	3b	Yes
<input type="checkbox"/> 200% <input type="checkbox"/> 250% <input checked="" type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %		
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)			7,713,254	0	7,713,254	2 210 %
b Medicaid (from Worksheet 3, column a)			41,085,681	21,278,787	19,806,894	5 690 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			13,352,560	7,824,769	5,527,791	1 590 %
d Total Financial Assistance and Means-Tested Government Programs			62,151,495	29,103,556	33,047,939	9 490 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	12	3,855	321,704	21,500	300,204	0 090 %
f Health professions education (from Worksheet 5)	4	385	157,722	0	157,722	0 050 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	8	5,720	131,575	360	131,215	0 040 %
j Total Other Benefits	24	9,960	611,001	21,860	589,141	0 180 %
k Total Add lines 7d and 7j	24	9,960	62,762,496	29,125,416	33,637,080	9 670 %

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	0	0	18,740	0	18,740	0 010 %
3 Community support	0	3,176	168,968	1,264	167,704	0 050 %
4 Environmental improvements						
5 Leadership development and training for community members	0	20	6,599	0	6,599	0 %
6 Coalition building	0	455,240	14,100	0	14,100	0 %
7 Community health improvement advocacy	0	5,000	14,980	0	14,980	0 %
8 Workforce development	0	0	1,126,949	531,333	595,616	0 170 %
9 Other						
10 Total		463,436	1,350,336	532,597	817,739	0 230 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense	Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare 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	24,293,903
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	
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	112,916,274
6 Enter Medicare allowable costs of care relating to payments on line 5	6	130,364,821
7 Subtract line 6 from line 5. This is the surplus (or shortfall)	7	-17,448,547
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		
<input type="checkbox"/> Cost accounting system	<input checked="" type="checkbox"/> Cost to charge ratio	<input type="checkbox"/> 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

Other (Describe)

Facility reporting group

1	HARRISON MEDICAL CENTER 2520 CHERRY AVENUE BREMERTON, WA 98310	X	X			X	RURAL HEALTHCARE CLINIC

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)

HARRISON MEDICAL CENTER

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	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 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 <u>2010</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	No	
5	Did the hospital facility make its CHNA report widely available to the public?	5	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	<input checked="" type="checkbox"/> Hospital facility's website			
b	<input checked="" type="checkbox"/> Available upon request from the hospital facility			
c	<input checked="" 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 checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	<input checked="" type="checkbox"/> Execution of the implementation strategy			
c	<input checked="" type="checkbox"/> Participation in the development of a community-wide plan			
d	<input checked="" 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 checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community			
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	<input checked="" 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	No	
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?	10	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care <u>100 000000000000%</u>			
If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing <i>discounted</i> care?	11	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 000000000000%</u>			
If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	12	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a <input checked="" type="checkbox"/> Income level			
b <input type="checkbox"/> Asset level			
c <input type="checkbox"/> Medical indigency			
d <input checked="" type="checkbox"/> Insurance status			
e <input type="checkbox"/> Uninsured discount			
f <input 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?	14	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
b <input type="checkbox"/> The policy was attached to billing invoices			
c <input checked="" 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 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

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

- a The hospital facility did not provide care for any emergency medical conditions
- b The hospital facility's policy was not in writing
- c The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d Other (describe in Part VI)

	Yes	No
19 Yes		

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 The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d Other (describe in Part VI)

21 Yes		

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

22	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

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?

26

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

Part VI Supplemental Information

Complete this part to provide the following information

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, 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 I, L7 COL(F) BAD DEBT EXPENSE IS RECORDED BASED ON A REVIEW OF OUTSTANDING ACCOUNTS RECEIVABLE BALANCES BY AGE AND FINANCIAL CLASS BASED ON HISTORICAL CLOSED CASE DATA, AN ESTIMATED WRITE OFF AMOUNT IS CALCULATED AND A RESERVE IS ESTABLISHED ON THE BALANCE SHEET FOR THIS ESTIMATE THE RESERVE IS COMPARED WITH THE PRIOR PERIOD RESERVE AND THE NECESSARY INCREASE IS BOOKED AS AN EXPENSE FOR THE PERIOD BALANCES FOR PATIENTS WHO QUALIFY FOR FINANCIAL ASSISTANCE ARE HANDLED SEPARATELY
		PART II HARRISON MEDICAL CENTER VALUES THE RELATIONSHIPS IT MAINTAINS WITH THE COMMUNITY AND COMMUNITY ORGANIZATIONS THERE ARE NUMEROUS COMMUNITY BASED SUPPORT GROUPS, WHICH MEET AT HARRISON ON A REGULAR BASIS USING THE MEDICAL CENTER'S MEETING ROOMS AT NO CHARGE THE FACILITATORS OF THESE GROUPS ARE OFTEN TRAINED PROFESSIONALS OF THE MEDICAL CENTER THESE GROUPS INCLUDE DIABETES SUPPORT FOR CHILDREN AND PARENTS, ALZHEIMER'S SUPPORT GROUP, SMOKING CESSION SUPPORT GROUP, AMPUTEE SUPPORT, LUPUS SUPPORT, WOMEN'S CARDIAC HEALTH & CANCER PROGRAM, CANCER EDUCATION SUPPORT, LOOK GOOD AND FEEL BETTER SUPPORT, SLEEP APNEA SUPPORT, BETTER BREATHERS CLUB, PARKINSON'S, STROKE SUPPORT GROUP, SURVIVOR'S OF SUICIDE SUPPORT GROUP, THERAPEUTIC YOGA SUPPORT, HEARING SUPPORT GROUP, OVARIAN/GYNECOLOGICAL CANCER SUPPORT, BARIATRIC SURGERY SUPPORT, COMPASSIONATE FRIENDS SUPPORT, BREAST CANCER SUPPORT, TRAUMATIC BRAIN INJURY SUPPORT, WOMEN WITH CANCER SUPPORT, MEN'S CANCER SUPPORT GROUP, PERINATAL LOSS SUPPORT GROUP, HEART AND VASCULAR SUPPORT, KIDS CARE SUPPORT, LAP-BAND SUPPORT, ANCHOR SENIOR SUPPORT, AND ORTHOPEDIC SUPPORT HARRISON MEDICAL CENTER'S SOCIAL WORKERS PROVIDE OVER 250 HOURS PER YEAR OF ASSISTANCE TO COMMUNITY MEMBERS WITH QUESTIONS REGARDING SERVICES OUTSIDE OF HMC AND ANOTHER 300 HOURS PER YEAR OF ASSISTANCE TO HELP PATIENTS' ACCESS AVAILABLE SERVICES WITHIN HARRISON SOCIAL WORKERS FREQUENTLY ARRANGE TRANSPORTATION FOR PATIENTS AND THEIR FAMILIES WHO LACK RESOURCES, PROCURE URGENTLY REQUIRED DISCHARGE MEDICATIONS TO LOW-INCOME PATIENTS, PROVIDE SOCIAL WORK SERVICES FOR UNBILLED OUTPATIENT COUNSELING FOR RADIATION ONCOLOGY AND REHAB PATIENTS, AND THE SOCIAL WORK DIRECTOR SPENDS VOLUNTEER TIME EACH MONTH WORKING WITH COMMUNITY GROUPS ON MUTUAL PROJECTS AND SERVING ON VARIOUS COMMUNITY BOARDS HARRISON MEDICAL CENTER RECRUITS PHYSICIANS TO FILL UNMET NEEDS IN THE COMMUNITY ANALYSIS OF THE NUMBER AND TYPE OF PHYSICIANS AND MID-LEVEL PROVIDERS IS USED TO EVALUATE ACCESS TO PRIMARY AND SPECIALTY CARE PROVIDERS IN THE COMMUNITY WHERE GAPS EXIST, HARRISON WORKS WITH OUR PHYSICIAN PARTNERS TO RECRUIT NEW PROVIDERS TO MEET THE GAPS IDENTIFIED BY THE ANALYSIS

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 4 HARRISON MEDICAL CENTER SERVES ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY FOR SERVICES WHILE PROCESSES AND PROCEDURES ARE IN PLACE TO COLLECT PAYMENTS FROM INDIVIDUALS AND INSURERS AS APPROPRIATE, SOME PATIENTS ARE UNABLE TO PAY AND DO NOT HAVE ADEQUATE INSURANCE COVERAGE OR ACCESS TO SERVICES TO ASSIST WITH THIS PAYMENT THESE PATIENT ACCOUNTS ARE TREATED EITHER AS CHARITY CARE (FINANCIAL ASSISTANCE) IF THE PATIENT MEETS CERTAIN FINANCIAL QUALIFICATIONS OUTLINED IN THE CHARITY CARE/FINANCIAL ASSISTANCE POLICY IF THE PATIENT DOES NOT MEET THOSE FINANCIAL QUALIFICATIONS AND IS UNABLE TO PAY, THE ACCOUNT IS TREATED AS BAD DEBT FROM AN ACCOUNTING PERSPECTIVE, THESE ACCOUNTS ARE TREATED DIFFERENTLY ON THE INCOME STATEMENT AND BALANCE SHEET CHARITY CARE (FINANCIAL ASSISTANCE) EXPENSE IS RECORDED AT THE TIME THE FINANCIAL ASSISTANCE APPLICATION IS PROCESSED THE AMOUNT RECORDED AS CHARITY CARE IS DETERMINED BY THE LEVEL OF FINANCIAL ASSISTANCE THAT IS APPROVED BASED ON INCOME CRITERIA ESTABLISHED IN THE POLICY HARRISON MEDICAL CENTER UTILIZES THE POVERTY GUIDELINES AS OUTLINED ON THE U S DEPARTMENT OF HEALTH & HUMAN SERVICES WEBSITE AT WWW.ASPE.HHS.GOV/POVERTY/INDEX.SHTML THE AMOUNT APPLIED TO A PATIENT'S ACCOUNT IS IDENTIFIED AS FINANCIAL ASSISTANCE AND IS NOT PURSUED FROM THE APPLICANT/PATIENT CHARITY CARE - THE MEDICAL CENTER PROVIDES CARE TO PATIENTS WHO MEET CERTAIN CRITERIA, UNDER ITS CHARITY CARE POLICY, WITHOUT CHARGE OR AT AMOUNTS LESS THAN ITS ESTABLISHED RATES BECAUSE THE MEDICAL CENTER DOES NOT PURSUE COLLECTION OF AMOUNTS DETERMINED TO QUALIFY AS CHARITY CARE, THEY ARE NOT REPORTED AS PATIENT SERVICE REVENUE THE COSTS THE MEDICAL CENTER INCURRED TO PROVIDE CHARITY CARE WERE APPROXIMATELY \$7,533,000 AND \$6,771,000 FOR THE YEARS ENDED APRIL 30, 2013 AND 2012, RESPECTIVELY THE MEDICAL CENTER HAS ESTIMATED THESE COSTS BY MULTIPLYING ITS RATIO OF COSTS TO GROSS CHARGES TO THE GROSS UNCOMPENSATED CHARGES ASSOCIATED WITH PROVIDING CHARITY CARE THE MISSION OF HARRISON MEDICAL CENTER IS "TO MAKE A POSITIVE DIFFERENCE IN PEOPLE'S LIVES THROUGH EXCEPTIONAL HEALTH CARE " IN ORDER TO ENSURE THE FUTURE OF THIS MISSION WITHIN OUR COMMUNITY WE MUST REMAIN FINANCIALLY HEALTHY BY RECEIVING APPROPRIATE PAYMENT FOR THE SERVICES WE PROVIDE IN ADDITION, OUR FINANCIAL ASSISTANCE PRACTICES WILL ALWAYS COMPLY WITH WASHINGTON STATE LAWS AND REGULATIONS AND BE CONSISTENT WITH BEST PRACTICES OF OTHER MEDICAL CENTERS TO OBTAIN CURRENT FINANCIAL ASSISTANCE GUIDELINES THE WEBSITE USED IS HTTP://WWW.ASPE.HHS.GOV/POVERTY/INDEX.SHTML IT IS THE GOAL THAT EACH PATIENT WHO INDICATES FINANCIAL DIFFICULTY IN PAYING FOR HEALTHCARE SERVICES IS FULLY AND FAIRLY EVALUATED AND OFFERED APPROPRIATE FINANCIAL ASSISTANCE HARRISON IS ALSO OBLIGATED TO PURSUE OUTSTANDING BALANCES FOR THE DEDUCTIBLES OR CO-INSURANCE AMOUNTS REQUIRED BY A THIRD PARTY PAYER ON PATIENT ACCOUNTS FAIRLY AND CONSISTENTLY GOALS OF OUR FINANCIAL ASSISTANCE POLICY 1 HARRISON IS COMMITTED TO NEVER DENY NECESSARY MEDICAL CARE BASED ON THE INABILITY TO PAY 2 HARRISON WILL PROVIDE A WRITTEN NOTICE TO ALL PATIENTS INFORMING THEM ABOUT THE AVAILABILITY OF FINANCIAL ASSISTANCE 3 HARRISON WILL ACTIVELY SUPPORT PATIENTS IN THEIR EFFORTS TO OBTAIN APPROPRIATE FINANCIAL ASSISTANCE 4 UNCOMPENSATED HEALTHCARE WILL NEVER BE DENIED BASED UPON RACE, CREED, COLOR, SEX, NATIONAL ORIGIN, SEXUAL ORIENTATION, DISABILITY, AGE OR SOURCE OF INCOME 5 UNDER ALL CIRCUMSTANCES THE COLLECTION PRACTICES OF HARRISON ENTITIES WILL BE PERFORMED PROFESSIONALLY AND CONSISTENT WITH OUR MISSION AND THE FEDERAL FAIR DEBT COLLECTION PRACTICES ACT 6 HARRISON WILL COMPLY WITH OR EXCEED THE STATE OF WASHINGTON LEGISLATIVE DIRECTIVES ENACTED BY RCW 70.170.060 AND ANY UPDATES 7 HARRISON WILL ABIDE BY AND COMPLY WITH THE RULES AND MONITORING OF THE DEPARTMENT OF HEALTH 8 HARRISON WILL MAINTAIN A COLLECTION PROCEDURE WHICH DEFINES ACCOUNT PARAMETERS FOR REFERRAL TO COLLECTIONS BASED ON ALPHA PREFIX AND PLACEMENT OF LIENS 9 THE FINANCE COMMITTEE OF THE BOARD WILL RECEIVE AN ANNUAL REPORT SUMMARIZING OUR COLLECTION ACTIVITY SPECIFIC POLICY GUIDELINES 1 HARRISON WILL COMPLY WITH THE STATE DEPARTMENT OF HEALTH ACCOUNTING RULES OF UNIFORM PROCEDURES, DATA REQUIREMENTS AND CRITERIA FOR IDENTIFYING PATIENTS RECEIVING FINANCIAL ASSISTANCE 2 ASSISTANCE WILL BE PROVIDED IN ACCESSING ENTITLEMENT PROGRAMS SUCH AS STATE MEDICAL ASSISTANCE AND CRIME VICTIMS 3 THE AMOUNT OF DISCOUNT RELATED TO THE INDIGENT CARE AFTER MEDICARE PAYMENT WILL BE IDENTIFIED 4 PROCEDURES WILL BE IN PLACE TO INFORM THE PUBLIC ABOUT AVAILABLE FINANCIAL ASSISTANCE 5 HARRISON WILL SUBMIT ANNUAL REPORTS REQUESTED BY THE DEPARTMENT OF HEALTH 6 APPLICATION FOR FINANCIAL ASSISTANCE WILL BE WRITTEN WITH SUPPORTING DOCUMENTATION 7 FAILURE TO COMPLY WITH OUTREACH SERVICES PROTOCOL WILL RESULT IN THE DENIAL OF FINANCIAL ASSISTANCE</p>
		<p>PART III, LINE 8 HARRISON USES THE MEDICARE COST REPORT TO ALIGN REVENUE WITH EXPENSES FOR EACH ESTABLISHED MEDICARE DEFINED COST CENTER BY USING THE STEP-DOWN METHOD OF COST ALLOCATION HOSPITAL GENERAL LEDGER DEPARTMENTS ARE GROUPED INTO MEDICARE-DEFINED COST CENTERS EXPENSES ARE OFFSET BY OTHER OPERATING REVENUES TO EXCLUDE SERVICES UNRELATED TO PATIENT CARE KEY STATISTICS ARE USED TO ALLOCATE THE COSTS TO THE MAJOR FUNCTION SERVICES ADJUSTMENTS TO CREATE A BETTER MATCHING OF REVENUES AND COSTS ARE PERFORMED AS NEEDED NON-PATIENT INCOME IS OFFSET AGAINST THE ASSOCIATED NON-PATIENT CARE EXPENSES ASSOCIATED WITH THE SERVICES IN ADDITION, PROFESSIONAL SERVICES PROVIDED BY PHYSICIANS ARE EXCLUDED ONCE THE GENERAL LEDGER HAS BEEN ADJUSTED FOR THE RECLASSIFICATIONS AND INCOME OFFSETS, THE EXPENSES ARE ALLOCATED USING THE STEP-DOWN METHOD THE STEP-DOWN METHOD ALLOCATES THE COST OF EACH COST CENTER, AS WELL AS THE COSTS STEPPED DOWN TO IT, TO THE MAJOR FUNCTIONAL SERVICES OVERHEAD, CAPITAL COSTS, DEPRECIATION, AND INTEREST ARE ALLOCATED BASED ON COST CENTER KEY STATISTICS IN THE STEP-DOWN ALLOCATION PROCESS, COSTS WILL ACCUMULATE FROM PREVIOUSLY STEPPED DOWN COST CENTERS THE ACCUMULATED COST FOR EACH COST CENTER WILL BE STEPPED DOWN USING ITS SPECIFIC STATISTIC THE NEXT GROUP OF COST CENTERS TO BE ALLOCATED IS THE ANCILLARY COST CENTERS, WHICH ARE STEPPED DOWN BASED ON GROSS CHARGES PROVIDED TO EACH FUNCTIONAL SERVICE THE FINAL RESULT PROVIDES FULLY ALLOCATED COSTS TO THE MAJOR FUNCTIONAL SERVICES, SUCH AS MEDICAL SURGICAL INPATIENTS, OBSTETRICS AND EMERGENCY DEPARTMENTS HARRISON MEDICAL CENTER CONSIDERS THE MEDICARE SHORTFALL TO BE COMMUNITY BENEFIT THE IRS REVENUE RULING 69-545, WHICH ESTABLISHED THE COMMUNITY BENEFIT STANDARD FOR NON-PROFIT HOSPITALS, STATES THAT PROVISION OF SERVICES TO PATIENTS WITH GOVERNMENT BENEFITS, INCLUDING MEDICARE, IS AN INDICATION THAT THE HOSPITAL OPERATES TO PROMOTE THE HEALTH OF THE COMMUNITY THE PROVISION OF CARE TO THE ELDERLY AND THE MEDICARE SHORTFALLS ASSOCIATED WITH PROVIDING THAT CARE MUST BE ABSORBED BY THE HOSPITAL MEDICARE REVENUE ACCOUNTS FOR APPROXIMATELY 50% OF THE TOTAL HOSPITAL REVENUE APPROXIMATELY 50% OF THE TOTAL HOSPITAL REVENUE ARE NOT PROVIDED BY THE HARRISON AND OTHER TAX EXEMPT HOSPITALS OTHER COMMUNITY RESOURCES WOULD BE NEEDED TO PROVIDE CARE TO THE ELDERLY</p>

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 9B HARRISON MEDICAL CENTER'S DEBT COLLECTION POLICY APPLIES TO BOTH PATIENTS WHO QUALIFY FOR FINANCIAL ASSISTANCE AND TO PATIENTS WHO ARE FINANCIALLY UNABLE TO PAY A MEDICAL BILL BUT DON'T QUALIFY FOR MEDICAL ASSISTANCE PROGRAMS SINCE THE PROVISION OF CARE IS NOT DEPENDENT ON ONE'S ABILITY TO PAY, HARRISON WILL PROVIDE FREE CARE TO PATIENTS THAT QUALIFY FOR FINANCIAL ASSISTANCE THE PATIENT OR GUARANTOR MUST PROVIDE THE FOLLOWING INFORMATION IN ORDER FOR HARRISON TO DETERMINE IF THE PATIENT QUALIFIES FOR ASSISTANCE AND AT WHAT LEVEL A A COMPLETED HARRISON MEDICAL CENTER FINANCIAL ASSISTANCE APPLICATION B MOST CURRENT W-2 WITHHOLDING STATEMENTS C MOST RECENT FEDERAL AND STATE INCOME TAX FORMS D PROOF OF INCOME (PAYCHECK STUBS, UNEMPLOYMENT CHECK STUBS, LETTER FROM EMPLOYER, STATEMENT OF MONTHLY SOCIAL SECURITY BENEFITS, ETC)E IF SELF-EMPLOYED, A PROFIT AND LOSS STATEMENT MUST BE PROVIDED F DOCUMENTATION REGARDING APPROVAL OR DENIAL OF UNEMPLOYMENT BENEFITS, WORKERS COMPENSATION, OR (STATE) DEPARTMENT OF HUMAN SERVICES G CHECKING AND SAVINGS ACCOUNT STATEMENTS FOR THE PAST 3 MONTHS CONSIDERATION FOR FINANCIAL ASSISTANCE (CHARITY CARE) IS BASED ON THE FINANCIAL STATUS OF THE PATIENT AND GUARANTOR IN COMPARISON WITH THE MOST CURRENT U S DEPARTMENT OF HEALTH AND HUMAN SERVICES FEDERAL INCOME POVERTY GUIDELINES AND THAT ALL OTHER SOURCES OF PAYMENT HAVE BEEN EXHAUSTED</p>
HARRISON MEDICAL CENTER		<p>PART V, SECTION B, LINE 3 HARRISON IS ONE OF FOUR SPONSORS, ALONG WITH THE KITSAP COUNTY PUBLIC HEALTH DISTRICT, THE UNITED WAY OF KITSAP COUNTY, AND THE KITSAP COMMUNITY FOUNDATION, OF THE KITSAP COUNTY HEALTH PRIORITIES (KCHP) PROJECT WHICH ASSESSES THE OVERALL HEALTH NEEDS FOR THE COMMUNITY AND IDENTIFIES THOSE AREAS IN WHICH WE CAN MAKE THE MOST SIGNIFICANT DIFFERENCE WITH LIMITED RESOURCES THIS PROJECT IS SUPPORTED BY AT LEAST 37 DIFFERENCE AGENCIES PROVIDING CARE IN THE COUNTY IN THIS PROJECT, WE SOLICITED INPUT FROM HEALTHCARE AND COMMUNITY LEADERS DIRECTLY, AND INVITED MEMBERS OF THE COMMUNITY VIA PUBLIC ANNOUNCEMENTS IN THE LOCAL NEWSPAPERS WE USED AN OUTSIDE FACILITATOR TO SUPPORT MULTIPLE INPUT SESSIONS WITH THIS GROUP OVER THE NEXT SEVERAL MONTHS THROUGH THIS PROCESS, WE ULTIMATELY IDENTIFIED OUR TOP HEALTH PRIORITIES FOR THE COUNTY PARTICIPANTS IN THIS PROCESS INCLUDED THE MAYOR OF BREMERTON, A KITSAP COUNTY COMMISSIONER, PENINSULA COMMUNITY HEALTH SERVICES, KITSAP MENTAL HEALTH, THE KITSAP COUNTY PUBLIC HEALTH DISTRICT, THE UNITED WAY, THE YMCA, THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES, KITSAP REGIONAL COORDINATING COUNCIL, HOUSING KITSAP, KITSAP COMMUNITY RESOURCES, OLYMPIC EDUCATIONAL SERVICE, THE NAVAL HOSPITAL, HARRISON MEDICAL CENTER, COMMUNITY LEADERS, AND INDIVIDUALS INTERESTED IN PUBLIC HEALTH</p>

Identifier	ReturnReference	Explanation
HARRISON MEDICAL CENTER		PART V, SECTION B, LINE 5C THIS ASSESSMENT IS AVAILABLE TO THE PUBLIC VIA A WEBSITE THAT HAS BEEN ADVERTISED IN THE LOCAL NEWSPAPER THERE IS ALSO A LINK ON THE HARRISON WEBSITE, WWW HARRISONMEDICAL.ORG/HOME/KITSAP-HEALTH-PRIORITIES IT HAS BEEN COMMUNICATED TO ALL STAFF AT HARRISON, THE UNITED WAY AND THEIR AGENCIES, AND THE KITSAP HEALTH DISTRICT THIS SITE HAS INFORMATION AVAILABLE WHICH OUTLINES THE PRIORITY SETTING PROCESS, AND LISTS THE SPECIFIC PRIORITIES AND TEAM ACTION PLANS DESIGNED TO ADDRESS THEM IT ALSO MAKES AVAILABLE TO THE PUBLIC ALL OF THE WORKING DATA AND REPORTS WHICH WERE USED TO HELP IDENTIFY THE COMMUNITY NEED
HARRISON MEDICAL CENTER		PART V, SECTION B, LINE 6I AS A RESULT OF THE ASSESSMENT PROCESS, THERE WERE FIVE TOP PRIORITIES IDENTIFIED FOUR OF THOSE PRIORITIES ARE BEING ADDRESSED BY COMMUNITY TEAMS CREATED SPECIFICALLY TO DEFINE AND IMPLEMENT STRATEGIES FOR IMPROVEMENT THE FIFTH PRIORITY IS BEING ADDRESSED BY A COMMUNITY NON-PROFIT ALREADY ENGAGED IN THAT WORK HARRISON IS A PARTICIPANT IN EACH OF THESE TEAMS AND IS THE LARGEST CONTRIBUTOR TO ALL OF THEM THE TEAMS MEET INDIVIDUALLY ON AN AD-HOC BASIS AND THEN COLLECTIVELY, THEY MEET QUARTERLY TO DISCUSS THEIR PROGRESS THE RESULTS OF THEIR EFFORTS ARE THEN SHARED WITH THE KITSAP COMMUNITY ON AN ANNUAL BASIS

Identifier	ReturnReference	Explanation
HARRISON MEDICAL CENTER		PART V, SECTION B, LINE 7 THE HOSPITAL DID NOT DIRECTLY ADDRESS THE HEALTH PRIORITY ASSOCIATED WITH THE EXPANSION OF LIVING WAGE JOBS IN THE COMMUNITY WE DID PARTICIPATE AT THE BOARD LEVEL WITH THE KITSAP ECONOMIC DEVELOPMENT ALLIANCE
HARRISON MEDICAL CENTER		PART V, SECTION B, LINE 11 FEDERAL POVERTY GUIDELINE 100% = 100% DISCOUNT FEDERAL POVERTY GUIDELINE 200% = 52% DISCOUNT FEDERAL POVERTY GUIDELINE 300% = 38% DISCOUNT

Identifier	ReturnReference	Explanation
HARRISON MEDICAL CENTER		<p>PART V, SECTION B, LINE 20D THE HARRISON MEDICAL CENTER FINANCIAL ASSISTANCE POLICY PROVIDED FOR FREE CARE OR CARE AT REDUCED RATES TO PATIENTS WHO QUALIFIED UNDER THE POLICY A PATIENT QUALIFIED UNDER THE POLICY FOR A SLIDING FEE DISCOUNT IF THE PATIENT'S INCOME WAS BETWEEN 100% AND 300% OF THE FEDERAL POVERTY GUIDELINES ADJUSTED FOR HOUSEHOLD SIZE THE DISCOUNT WAS CALCULATED AS FOLLOWS FEDERAL POVERTY LEVEL 100% = DISCOUNT 100% FEDERAL POVERTY LEVEL 200% = DISCOUNT 52% FEDERAL POVERTY LEVEL 300% = DISCOUNT 38%</p>
HARRISON MEDICAL CENTER		<p>PART V, SECTION B, LINE 21 THE STATEMENT IN THE FOLLOWING PARAGRAPH REGARDING THE HARRISON MEDICAL CENTER FINANCIAL ASSISTANCE POLICY WAS INCLUDED IN AN AMENDED RETURN FOR TAX YEAR 2011, WHICH WILL BE FILED IN JANUARY, 2014 THIS POLICY CHANGE MENTIONED BELOW WAS IMPLEMENTED IN JUNE, 2013 (TAX YEAR 2013) SUBSEQUENT TO FILING ITS FORM 990, HARRISON MEDICAL CENTER CALCULATED ITS AMOUNT GENERALLY BILLED UNDER THE PROPOSED RULES FOR IRC SECTION 501(R)(5) AND DETERMINED THAT THE PERCENTAGE DISCOUNT IT SHOULD HAVE APPLIED TO PATIENTS WHO QUALIFIED UNDER THE FINANCIAL ASSISTANCE POLICY TO BE AT LEAST 65% HARRISON MEDICAL CENTER SUBSEQUENTLY AMENDED ITS FINANCIAL ASSISTANCE POLICY TO INCREASE ITS DISCOUNT TO BE AT LEAST 65% OF ITS CHARGES</p>

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 2 HARRISON MEDICAL CENTER'S ASSESSMENT OF THE COMMUNITY'S HEALTH CARE NEEDS IS DATA DRIVEN, FACTORING A NUMBER OF CONSIDERATIONS THE ORGANIZATION REVIEWS MARKET SHARE DATA BY VARIOUS CLINICAL DEFINITIONS TO UNDERSTAND WHICH PATIENTS ARE LEAVING THE COMMUNITY FOR CARE WE ALSO RANDOMLY SURVEY OUR COMMUNITY EVERY TWO TO THREE YEARS TO ASSIST IN DETERMINING IF THERE IS AN UNMET NEED WITHIN THE COMMUNITY OUR PHYSICIAN WORKFORCE PLAN IDENTIFIES SHORTAGES OF PHYSICIANS BY SPECIALTY AND REGION DEMOGRAPHIC DATA IS ANALYZED ALONG WITH HISTORICAL USE RATES TO DETERMINE FUTURE CHANGES IN HEALTH CARE NEEDS ALSO, DATA FROM THE CDC'S BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM (BRFSS) IS REVIEWED TO UNDERSTAND CHANGES IN THE OVERALL HEALTH STATUS AND RISK FACTORS FOR VARIOUS DISEASES SUCH AS SMOKING AND OBESITY FINALLY, HARRISON IS A SPONSOR OF, AND PARTICIPATES IN, THE KITSAP COUNTY HEALTH PRIORITIES PROJECT WHICH ASSESSES THE OVERALL HEALTH NEEDS OF THE COMMUNITY AND IDENTIFIES THOSE AREAS IN WHICH WE CAN MAKE THE MOST SIGNIFICANT DIFFERENCE IN OUR COMMUNITY WITH LIMITED RESOURCES IN RESPONSE TO THE PRELIMINARY KITSAP COMMUNITY HEALTH NEEDS ASSESSMENT, WORKING WITH THE KITSAP HEALTH DISTRICT AND THE KITSAP UNITED WAY, ACCESS TO AFFORDABLE HEALTHY FOOD AND A SAFE ENVIRONMENT FOR FITNESS WAS IDENTIFIED AS ONE OF THE MAIN HEALTH NEEDS IN OUR COMMUNITY THE NEW YMCA IN SILVERDALE WAS AN EXCELLENT MATCH REGARDING AFFORDABLE FITNESS OPTIONS HARRISON WAS ONE OF MANY SIGNIFICANT SPONSORS OF THE NEW BUILDING OUR COMMITMENT OF OVER \$3 MILLION OVER TEN YEARS ALLOWS US TO BE INVOLVED IN THE COMMUNITY IN A LONG-TERM MANNER AND ENSURE THE NEED IS FULFILLED</p>
		<p>PART VI, LINE 3 FINANCIAL ASSISTANCE INFORMATION AND APPLICATIONS ARE AVAILABLE AT EACH HARRISON MEDICAL CENTER LOCATION CONSISTENT WITH OUR POLICY, PATIENTS THAT DO PRESENT FOR SERVICES AS SELF PAY OR INSURED ARE OFFERED AN OPPORTUNITY TO APPLY FOR OUR FINANCIAL ASSISTANCE PROGRAM APPLICATIONS ARE AVAILABLE IN BOTH ENGLISH AND SPANISH, WHILE INTERPRETERS ARE OFFERED AT NO COST TO HELP PROVIDE INFORMATION TO OTHER NON-ENGLISH SPEAKING FAMILIES THIS SAME INFORMATION IS ALSO AVAILABLE ON THE HOSPITAL'S WEB SITE DURING THE PREVIOUS YEAR, HARRISON MEDICAL CENTER PROCESSED OVER 13,000 FINANCIAL ASSISTANCE APPLICATIONS ONCE AN APPLICATION IS RECEIVED, OUR FINANCIAL ASSISTANCE SPECIALIST REVIEWS THE APPLICATION AND CONTACTS THE PATIENT FOR ADDITIONAL INFORMATION IF NEEDED WE ALSO HAVE PATIENT ACCOUNTS SPECIALISTS AVAILABLE TO MEET WITH PATIENTS AND/OR THEIR FAMILIES TO HELP COMPLETE THE APPLICATION IF NEEDED IF THE APPLICANT DOES NOT QUALIFY FOR OTHER STATE PROGRAMS THEN THE APPLICATION WILL BE PROCESSED AND APPROVED BASED UPON FEDERAL POVERTY GUIDELINES</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 HARRISON'S PRIMARY MARKET AREA, KITSAP COUNTY, HAS A POPULATION IN EXCESS OF 250,000, WITH OVER 14 PERCENT OF THE COUNTY'S RESIDENTS 65 YEARS OF AGE OR OLDER HARRISON'S SECONDARY MARKET IS CLALLAM, JEFFERSON, AND NORTH MASON COUNTIES HARRISON MEDICAL CENTER ACCEPTS ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY THIS POLICY EXTENDS OUTSIDE THE BOUNDARIES OF OUR HOSPITALS AND INTO OUR URGENT CARES AND PHYSICIAN PRACTICES IT IS ALSO OUR POLICY TO NOT PROVIDE FINANCIAL ASSISTANCE IN THE RECRUITMENT OF ANY PHYSICIAN INTO A PRIVATE PRACTICE UNLESS THEY AGREE TO ABIDE BY THE SAME POLICY
		PART VI, LINE 5 IN ADDITION, HARRISON MEDICAL CENTER PROMOTES THE HEALTH OF THE COMMUNITY IN MANY WAYS HARRISON'S OPEN MEDICAL STAFF PRACTICES IN SIX LOCATIONS THROUGHOUT KITSAP, CLALLAM & MASON COUNTIES, PROVIDES PRIMARY AND URGENT CARE AS WELL AS ADVANCED SPECIALTY CARE FOR THE PAST EIGHT YEARS, HARRISON HAS SPONSORED THE KITSAP COUNTY MEDICAL SOCIETY FOUNDATION'S FAMILY FUN RUN THE EVENT MARKS THE CULMINATION OF A TWO-MONTH PROGRAM, ENCOURAGING SCHOOL CHILDREN TO EXERCISE AND MAKE HEALTHY NUTRITION CHOICES IN AN EFFORT TO "LEAD BY EXAMPLE", OUR DIETARY AND FRESH START PROGRAMS CREATED A WELLNESS PROGRAM FOR EMPLOYEES THE PROGRAM OFFERS GROUP EXERCISE CLASSES, PERSONALIZED DIETARY AND ACTIVITY PLANS, ONLINE COMMUNITY FORUMS, AND HEALTH SCREENINGS ALL MEANT TO ENABLE EMPLOYEES TO LEAD HEALTHIER LIVES HARRISON ALSO OFFERS A NURSING RESIDENCY PROGRAM DESIGNED TO AID THE TRANSITION OF NURSING STUDENTS TO STAFF NURSES PROVIDING CARE FOR PATIENTS AT THE BEDSIDE FURTHER, HARRISON OFFERS A MULTITUDE OF HEALTH EDUCATION AND SUPPORT CLASSES FOR THE COMMUNITY

Additional Data

Software ID:
Software Version:
EIN: 91-0565546
Name: HARRISON MEDICAL CENTER

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

26

Name and address	Type of Facility (describe)
OLYMPIC PROFESSIONAL BUILDING 2600 CHERRY AVENUE SUITE 203 BREMERTON, WA 98310	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 1225 CAMPBELL WAY SUITE 101 BREMERTON, WA 98310	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 19500 10TH AVE SUITE 100 POULSBO, WA 98370	IV OPTIMUM CLINIC
HARRISON HOME HEALTH 4205 WHEATON WAY SUITE A BREMERTON, WA 98310	IV OPTIMUM CLINIC
HARRISON BELFAIR URGENT & PRIMARY CARE 21 NE ROMANCE HILL ROAD BELFAIR, WA 98528	IV OPTIMUM CLINIC
HARRISON PORT ORCHARD URGENTPRIMARY 450 S KITSAP BLVD PORT ORCHARD, WA 98366	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 2771 HEMLOCK SUITE 100 BREMERTON, WA 98310	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 2601 CHERRY AVE SUITE 315 BREMERTON, WA 98310	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 2500 CHERRY AVE SUITE 302 BREMERTON, WA 98310	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 2600 CHERRY AVE SUITE 201 BREMERTON, WA 98301	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 461 G STREET SW FORKS, WA 98331	IV OPTIMUM CLINIC
HARRISON HEALTH AND WELLNESS 3909 NW RANDALL WAY SUITE 201 SILVERDALE, WA 98383	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 1225 CAMPBELL WAY SUITE 201 BREMERTON, WA 98310	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 2720 CLARE AVE SUITE A BREMERTON, WA 98310	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 2600 CHERRY AVENUE SUITE 202 BREMERTON, WA 98310	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 199717 SEVENTH AVE NE SUITE 210 POULSBO, WA 98370	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 360 KNECHTEL WAY NE SUITE 403 BAINBRIDGE ISLAND, WA 98110	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 2709 HEMLOCK ST BREMERTON, WA 98310	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 834 SHERIDAN ST PORT TOWNSEND, WA 98368	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 1274 7TH ST PORT TOWNSEND, WA 98368	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 565 EUREKA WAY SEQUIM, WA 98382	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 9633 LEVIN ROAD SUITE 103 SILVERDALE, WA 98383	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 9927 MICKELBERRY RD SUITE 131 SILVERDALE, WA 98383	IV OPTIMUM CLINIC
HARRISON WOUND CARE 742 LEBO BLVD SUITE A BREMERTON, WA 98310	IV OPTIMUM CLINIC
HARLOW MEDICAL BUILDING 1780 NW MYHRE RD SILVERDALE, WA 98383	IV OPTIMUM CLINIC
HARRISON HEALTH PARTNERS 22180 OLYMPIC COLLEGE 102-104 201 POULSBO, WA 98370	IV OPTIMUM CLINIC

**Schedule I
(Form 990)****2012****Open to Public
Inspection**Department of the Treasury
Internal Revenue Service**Grants and Other Assistance to Organizations,
Governments and Individuals in the United States**

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

► Attach to Form 990

Name of the organization
HARRISON MEDICAL CENTEREmployer identification number
91-0565546**Part I General Information on Grants and Assistance**

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? Yes No

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

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) HARRISON MEDICAL CENTER FOUNDATION 750 LEBO BOULEVARD BREMERTON, WA 98310	91-1197626	501(C)(3)	294,826	0 N/A	N/A	PROVIDE SALARIES & BENEFITS FOR FOUNDATION STAFF	
(2) AMERICAN HEART ASSOCIATION 7272 GREENVILLE AVENUE DALLAS, TX 75231	13-5613797	501(C)(3)	25,000	8,249 BOOK	SUPPLIES, SERVICES AND FOOD	SPONSORSHIP	
(3) KIDS DISCOVERY MUSEUM 301 RAVINE LANE BAINBRIDGE ISLAND, WA 98110	30-0167480	501(C)(3)	11,000	0 N/A	N/A	MUSEUM SPONSORSHIP	
(4) KITSAP COUNTY MEDICAL SOCIETY PO BOX 490 SILVERDALE, WA 98383	23-7087265	501(C)(6)	7,500	0 N/A	N/A	FAMILY FUN RUN, NUTRITION FITNESS FUN RUN & KITSAP CO FIRE & ICE SPONSORSHIP	
(5) KITSAP CANCER SERVICES PO BOX 974 POULSBO, WA 98370	71-0900525	501(C)(3)	7,000	0 N/A	N/A	GOLF CHALLENGE & SWEETHEART DINNER FUNDRAISER SPONSORSHIP	
(6) BAINBRIDGE ISLAND DOWNTOWN ASSOCIATION 120 MADRONE LANE N SUITE 203 BAINBRIDGE ISLAND, WA 98110	91-1390519	501(C)(3)	6,659	0 N/A	N/A	EVENT SPONSORSHIPS	
(7) UNITED WAY OF KITSAP COUNTY 645 4TH ST SUITE 100 BREMERTON, WA 98337	91-0623990	501(C)(3)	0	14,177 BOOK	BOX LUNCHES & PROMO MATERIALS	ASSISTANCE WITH DAY OF CARING, PROMOTIONAL MATERIALS TO ENCOURAGE SUPPORT	
(8) AMERICAN CANCER SOCIETY 718 LEBO BLVD BREMERTON, WA 98310	84-1316555	501(C)(3)	0	8,410 BOOK	VOLUNTEER TIME	ASSIST WITH RELAY FOR LIFE PANCAKE BREAKFAST	

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table ► 7

3 Enter total number of other organizations listed in the line 1 table ► 1

Part III Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
 Part III can be duplicated if additional space is needed.

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

Part IV Supplemental Information.

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 SUPPORT IS PROVIDED TO HARRISON MEDICAL CENTER FOUNDATION IN THE FORM OF SALARIES AND BENEFITS FOR SEVERAL STAFF MEMBERS HARRISON MEDICAL CENTER REVIEWS THE RECORDS AND PREPARES THE FINANCIAL STATEMENTS OF THE FOUNDATION WHEN CONSIDERING FINANCIAL DONATIONS TO OTHER ORGANIZATIONS, HARRISON MEDICAL CENTER FOCUSES ON THREE AREAS HEALTH AND WELLNESS PROGRAMS THAT ENHANCE OPPORTUNITIES FOR FAMILIES IN KITSAP COUNTY, SPORTS PROGRAMS THAT SUPPORT HEALTHY, ACTIVE LIFESTYLES, AND BUSINESS DEVELOPMENT OPPORTUNITIES THAT EXPAND THE WELLNESS COMPONENT OF OUR SERVICES WE BELIEVE OUR EMPLOYEES ARE THE BEST RESOURCE WE CAN OFFER OUR COMMUNITIES AND THEREFORE WE ALSO SUPPORT ORGANIZATIONS IN WHICH THEY ARE ACTIVE VOLUNTEERS

Software ID:
Software Version:
EIN: 91-0565546
Name: HARRISON MEDICAL CENTER

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
HARRISON MEDICAL CENTER FOUNDATION 750 LEBO BOULEVARD BREMERTON, WA 98310	91-1197626	501(C)(3)	294,826	0	N/A	N/A	PROVIDE SALARIES & BENEFITS FOR FOUNDATION STAFF
AMERICAN HEART ASSOCIATION 7272 GREENVILLE AVENUE DALLAS, TX 75231	13-5613797	501(C)(3)	25,000	8,249	BOOK	SUPPLIES, SERVICES AND FOOD	SPONSORSHIP

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
KIDS DISCOVERY MUSEUM 301 RAVINE LANE BAINBRIDGE ISLAND, WA 98110	30-0167480	501(C)(3)	11,000	0	N/A	N/A	MUSEUM SPONSORSHIP
KITSAP COUNTY MEDICAL SOCIETY PO BOX 490 SILVERDALE, WA 98383	23-7087265	501(C)(6)	7,500	0	N/A	N/A	FAMILY FUN RUN, NUTRITION FITNESS FUN RUN & KITSAP CO FIRE & ICE SPONSORSHIP

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
KITSAP CANCER SERVICES PO BOX 974 POULSBO, WA 98370	71-0900525	501(C)(3)	7,000	0	N/A	N/A	GOLF CHALLENGE & SWEETHEART DINNER FUNDRAISER SPONSORSHIP
BAINBRIDGE ISLAND DOWNTOWN ASSOCIATION 120 MADRONE LANE N SUITE 203 BAINBRIDGE ISLAND, WA 98110	91-1390519	501(C)(3)	6,659	0	N/A	N/A	EVENT SPONSORSHIPS

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
UNITED WAY OF KITSAP COUNTY 645 4TH ST SUITE 100 BREMERTON, WA 98337	91-0623990	501(C)(3)	0	14,177	BOOK	BOX LUNCHES & PROMO MATERIALS	ASSISTANCE WITH DAY OF CARING, PROMOTIONAL MATERIALS TO ENCOURAGE SUPPORT
AMERICAN CANCER SOCIETY 718 LEBO BLVD BREMERTON, WA 98310	84-1316555	501(C)(3)	0	8,410	BOOK	VOLUNTEER TIME	ASSIST WITH RELAY FOR LIFE PANCAKE BREAKFAST

Schedule J
(Form 990)**Compensation Information**

OMB No 1545-0047

Department of the Treasury
Internal Revenue Service

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.

2012**Open to Public Inspection**Name of the organization
HARRISON MEDICAL CENTER

Employer identification number

91-0565546

Part I Questions Regarding Compensation

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

<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use
<input checked="" type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence
<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)

b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

3 Indicate which, if any, of the following the 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

<input checked="" type="checkbox"/> Compensation committee	<input checked="" type="checkbox"/> Written employment contract
<input checked="" type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study
<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee

4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization

a Receive a severance payment or change-of-control payment?

b Participate in, or receive payment from, a supplemental nonqualified retirement plan?

c Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.

5 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of

a The organization?

b Any related organization?

If "Yes," to line 5a or 5b, describe in Part III

6 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of

a The organization?

b Any related organization?

If "Yes," to line 6a or 6b, describe in Part III

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

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

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1b	Yes	
2	Yes	
4a	Yes	
4b	Yes	
4c		No
5a		No
5b		No
6a		No
6b		No
7	Yes	
8		No
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				
See Additional Data Table							

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
	PART I, LINE 1A	COMPANION TRAVEL IS AVAILABLE TWICE A YEAR FOR THE CEO'S SPOUSE, PER THE EMPLOYMENT AGREEMENT, AND IS TREATED AS TAXABLE COMPENSATION
	PART I, LINES 4A-B	THE FOLLOWING INDIVIDUALS RECEIVED A SEVERANCE PAYMENT FROM THE ORGANIZATION CYNTHIA MAY = \$37,396 (SIX MONTHS SALARY FOLLOWING EMPLOYEE'S LAST DAY OF EMPLOYMENT PAID IN EQUAL SEMI-MONTHLY INSTALLMENTS), SANDON K SAFFIER = \$165,625 (ONE YEAR BASE SALARY FOLLOWING EMPLOYEE'S LAST DAY OF EMPLOYMENT PAID IN EQUAL SEMI-MONTHLY INSTALLMENTS) THE FOLLOWING INDIVIDUALS PARTICIPATED IN OR RECEIVED PAYMENTS FROM A SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN MARIEL KAGAN = \$5,099, ADAR PALIS = \$24,556, SANDON K SAFFIER = \$60,975 ALL AMOUNTS WERE RECEIVED FROM THEIR CAPITAL ACCUMULATION ACCOUNTS
	PART I, LINE 6	DEFERRED COMPENSATION AS PART OF THE EXECUTIVE BENEFITS PACKAGE AVAILABLE TO EXECUTIVES AND ONE PHYSICIAN, THERE IS A PROVISION THAT A CERTAIN PERCENTAGE OF THEIR ANNUAL BASE COMPENSATION CAN BE USED FOR THE PURCHASE OF ADDITIONAL BENEFITS (E G , LIFE INSURANCE, LONG TERM CARE INSURANCE, ETC) OR BE DEFERRED AS AN AT RISK (SUBJECT TO RISK RULES, AS DEFINED) NO PART OF THIS ADDITIONAL BENEFIT IS PREDICATED ON THE EARNINGS OF HARRISON MEDICAL CENTER AT RISK COMPENSATION AN AT RISK COMPENSATION PLAN IS ALSO IN PLACE FOR SENIOR EXECUTIVES (VICE PRESIDENT LEVEL AND THE CEO) THIS PLAN, WHICH PLACES A PORTION OF EACH EXECUTIVE'S OVERALL COMPENSATION AT RISK, IS PREMISED ON A SERIES OF GOALS THAT RANGE FROM QUALITY TO FINANCIAL PERFORMANCE WHILE A TRIGGER DOES EXIST IN THE PLAN THAT THE OPERATING BUDGET FOR THE FISCAL YEAR MUST BE MET, NO PART OF THE INCENTIVE IS COMPUTED AS A PERCENTAGE OF OPERATING INCOME THE TARGETS ARE ADJUSTED EACH YEAR BY THE BOARD OF DIRECTORS, DEPENDENT ON THE ORGANIZATIONAL OBJECTIVES FOR THE YEAR
	PART I, LINE 7	PHYSICIANS ROBERT C KING, JOSEPH LOWELL JOHNSON, RONALD ROBERT REIMER, DENNIS MICHAEL WILLERFORD AND MALCOLM W WINTER RECEIVED PAYMENTS PURSUANT TO THE PHYSICIAN PRODUCTIVITY INCENTIVE PLAN
SUPPLEMENTAL INFORMATION	PART III	SCHEDULE J, PART II, COLUMN (B)(III) OTHER REPORTABLE COMPENSATION INCLUDES AMOUNTS OF PAID TIME OFF THAT WERE CASHED IN, BUT MAY HAVE BEEN EARNED IN A PRIOR YEAR

Software ID:
Software Version:
EIN: 91-0565546
Name: HARRISON MEDICAL CENTER

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
	(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
ADAR PALIS	(i) 311,988 (ii) 0	22,134 0	68,387 0	42,050 0	21,591 0	466,150 0	24,556 0
PATRICIA COCHRELL	(i) 309,472 (ii) 0	22,134 0	980 0	42,670 0	20,009 0	395,265 0	0 0
FORREST G EHLINGER	(i) 277,677 (ii) 0	19,635 0	2,335 0	39,169 0	10,788 0	349,604 0	0 0
SCOTT W BOSCH	(i) 512,091 (ii) 0	49,226 0	11,145 0	181,286 0	18,009 0	771,757 0	0 0
MARIEL KAGAN	(i) 260,693 (ii) 0	17,993 0	98,748 0	37,914 0	15,359 0	430,707 0	5,099 0
MALCOLM W WINTER	(i) 779,531 (ii) 0	45,507 0	981 0	12,350 0	23,106 0	861,475 0	0 0
RONALD ROBERT REIMER	(i) 767,731 (ii) 0	83,638 0	1,504 0	12,350 0	18,009 0	883,232 0	0 0
DENNIS MICHAEL WILLERFORD	(i) 708,936 (ii) 0	16,954 0	525 0	12,350 0	26,421 0	765,186 0	0 0
JOSEPH LOWELL JOHNSON	(i) 551,569 (ii) 0	16,197 0	980 0	12,350 0	25,416 0	606,512 0	0 0
ROBERT C KING	(i) 496,408 (ii) 0	63,085 0	342 0	17,250 0	23,466 0	600,551 0	0 0
CYNTHIA MAY	(i) 182,480 (ii) 0	9,710 0	62,797 0	9,907 0	22,377 0	287,271 0	0 0
SANDON K SAFFIER	(i) 88,797 (ii) 0	18,921 0	264,111 0	8,974 0	24,534 0	405,337 0	60,975 0

**Schedule K
(Form 990)****2012****Open to Public
Inspection**Department of the Treasury
Internal Revenue Service**Supplemental Information on Tax Exempt Bonds**

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

Name of the organization
HARRISON MEDICAL CENTEREmployer identification number
91-0565546**Part I Bond Issues**

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	WA HEALTH CARE FACILITIES AUTHORITY 2010 SERIES	91-1108929		04-29-2010	30,000,000	SEE PART VI		X		X		X
B	WA HEALTH CARE FACILITIES AUTHORITY 2012 SERIES	91-1108929		06-28-2012	35,000,000	SEE PART VI		X		X		X

Part II Proceeds

			A		B		C		D	
			1	Amount of bonds retired	2	1,020,000	3	30,000,000	4	35,000,000
1	Amount of bonds legally defeased									
2	Total proceeds of issue				30,000,000		35,000,000			
3	Gross proceeds in reserve funds									
4	Capitalized interest from proceeds				918,104		918,104			
5	Proceeds in refunding escrows									
6	Issuance costs from proceeds				600,000		531,528			
7	Credit enhancement from proceeds									
8	Working capital expenditures from proceeds									
9	Capital expenditures from proceeds				28,016,152		20,549,766			
10	Other spent proceeds									
11	Other unspent proceeds				1,383,848		13,918,706			
12	Year of substantial completion				2013		2013			
13					Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?					X		X		
15	Were the bonds issued as part of an advance refunding issue?					X		X		
16	Has the final allocation of proceeds been made?					X		X		
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?				X		X			

Part III Private Business Use

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

Part III Private Business Use (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?	X		X					
b If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X					
c Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ►	0 00000%		0 00000%		%		%	
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ►	0 00000%		0 00000%		%		%	
6 Total of lines 4 and 5	0 00000%		0 00000%		%		%	
7 Does the bond issue meet the private security or payment test?		X		X				
8a Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X				
b If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9 Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?		X		X				

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has the issuer filed Form 8038-T?		X		X				
2 If "No" to line 1, did the following apply?								
a Rebate not due yet?	X		X					
b Exception to rebate?		X		X				
c No rebate due?		X		X				
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3 Is the bond issue a variable rate issue?		X		X				
4a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X				
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was a hedge terminated?								

Part IV Arbitrage (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
5a Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X				
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6 Were any gross proceeds invested beyond an available temporary period?		X		X				
7 Has the organization established written procedures to monitor the requirements of section 148?		X		X				

Part V Procedures To Undertake Corrective Action

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?		X		X				

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

Identifier	Return Reference	Explanation
FORM 990, SCHEDULE K DESCRIPTION OF PURPOSE		2010 SERIES FUNDS TO PAY FOR COSTS OF CONSTRUCTING, REMODELING AND EQUIPPING A DEDICATED CARDIOVASCULAR CENTER, DIETARY SERVICES, AND OTHER CAMPUS FACILITY IMPROVEMENTS 2012 SERIES FUNDS TO PAY FOR CONSTRUCTION OF A NEW ORTHOPAEDIC HOSPITAL AND SEVERAL CAPITAL IMPROVEMENT/REMODELING PROJECTS
		FORM 990, SCHEDULE K ALL HARRISON MEDICAL CENTER OUTSTANDING BONDS ARE BEING REPAYED ON NOVEMBER 14, 2013, AS A RESULT OF AFFILIATION WITH FRANCISCAN HEALTH SYSTEMS AND CATHOLIC HEALTH INITIATIVES

Schedule L

Transactions with Interested Persons

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

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

OMB No 1545-0047

2012

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
HARRISON MEDICAL CENTER

Employer identification number

91-0565546

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

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

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction		(d) Corrected?	
			Yes	No		

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958. \$ _____

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

Part III Grants or Assistance Benefitting Interested Persons.

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) PATHOLOGY ASSOC OF KITSAP COUNTY	SEE PART V	962,484	SEE PART V		No
(2) KITSAP CHEST CONSULTANTS	SEE PART V	296,521	SEE PART V		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
SCH L, PART IV, BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS		(A) NAME OF PERSON PATHOLOGY ASSOCIATES OF KITSAP COUNTY(B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION PARTNERSHIP MORE THAN 5% OWNED BY GREGORY HENDERSON, MD, TRUSTEE(D) DESCRIPTION OF TRANSACTION ANATOMIC PATHOLOGY SERVICES AGREEMENT AND LAB DIRECTOR SERVICES(A) NAME OF PERSON KITSAP CHEST CONSULTANTS(B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION PARTNERSHIP MORE THAN 5% OWNED BY GRIFFITH BLACKMON, MD, TRUSTEE(D) DESCRIPTION OF TRANSACTION MANAGEMENT FEES AND ICU CALL COVERAGE CONTRACT

SCHEDULE M
(Form 990)

Noncash Contributions

OMB No 1545-0047

2012

Open to Public
InspectionDepartment of the Treasury
Internal Revenue Service►Complete if the organizations answered "Yes" on Form
990, Part IV, lines 29 or 30.
► Attach to Form 990.Name of the organization
HARRISON MEDICAL CENTER

Employer identification number

91-0565546

Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ► (EQUIPMENT) VENDOR	X	1	95,907	FAIR MARKET VALUE
26 Other ► (PMTS)	X	22	56,207	FAIR MARKET VALUE
27 Other ► ()				
28 Other ► ()				
29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement		29		0

	Yes	No
30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?	30a	No
b If "Yes," describe the arrangement in Part II		
31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	31	No
32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?	32a	No
b If "Yes," describe in Part II		
33 If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II		

Part II Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
METHOD FOR DETERMINING NUMBER OF CONTRIBUTIONS	PART I, COLUMN (B)	THE NUMBER OF CONTRIBUTORS IN SCHEDULE M, PART I, COLUMN (B) REPRESENTS THE NUMBER OF DONATIONS DURING THE YEAR

Schedule M (Form 990) (2012)

2012

Open to Public
Inspection**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.

Name of the organization
HARRISON MEDICAL CENTER**Employer identification number**

91-0565546

Identifier	Return Reference	Explanation
	FORM 990, PART I, LINE 6	
	FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 IS REVIEWED BY THE DIRECTOR OF FINANCE AND THE CHIEF FINANCIAL OFFICER TO ENSURE ACCURACY AND COMPLETENESS OF DATA. ONCE THEIR REVIEW IS COMPLETE, THE FORM 990 IS SHARED WITH THE BOARD OF DIRECTORS. THE BOARD OF DIRECTORS RECEIVES AN ELECTRONIC COPY OF THE FORM PRIOR TO FILING.
	FORM 990, PART VI, SECTION B, LINE 12C	BOARD MEMBERS ARE ANNUALLY REQUIRED TO ACKNOWLEDGE RECEIPT OF THE MEDICAL CENTER'S CURRENT CONFLICT OF INTEREST POLICY AND COMPLETE AND SUBMIT PROVIDED QUESTIONNAIRES. MEDICAL CENTER COUNSEL REVIEWS THE SUBMITTED QUESTIONNAIRES AND PROVIDES A FORMAL REPORT BACK TO THE BOARD. IN THE EVENT OF A CONFLICT OF INTEREST, THE INDIVIDUAL MEETS WITH THE EXECUTIVE COMMITTEE TO DISCUSS THE MATTER AND DETERMINE THE APPROPRIATE RESPONSE.
	FORM 990, PART VI, SECTION B, LINE 15	CONSULTANTS ARE RETAINED BY THE CHAIRMAN OF THE BOARD FOR THE EXPRESS PURPOSE OF SETTING EXECUTIVE COMPENSATION AND OPINING AS TO ITS COMPARABILITY AND REASONABleness. CONSULTANTS MAY USE A VARIETY OF RESOURCES TO MAKE THIS DETERMINATION INCLUDING SURVEYS, INFORMATION FROM OTHER ORGANIZATIONS' FORM 990, AND VARIOUS COMPARATIVE DATA. THIS REVIEW PROCESS IS TYPICALLY DONE ANNUALLY FOR THE EXECUTIVE STAFF AND KEY EMPLOYEES. IN FISCAL YEAR 2013, THE BOARD DID NOT ENGAGE AN OUTSIDE INDEPENDENT CONSULTANT TO REVIEW EXECUTIVE AND KEY EMPLOYEE COMPENSATION LEVELS. EXECUTIVE AND KEY EMPLOYEE COMPENSATION WAS REVIEWED BY THE BOARD'S EXECUTIVE COMMITTEE. THE LAST INDEPENDENT CONSULTANT SALARY REVIEW WAS ON 4/10/2012.
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE NOT MADE AVAILABLE TO THE GENERAL PUBLIC.
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	CHANGE IN OBLIGATIONS UNDER PENSION PLAN -1,244,462 CHANGE IN INTEREST IN HARRISON MEDICAL CENTER FOUNDATION -9,102,671

SCHEDULE R
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization
HARRISON MEDICAL CENTER

Employer identification number

91-056554

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.)

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.)

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.)

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		No
1b	Yes	
1c	Yes	
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j	Yes	
1k		No
1l		No
1m	Yes	
1n	Yes	
1o	Yes	
1p		No
1q	Yes	
1r		No
1s	Yes	

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

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

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

Software ID:**Software Version:****EIN:** 91-0565546**Name:** HARRISON MEDICAL CENTER**Part VII Supplemental Information**

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

Identifier	Return Reference	Explanation
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Report of Independent Auditors
and Financial Statements for

Harrison Medical Center

April 30, 2013 and 2012

MOSS-ADAMS LLP

1000 University Street, Suite 1000, Seattle, Washington 98101-3143

206.467.3000 • www.moss-adams.com

CONTENTS

	PAGE
REPORT OF INDEPENDENT AUDITORS	1-2
FINANCIAL STATEMENTS	
Balance sheets	3-4
Statements of operations and changes in unrestricted net assets	5
Statements of changes in net assets	6
Statements of cash flows	7
Notes to financial statements	8-28



REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Harrison Medical Center

Report on Financial Statements

We have audited the accompanying financial statements of Harrison Medical Center, which comprise the balance sheets as of April 30, 2013 and 2012, and the related statements of operations and changes in unrestricted net assets, changes in 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.

Auditor's 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial 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 auditor's 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 auditor considers 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 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 Harrison Medical Center as of April 30, 2013 and 2012, 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.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is fluid and cursive, with "Moss Adams" on the first line and "LLP" on the second line.

Everett, Washington

July 17, 2013

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HARRISON MEDICAL CENTER
BALANCE SHEETS

	ASSETS	
	April 30,	
	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 17,072,202	\$ 21,209,330
Current portion of assets whose use is limited	1,137,553	1,082,519
Patient accounts receivable, net of estimated uncollectibles of \$17,630,000 in 2013 and \$15,450,000 in 2012	52,821,834	50,825,110
Other receivables	538,918	554,754
Inventories	3,552,752	3,524,278
Prepaid expenses and other	3,743,829	3,530,061
 Total current assets	78,867,088	80,726,052
 INTEREST IN NET ASSETS OF HARRISON MEDICAL CENTER FOUNDATION	8,048,181	17,150,852
 ASSETS WHOSE USE IS LIMITED		
Board-designated	170,910,474	139,316,739
Held by trustees	33,387,625	19,176,275
Land held for future use	5,497,226	8,072,226
Donor-restricted	59,327	61,711
 Total assets whose use is limited, net of current portion	209,854,652	166,626,951
 LAND, BUILDINGS, AND EQUIPMENT, net	139,267,065	120,114,672
 DEFERRED FINANCING COSTS, net of accumulated amortization of \$2,041,444 in 2013 and \$1,895,413 in 2012	1,787,103	1,635,097
 OTHER ASSETS	3,002,844	3,002,844
 Total assets	\$ 440,826,933	\$ 389,256,468

HARRISON MEDICAL CENTER

BALANCE SHEETS

LIABILITIES AND NET ASSETS

	April 30,	
	2013	2012
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 5,103,969	\$ 3,623,845
Accounts payable	14,403,114	13,754,511
Accrued liabilities		
Salaries and wages	7,058,142	6,828,812
Vacation	8,553,076	8,458,842
Interest	1,073,175	837,247
Workers' compensation claims	3,562,893	3,257,737
Self-insured health plan liability	1,653,516	1,328,909
Payable to contractual agencies, net	3,382,695	1,213,857
Other	<u>11,483,618</u>	<u>10,417,163</u>
Total current liabilities	56,274,198	49,720,923
DEFERRED GAIN	490,732	597,801
ACCRUED PENSION LIABILITY	32,942,038	35,419,554
ESTIMATED UNINSURED CLAIMS	8,968,236	9,202,695
LONG-TERM DEBT, net of current portion	<u>112,185,021</u>	<u>82,246,469</u>
Total liabilities	<u>210,860,225</u>	<u>177,187,442</u>
NET ASSETS		
Unrestricted	224,624,070	197,362,806
Temporarily restricted	3,340,770	12,720,122
Permanently restricted	<u>2,001,868</u>	<u>1,986,098</u>
Total net assets	<u>229,966,708</u>	<u>212,069,026</u>
Total liabilities and net assets	<u>\$ 440,826,933</u>	<u>\$ 389,256,468</u>

HARRISON MEDICAL CENTER
STATEMENTS OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS

	Years Ended April 30,	
	2013	2012
OPERATING REVENUES		
Net patient service revenue (net of contractual allowances and discounts)	\$ 375,404,155	\$ 358,729,124
Provision for bad debts	<u>(24,293,903)</u>	<u>(18,515,369)</u>
Net patient service revenue less provision for bad debts	351,110,252	340,213,755
Other operating revenue	<u>8,140,639</u>	<u>4,928,119</u>
Total operating revenues	<u>359,250,891</u>	<u>345,141,874</u>
OPERATING EXPENSES		
Salaries and wages	140,582,444	137,883,740
Supplies and other	141,544,709	137,043,194
Employee benefits	38,239,184	37,615,569
Depreciation	19,996,521	19,450,265
Interest and amortization	4,658,413	4,419,447
Insurance	<u>2,510,857</u>	<u>160,657</u>
Total operating expenses	<u>347,532,128</u>	<u>336,572,872</u>
Operating income	11,718,763	8,569,002
NONOPERATING GAINS (LOSSES), net	<u>6,058,244</u>	<u>(1,016,046)</u>
Excess of revenues over expenses	17,777,007	7,552,956
DONATIONS FOR CAPITAL PURPOSES	590,368	185,125
CHANGE IN NET UNREALIZED GAINS (LOSSES) ON INVESTMENTS	9,879,824	(2,099,757)
CHANGE IN INTEREST IN UNRESTRICTED NET ASSETS OF HARRISON MEDICAL CENTER FOUNDATION	258,527	180,141
CHANGE IN OBLIGATIONS UNDER PENSION PLAN	<u>(1,244,462)</u>	<u>(28,579,019)</u>
Increase (decrease) in unrestricted net assets	27,261,264	(22,760,554)
UNRESTRICTED NET ASSETS, beginning of year	<u>197,362,806</u>	<u>220,123,360</u>
UNRESTRICTED NET ASSETS, end of year	<u>\$ 224,624,070</u>	<u>\$ 197,362,806</u>

HARRISON MEDICAL CENTER
STATEMENTS OF CHANGES IN NET ASSETS

	Years Ended April 30,	
	2013	2012
UNRESTRICTED NET ASSETS		
Excess of revenues over expenses	\$ 17,777,007	\$ 7,552,956
Donations for capital purposes	590,368	185,125
Change in net unrealized gains (losses) on investments	9,879,824	(2,099,757)
Change in interest in unrestricted net assets of Harrison Medical Center Foundation	258,527	180,141
Change in obligations under pension plan	<u>(1,244,462)</u>	<u>(28,579,019)</u>
Change in unrestricted net assets	<u>27,261,264</u>	<u>(22,760,554)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	-	724,684
Net assets released from restriction	(2,384)	(680,925)
Change in interest in net assets of Harrison Medical Center Foundation	<u>(9,376,968)</u>	<u>23,601</u>
Change in temporarily restricted net assets	<u>(9,379,352)</u>	<u>67,360</u>
PERMANENTLY RESTRICTED NET ASSETS		
Change in interest in net assets of Harrison Medical Center Foundation	<u>15,770</u>	<u>58,352</u>
Change in net assets	17,897,682	(22,634,842)
NET ASSETS, beginning of year	<u>212,069,026</u>	<u>234,703,868</u>
NET ASSETS, end of year	<u>\$ 229,966,708</u>	<u>\$ 212,069,026</u>

HARRISON MEDICAL CENTER

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

	Years Ended April 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 17,897,682	\$ (22,634,842)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized (gains) losses on investments	(12,475,157)	5,568,650
Undistributed portion of change in interest in net assets of Harrison Medical Center Foundation	9,102,671	(262,094)
Amortization	61,601	185,778
Depreciation	19,996,521	19,450,265
Provision for bad debts	24,293,903	18,515,369
Restricted contributions	-	(724,684)
Changes in operating assets and liabilities		
Patient accounts receivable	(26,290,627)	(23,629,514)
Other receivables	15,836	143,239
Payable to contractual agencies, net	2,168,838	1,216,178
Inventories	(28,474)	223,842
Prepaid expenses and other	(213,768)	(556,054)
Accounts payable	648,603	5,891,400
Accrued liabilities	2,255,710	3,572,606
Deferred gain	(107,069)	(107,069)
Accrued pension liability	(2,477,516)	23,061,722
Estimated uninsured claims	<u>(234,459)</u>	<u>(2,942,980)</u>
Net cash from operating activities	<u>34,614,295</u>	<u>26,971,812</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(100,192,881)	(69,223,643)
Proceeds from sales of investments	69,385,303	74,172,430
Purchase of land, buildings, and equipment	<u>(39,148,914)</u>	<u>(20,880,429)</u>
Net cash from investing activities	<u>(69,956,492)</u>	<u>(15,931,642)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new debt	35,000,000	-
Repayment of long-term debt	(3,623,845)	(3,454,604)
Proceeds from restricted contributions	-	724,684
Other	<u>(171,086)</u>	<u>(237,760)</u>
Net cash from financing activities	<u>31,205,069</u>	<u>(2,967,680)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(4,137,128)</u>	<u>8,072,490</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>21,209,330</u>	<u>13,136,840</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 17,072,202</u>	<u>\$ 21,209,330</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS		
Cash paid during the year for interest	<u>\$ 4,515,958</u>	<u>\$ 4,518,887</u>

HARRISON MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization

Harrison Medical Center (the Medical Center), a Washington not-for-profit corporation, owns and operates 297 licensed beds (260 available beds) within two acute care facilities. The facilities are located in the city of Bremerton, Washington, and in unincorporated Silverdale, Washington. The Medical Center provides acute medical and surgical services, emergency services, and a range of general and specialized services to residents of the Kitsap Peninsula and adjacent areas. The Medical Center also operates two urgent/primary care clinics in Port Orchard, Washington, and Belfair, Washington, as well as specialty clinics in Bremerton, Washington, Poulsbo, Washington, and Forks, Washington.

Note 2 - Summary of Significant Accounting Policies

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

Cash and cash equivalents - Cash and cash equivalents include investments in highly liquid instruments with original maturities of three months or less, excluding amounts whose use is limited by board designation or by other arrangements under trust agreements.

The Medical Center maintains its cash accounts with a U.S. banking institution. The Medical Center has cash balances on deposit with its bank that, at times, may exceed the balance insured by the Federal Deposit Insurance Corporation (FDIC).

Patient accounts receivable - Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

HARRISON MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (continued)

The Medical Center's allowance for doubtful accounts for self-pay patients was 63% of self-pay accounts receivable at April 30, 2013 and 2012. There were no significant changes in the allowance for doubtful accounts or the related methodology during fiscal years 2013 or 2012. The Medical Center has not changed its charity care or uninsured discount policies during fiscal years 2013 or 2012.

Assets whose use is limited - Assets whose use is limited consist of cash, investments, and property, including funds designated by the board of directors for capital improvements, professional liability self-insurance, a workers' compensation escrow account, land held for future use, amounts held under bond indenture agreements, joint ventures, and donor-restricted investments restricted for future use. Investments include stocks, bonds, alternative investments, and cash equivalents.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value on the balance sheets. The fair values of alternative investments are determined based on the Medical Center's share of equity in the underlying investments at the balance sheet date. Investment income or loss (including realized gains and losses on investments, unrealized investment losses considered other than temporary, interest, and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses.

Land, buildings, and equipment - Land, buildings, and equipment are stated at cost. Improvements and replacements of plant and equipment are capitalized, whereas maintenance and repairs are expensed as incurred. The costs of plant and equipment sold or retired and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded. Interest on borrowed funds during construction is capitalized and treated as a component of the cost of additions to be allocated to future periods through the depreciation provision. The Medical Center capitalized interest costs of \$918,000 and \$244,000 during the years ended April 30, 2013 and 2012, respectively.

Payable to contractual agencies - Third-party cost reports are filed annually and are subject to audit and adjustment prior to settlement. Estimates of final settlement to or from Medicare, Medicaid, and other third-party payors for all years through 2013 have been reflected as payable to contractual agencies on the accompanying balance sheets. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Donations - Unconditional promises to give cash and other assets contributed to the Medical Center are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends or purpose restriction is accomplished—temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restriction. Assets released from restriction that were used for operations totaled \$363,187 in 2013 and \$495,800 in 2012. Assets released from restriction that were used for capital purchases totaled \$590,368 in 2013 and \$185,125 in 2012. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

HARRISON MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (continued)

Temporarily and permanently restricted net assets - Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose. These restrictions relate primarily to the purchase of property and equipment. Permanently restricted net assets have been restricted by donors to be maintained by the Medical Center in perpetuity.

Revenue adjustments and contractual allowances - Net patient service revenue is reported at the net amount estimated to be realized from patients and third-party payors for services rendered.

A significant portion of the Medical Center's services is provided to Medicare and Medicaid patients under contractual arrangements. Revenue from the Medicare and Medicaid programs accounted for approximately 40% and 6%, respectively, of the Medical Center's net patient revenue for the year ended April 30, 2013, and 41% and 6%, respectively, of the Medical Center's net patient revenue for the year ended April 30, 2012. The Medical Center is paid for services to Medicare inpatients under the Prospective Payment System, which provides for payments based on diagnosis-related groupings (DRGs). Such DRG payments are prospectively established and may be greater or less than the Medical Center's actual charges for services. The majority of Medicare outpatient services are reimbursed under a prospective payment methodology, the Medicare Outpatient Prospective Payment System (OPPS). This program provides for payment based upon Ambulatory Payment Classifications (APCs). Such APC payments are prospectively established and may be greater or less than the Medical Center's actual charges for services. The Medical Center is paid for services to Medicaid inpatients under a DRG-based program, and outpatient payments are paid at prospectively determined rates. Cost reports have been audited by the fiscal intermediary through April 30, 2008.

The Medical Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment to the Medical Center under these agreements is typically based on established charges or discounts from established charges.

The difference between the Medical Center's standard billing rates and the contracted rates results in contractual deductions, which are recorded as adjustments to patient service revenue.

Charity care - The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue. The costs the Medical Center incurred to provide charity care were approximately \$7,533,000 and \$6,771,000 for the years ended April 30, 2013 and 2012, respectively. The Medical Center has estimated these costs by multiplying its ratio of costs to gross charges by the gross uncompensated charges associated with providing charity care.

Depreciation - The provision for depreciation is determined by the straight-line method, which allocates the cost of tangible property ratably over its estimated useful life.

Operating income - Operating income includes revenues and expenses that management has deemed to be part of operations. Items excluded from operations consist of investment income, contributions for purposes other than operations, rental income, nonoperating depreciation, and gains and losses on the sale of assets.

HARRISON MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (continued)

Excess of revenues over expenses - The statements of operations and changes in unrestricted net assets include excess of revenues over expenses. Changes in unrestricted net assets that are excluded from excess revenues over expenses consistent with industry practice include the change in net unrealized gains (losses) on investments, contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purposes of acquiring such assets), change in accrued pension liability, and change in interest in net assets of Harrison Medical Center Foundation.

Federal income taxes - The Medical Center is a not-for-profit corporation as defined in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax on related income pursuant to Section 501(a) of the Code.

For the 2013 and 2012 financial statements, the Medical Center has accounted for uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and was reasonably estimable. As of April 30, 2013 and 2012, the Medical Center had not identified any uncertain tax positions requiring accrual or disclosure.

Fair value measurements - The Medical Center classifies its investments based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value (Note 10). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

HARRISON MEDICAL CENTER **NOTES TO FINANCIAL STATEMENTS**

Note 2 - Summary of Significant Accounting Policies (continued)

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

The Medical Center has evaluated subsequent events through July 17, 2013, which is the date the financial statements are issued. The Medical Center has identified one significant subsequent event, which is disclosed in Note 18.

Note 3 - Net Patient Service Revenue

The following are the components of net patient service revenue:

	<u>2013</u>	<u>2012</u>
Gross patient service charges, net of charity	<u>\$ 1,150,849,396</u>	<u>\$ 1,053,615,787</u>
Adjustments to patient service charges		
Medicare	(453,649,171)	(399,772,210)
Medicaid	(120,422,152)	(112,351,000)
Other	<u>(201,373,918)</u>	<u>(182,763,453)</u>
Total adjustments to patient service charges	<u>(775,445,241)</u>	<u>(694,886,663)</u>
Net patient service revenue	<u>\$ 375,404,155</u>	<u>\$ 358,729,124</u>

The Medical Center recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Medical Center records a significant provision for bad debts related to uninsured patients in the period the services are provided.

HARRISON MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 3 - Net Patient Service Revenue (continued)

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the year ended April 30, 2013, from these major payor sources is as follows:

	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 318,116,126</u>	<u>\$ 57,288,029</u>	<u>\$ 375,404,155</u>

Note 4 - Assets Whose Use Is Limited

The composition of assets whose use is limited is set forth below:

	2013	2012
Board-designated cash and investments		
Cash and short-term investments	\$ 1,591,236	\$ 1,788,432
U.S. Treasury obligations	8,685	11,184
Marketable equity securities (including mutual funds)	68,232,897	66,176,252
Global tactical asset allocation	7,949,821	-
Corporate bonds	52,580,132	47,865,361
Real return	18,033,684	13,605,932
Nonmarketable equity securities	13,116,601	9,136,957
Real estate fund	8,553,248	-
Interest and dividends receivable	<u>9,403</u>	<u>6,149</u>
	170,075,707	138,590,267
Investment in joint ventures	<u>834,767</u>	<u>726,472</u>
	<u>170,910,474</u>	<u>139,316,739</u>
Funds held by trustees		
Cash and short-term investments	1,012,625	1,005,484
U.S. Treasury obligations	21,520,095	8,163,160
Marketable equity securities (including mutual funds)	6,409,184	6,373,010
Global tactical asset allocation	285,268	-
Fixed income	4,414,196	4,011,982
Real return	699,204	542,809
Alternative investments	<u>184,606</u>	<u>162,349</u>
	<u>34,525,178</u>	<u>20,258,794</u>
Land held for future use		
Properties owned in Kitsap County, at cost	<u>5,497,226</u>	<u>8,072,226</u>
Donor-restricted		
Cash and short-term investments	<u>59,327</u>	<u>61,711</u>
	210,992,205	167,709,470
Less current portion of assets whose use is limited	<u>(1,137,553)</u>	<u>(1,082,519)</u>
	<u>\$ 209,854,652</u>	<u>\$ 166,626,951</u>

HARRISON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 4 - Assets Whose Use Is Limited (continued)

Investments - Investment income, gains and losses from cash and short-term investments, and assets whose use is limited are included in nonoperating gains (losses) and comprise the following:

	<u>2013</u>	<u>2012</u>
Income (loss)		
Interest and dividend income	\$ 3,107,267	\$ 2,373,112
Net realized gains (losses) on investments	<u>2,595,333</u>	<u>(3,468,893)</u>
Total investment income	<u><u>\$ 5,702,600</u></u>	<u><u>\$ (1,095,781)</u></u>
Other changes in unrestricted net assets		
Net unrealized gains (losses) on investments	<u><u>\$ 9,879,824</u></u>	<u><u>\$ (2,099,757)</u></u>

There are no unfunded commitments for any of the alternative investments described above.

Investment in joint ventures - In fiscal year 1999, the Medical Center entered into a joint venture, Advanced Medical Imaging, LLC (AMI), to own and operate outpatient medical imaging facilities in the community. The Medical Center has a 49% ownership interest in AMI, which is accounted for under the equity method. The balance of the investment at April 30, 2013 and 2012, was \$834,767 and \$726,472, respectively.

During fiscal year 2006, the Medical Center entered into a joint venture, Surgery Center of Silverdale, LLC (SCS), to own and operate an outpatient surgery center located in Silverdale, Washington. The Medical Center has a 30% ownership interest in SCS, which is accounted for under the equity method. The balance of the investment at April 30, 2013 and 2012, was \$0.

HARRISON MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 5 - Land, Buildings, and Equipment

The Medical Center's land, buildings, and equipment and related accumulated depreciation are set forth below:

	2013	2012	
Assets			
Land and land improvements	\$ 10,814,924	\$ 10,814,924	
Buildings and leasehold improvements	78,677,919	71,973,591	
Equipment			
Fixed	59,970,117	55,919,622	
Major movable	143,393,293	135,315,440	
Projects-in-progress	<u>28,289,211</u>	<u>10,582,916</u>	
	<u>321,145,464</u>	<u>284,606,493</u>	
	Range of Depreciable Lives (Years)		
Accumulated depreciation			
Land improvements	5-20	4,692,495	4,442,359
Buildings and leasehold improvements	10-40	37,049,621	33,758,579
Equipment			
Fixed	5-25	38,754,423	37,115,472
Major movable	2-15	<u>101,381,860</u>	<u>89,175,411</u>
	<u>181,878,399</u>	<u>164,491,821</u>	
Land, buildings, and equipment, net	<u><u>\$ 139,267,065</u></u>	<u><u>\$ 120,114,672</u></u>	

In December 2007, the Medical Center sold the South Kitsap Campus land and building, as well as adjacent land held for future use, for \$7,000,000, which resulted in a gain of \$2,588,711. The Medical Center leased back a portion of the building from the purchaser to continue providing services. As a result, \$1,070,689 of the gain on sale was deferred and is being recognized over the 10-year life of the lease. As of April 30, 2013 and 2012, the unrecognized portion of the deferred gain was \$490,732 and \$597,801, respectively.

Equipment under capital lease is included in major movable equipment, above, at a total cost of \$2,216,416 at April 30, 2013 and 2012, with accumulated amortization of \$1,219,030 and \$775,746, respectively. Amortization expense for this equipment was \$443,284 in 2013 and 2012, and is included in depreciation expense on the statements of operations and changes in unrestricted net assets.

HARRISON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 6 - Long-Term Debt

	<u>2013</u>	<u>2012</u>
Revenue bonds, Washington Health Care Facilities Authority 1994 Series, 5.30% to 5.40%, due serially on August 15, payable through August 2023.	\$ 16,125,000	\$ 17,180,000
Revenue bonds, Washington Health Care Facilities Authority 1998 Series, 5.25%, due serially on August 15, payable through August 2028, net of unamortized bond discount of \$492,552 and \$535,073, respectively.	38,102,448	39,169,927
Revenue bonds, Washington Health Care Facilities Authority 2010 Series, 4.89%, due serially on April 1, with an option to convert to a variable rate at the Medical Center's request, payable through April 2030.	27,075,000	28,095,000
Revenue bonds, Washington Health Care Facilities Authority 2012 Series A & B, 3.60% and 3.63% respectively, due serially on August 15, payable through August 2032.	35,000,000	-
Capital lease payable to equipment financing company, due in monthly principal and interest payments of \$41,314, including interest at 4.49%, through September 2015. Loan is secured by equipment.	<u>986,542</u>	<u>1,425,387</u>
Less current portion	<u>117,288,990</u> <u>(5,103,969)</u>	<u>85,870,314</u> <u>(3,623,845)</u>
	<u><u>\$ 112,185,021</u></u>	<u><u>\$ 82,246,469</u></u>

Under the terms of the debt agreements, the Medical Center established funds for the deposit of principal and interest payments (bond funds) and a debt service reserve fund. At April 30, the balances of these trustee-held funds are as follows, which are included within assets whose use is limited held by trustees:

	<u>2013</u>	<u>2012</u>
Bond fund	\$ 1,137,553	\$ 1,082,519
Debt service reserve fund	5,082,201	5,082,089
Series 10 Project fund	1,383,848	2,001,344
Series 12 Project fund	<u>13,918,706</u>	-
	<u><u>\$ 21,522,308</u></u>	<u><u>\$ 8,165,952</u></u>

HARRISON MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 6 - Long-Term Debt (continued)

The maturities by year of the revenue bonds are as follows:

2014	\$ 4,645,000
2015	4,865,000
2016	5,050,000
2017	5,335,000
2018	5,635,000
Thereafter	<u>91,265,000</u>
	116,795,000
Less unamortized bond discount	<u>(492,552)</u>
	<u><u>\$ 116,302,448</u></u>

The revenue bonds are collateralized by gross receivables, certain equipment, the Bremerton facility, and adjacent parking property.

The revenue bonds are subject to certain covenants, the most restrictive of which is that the Medical Center must maintain a minimum debt service coverage ratio of 1.25 to 1. The Medical Center is in compliance with the related covenants at April 30, 2013.

Future minimum lease payments and the present value of net minimum lease payments are as follows:

2014	\$ 495,768
2015	495,768
2016	<u>52,081</u>
	1,043,617
Less amount representing interest	<u>(57,075)</u>
	<u><u>\$ 986,542</u></u>

Note 7 - Defined Benefit Plan

The Medical Center maintains a contributory defined benefit pension plan. The benefits for this plan are based primarily on years of service and employees' pay near retirement. The accumulated benefit information is determined by an actuary based on beginning-of-the-year assumptions. Assumptions used are based on historical investment returns and wage increases. It is the Medical Center's policy to make contributions to the plan in accordance with the requirements prescribed by the Employee Retirement Income Security Act of 1974. Contributions to the plan from the Medical Center were \$3,300,000 and \$3,850,000 during 2013 and 2012, respectively. Benefits paid by the plan were \$4,124,000 and \$3,492,000 during 2013 and 2012, respectively. The Medical Center expects to transfer approximately \$3,300,000 to the plan during fiscal year 2014.

HARRISON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 7 - Defined Benefit Plan (continued)

The Medical Center accounts for the difference between the projected benefit obligations and the fair value of the plan's assets as either an asset or liability on the balance sheets. Changes are recorded as an increase/decrease to obligations under pension plan on the balance sheets and as a separate line increasing/decreasing unrestricted net assets, separate from expenses, and outside the performance indicator on the statements of changes in net assets. The change in obligations under pension plan was an increase in liability and decrease in net assets of \$1,244,462 for the plan year ended April 30, 2013. The change in obligations under pension plan was an increase in liability and decrease in net assets of \$28,579,019 for the plan year ended April 30, 2012.

The plan's eligibility provisions were amended for employees of all Medical Center union groups in fiscal year 2006. Employees who satisfied the eligibility requirements prior to the amended date could choose whether to participate in the plan or begin participating in the new Harrison Retirement and Savings Program. Employees becoming eligible on and after that date automatically participate in the new retirement program.

Benefit accruals were frozen effective December 31, 2010, for all participants.

Net periodic pension cost included the following:

	<u>2013</u>	<u>2012</u>
Change in benefit obligation		
Projected benefit obligation at beginning of year	\$ 132,439,406	\$ 111,318,615
Interest cost	5,839,156	6,064,430
Benefits paid	(4,124,425)	(3,491,918)
Actuarial loss	<u>7,067,187</u>	<u>18,548,279</u>
Projected benefit obligation at April 30	<u>141,221,324</u>	<u>132,439,406</u>
Change in plan assets		
Fair value of plan assets at May 1	97,019,852	98,960,783
Actual return on plan assets	12,083,859	(2,299,323)
Employer contributions	3,300,000	3,850,310
Benefits paid	<u>(4,124,425)</u>	<u>(3,491,918)</u>
Fair value of plan assets at April 30	<u>108,279,286</u>	<u>97,019,852</u>
Funded status at end of year	<u><u>\$ (32,942,038)</u></u>	<u><u>\$ (35,419,554)</u></u>

Amounts recognized in the balance sheets consist of:

	<u>2013</u>	<u>2012</u>
Noncurrent liabilities	<u><u>\$ 32,942,038</u></u>	<u><u>\$ 35,419,554</u></u>

HARRISON MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 7 - Defined Benefit Plan (continued)

Amounts recognized as changes in unrestricted net assets arising from the defined benefit plan but not yet included in net periodic benefit cost consist of the following:

	<u>2013</u>	<u>2012</u>
Net loss	\$ (1,881,913)	\$ (28,245,684)
Prior service credit	<u>637,451</u>	<u>(333,335)</u>
	<u><u>\$ (1,244,462)</u></u>	<u><u>\$ (28,579,019)</u></u>

The accumulated benefit obligation for the defined benefit pension plans was \$141,221,000 and \$132,439,000 at April 30, 2013 and 2012, respectively.

Components of net periodic benefit cost included:

	<u>2013</u>	<u>2012</u>
Interest cost on projected benefit obligation	\$ 5,839,156	\$ 6,064,430
Expected return on plan assets	(6,898,585)	(7,398,082)
Net amortization and deferral	(775,292)	(775,292)
Loss	<u>1,412,743</u>	<u>441,957</u>
Net periodic pension cost	<u><u>\$ (421,978)</u></u>	<u><u>\$ (1,666,987)</u></u>

Assumptions used in the accounting for years 2013 and 2012 were:

	<u>2013</u>	<u>2012</u>
Discount rate	4.13%	4.47%
Rate of increase in compensation levels	N/A	N/A
Long-term rate of return on plan assets	6.83%	7.13%

HARRISON MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS

Note 7 - Defined Benefit Plan (continued)

Management instituted a balanced investment strategy. The Medical Center's target asset allocation is 43% domestic equity securities, 20% international equity securities, 27% debt securities, and 10% real estate. Asset allocations, as of their respective measurement dates in 2013 and 2012, are as follows:

Asset Category	Percentage of Plan Assets at April 30,	
	2013	2012
Cash	1%	1%
Domestic equity securities	44%	47%
International equity securities	18%	18%
Debt securities	25%	29%
Real estate	12%	5%
	100%	100%

Estimated benefits expected to be paid to plan beneficiaries are as follows:

2014	\$ 4,104,000
2015	4,443,000
2016	4,857,000
2017	5,310,000
2018	5,847,000
2019 through 2023	37,708,000

Note 8 - Defined Contribution Plan

The Medical Center established a contributory defined contribution plan (the Plan) on March 1, 2005. During fiscal year 2006, all five bargaining employee groups have chosen to participate in the Plan. The Plan is called the "Harrison Retirement and Savings Program." The Plan year commences each January 1 and ends on the following December 31. Substantially all employees who are employed by the Medical Center are eligible to make employee elective deferral contributions (403(b)), subject to Plan restrictions.

Eligible employees in the Plan may receive employer-matching contributions, and there is no minimum age or service requirements to satisfy. The employer-matching contributions will equal 50% of the employee elective deferral contributions up to 4% of the employee compensation. The matching contributions are fully vested at the time of contribution.

In addition, eligible employees will receive employer discretionary contributions made on behalf of the employee without regard to the amount of employee elective deferral contributions. There are service requirements that must be satisfied in order to be eligible for the employer discretionary contributions. The discretionary contributions are vested fully over a five-year period.

The defined contribution expense was \$6,556,689 and \$6,920,515 for the years ended April 30, 2013 and 2012, respectively.

HARRISON MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 9 - Executive and Physician Benefit Plan

The Medical Center has nonqualified deferred compensation plans covering certain key members of senior management, as well as certain specialty physicians. These defined compensation plans provide benefits to these individuals including life insurance and the ability to defer a portion of their earnings. The assets of the deferred compensation plan are held in trust for those individuals. The amount included in funds held by trustees in assets whose use is limited on the accompanying balance sheets at April 30, 2013 and 2012, was \$3,491,000 and \$3,171,000, respectively.

Note 10 - Fair Value of Financial Instruments

The following methods and assumptions were used by the Medical Center in estimating the fair value of its financial instruments:

Cash and cash equivalents - The carrying amount reported in the balance sheets for cash and cash equivalents approximates their fair value.

Assets whose use is limited - These assets consist primarily of cash, investments, and interest receivable. The carrying amount reported in the balance sheets is fair value.

Accounts payable and accrued expenses - The carrying amount reported in the balance sheets for accounts payable and accrued expenses approximates their fair value.

Estimated third-party payor settlements - The carrying amount reported in the balance sheets for estimated third-party payor settlements approximates their fair value.

Long-term debt - Fair values of the Medical Center's bonds are based on current traded value and are classified within Level 2 of the fair value hierarchy. The fair value of the Medical Center's remaining long-term debt is estimated using discounted cash flow analyses, based on the Medical Center's current incremental borrowing rates for similar types of borrowing arrangements. Fair value at April 30, 2013 and 2012, was \$117,208,429 and \$86,533,328, respectively.

HARRISON MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 10 - Fair Value of Financial Instruments (continued)

The following table discloses by level the fair value hierarchy at April 30, 2013 and 2012, discussed in Note 2:

2013	Level 1	Level 2	Level 3	Total
Board-designated				
Cash and short-term investments	\$ 1,591,236	\$ -	\$ -	\$ 1,591,236
U S Treasury obligations	8,685	-	-	8,685
Marketable equity securities				
Small/Mid Cap U S equity	15,761,472	-	-	15,761,472
Large Cap U S equity	32,979,208	-	-	32,979,208
International equity	14,580,765	-	-	14,580,765
Real estate investment trusts	4,911,452	-	-	4,911,452
Global tactical asset allocation	-	7,949,821	-	7,949,821
Fixed income	-	52,580,132	-	52,580,132
Real return	-	18,033,684	-	18,033,684
Nonmarketable equity securities				
International equity	-	13,116,601	-	13,116,601
Real estate fund	-	-	8,553,248	8,553,248
Interest and dividends receivable	-	9,403	-	9,403
Held by trustees				
Cash and short-term investments	1,012,625	-	-	1,012,625
U S Treasury obligations	21,520,095	-	-	21,520,095
Marketable equity securities				
Small/Mid Cap U S equity	1,363,301	-	-	1,363,301
Large Cap U S equity	3,050,895	-	-	3,050,895
Global tactical asset allocation	-	285,268	-	285,268
Fixed income	-	6,409,184	-	6,409,184
Real return	-	699,204	-	699,204
Nonmarketable equity securities				
International equity	-	184,606	-	184,606
Donor-restricted				
Cash and short-term investments	59,327	-	-	59,327
	\$ 96,839,061	\$ 99,267,903	\$ 8,553,248	\$ 204,660,212
2012				
Board-designated				
Cash and short-term investments	\$ 1,788,432	\$ -	\$ -	\$ 1,788,432
U S Treasury obligations	11,184	-	-	11,184
Marketable equity securities				
Small/Mid Cap U S equity	20,724,714	-	-	20,724,714
Large Cap U S equity	32,139,697	-	-	32,139,697
International equity	9,629,766	-	-	9,629,766
Real estate investment trusts	3,682,075	-	-	3,682,075
Fixed income	-	47,865,361	-	47,865,361
Real return	-	13,605,932	-	13,605,932
Nonmarketable equity securities				
International equity	-	9,136,957	-	9,136,957
Interest and dividends receivable	-	6,149	-	6,149
Held by trustees				
Cash and short-term investments	1,005,484	-	-	1,005,484
U S Treasury obligations	8,163,160	-	-	8,163,160
Marketable equity securities				
Small/Mid Cap U S equity	1,487,878	-	-	1,487,878
Large Cap U S equity	2,524,104	-	-	2,524,104
Fixed income	-	6,373,010	-	6,373,010
Real return	-	542,809	-	542,809
Nonmarketable equity securities				
International equity	162,349	-	-	162,349
Donor-restricted				
Cash and short-term investments	61,711	-	-	61,711
	\$ 81,380,554	\$ 77,530,218	\$ -	\$ 158,910,772

HARRISON MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 10 - Fair Value of Financial Instruments (continued)

The table below reconciles beginning and ending balance for Level 3 assets for the years ended April 30, 2013:

	<u>Real Estate</u>
May 1, 2012	\$ -
Purchases	8,050,000
Sales	(66,230)
Realized gains	1,722
Unrealized gains	<u>567,756</u>
April 30, 2013	<u><u>\$ 8,553,248</u></u>

Real estate fund - This fund invests primarily in United States real estate. The Medical Center's ability to redeem these investments is subject to certain restrictions and cash availability. The Cornerstone Patriot real estate fund the Medical Center is invested in normally provides for a quarterly distribution subject to written notification of redemption request 30 days prior to the last business day of the quarter. The fair value of the investment has been estimated using the net asset value per share of the investment and was \$8,553,248 and \$0 at April 30, 2013 and 2012, respectively.

Note 11 - Professional Liability Insurance

The Medical Center maintains a self-insured program for professional and general liability insurance. Self-insurance retention limits from August 1, 2006, through August 1, 2011, are \$1,500,000 per claim and \$4,500,000 in aggregate and are \$1,000,000 per claim and \$4,000,000 in aggregate for dates prior to August 1, 2006. The Medical Center purchases excess professional and general liability insurance coverage on a claims-made basis above the self-insured limits. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The estimated ultimate liability and the related contributions to the fund are based upon an independent actuarial determination. At April 30, 2013 and 2012, this liability of the anticipated future payments on gross claims is estimated at its present value of \$8,968,236 and \$9,202,695, respectively.

The Medical Center funds a trust for professional liability claims to at least the minimum levels acceptable to its primary and excess insurance carrier funding requirements. At April 30, 2013 and 2012, the amount held in trust and included in funds held by trustees in assets whose use is limited on the accompanying balance sheets was \$5,683,686 and \$5,276,239, respectively.

HARRISON MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS

Note 12 - Workers' Compensation

The Medical Center maintains a self-insurance program for workers' compensation. Insurance policies through commercial carriers are in place to provide coverage for claims in excess of self-insurance limits. The Medical Center is required by the state of Washington to fund a surety bond or establish an escrow account to maintain a self-insured workers' compensation program. The escrow account maintained by the Medical Center at April 30, 2013 and 2012, was approximately \$3,828,000 and \$3,646,000, respectively, and is recorded in funds held by trustees in assets whose use is limited on the accompanying balance sheets. At April 30, 2013 and 2012, the liability for estimated future claims cost, as reduced for excess self-insured limits included in accrued liabilities on the accompanying balance sheets, was \$3,562,893 and \$3,257,737, respectively.

Note 13 - Self-Insured Health Plan Liability

Eligible employees and their covered dependents are provided medical, dental, and vision coverage through a combination of several programs, purchased and self-insured. Health plan coverage is funded through employee and employer contributions. Effective October 1, 2004, the Medical Center adopted a self-insured health plan arrangement, which covers a significant portion of the employees. Self-insured health insurance costs for 2013 and 2012 were \$11,470,911 and \$12,294,380, respectively. The Medical Center has established a reserve for its self-insured health plan costs to offset claims incurred but not submitted. The balance of this reserve at April 30, 2013 and 2012, was \$1,653,516 and \$1,328,909, respectively.

Note 14 - Commitments and Contingencies

Operating leases - The Medical Center leases certain facilities and equipment under operating lease arrangements. Total rental expense in 2013 and 2012 for all operating leases was \$4,033,000 and \$3,763,000, respectively. The following is a schedule by year of future minimum lease payments as of April 30, 2013:

2014	\$ 4,094,000
2015	3,648,000
2016	2,788,000
2017	2,688,000
2018	2,439,000
Thereafter	<u>5,632,000</u>
	 <u>\$ 21,289,000</u>

Commitments - The Medical Center has committed to various equipment, improvements, and information technology acquisitions and implementations. As of April 30, 2013, the future commitments for these items total approximately \$20,385,000.

HARRISON MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 14 - Commitments and Contingencies (continued)

Litigation and regulatory environment - The health care industry is subject to numerous 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 programs' participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Medical Center is in compliance with the fraud and abuse regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

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

Note 15 - Concentration of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at April 30, 2013 and 2012, was as follows:

	<u>2013</u>	<u>2012</u>
Medicare	43%	40%
Medicaid	8%	9%
Other third-party payors	36%	37%
Self-pay	<u>13%</u>	<u>14%</u>
	<u>100%</u>	<u>100%</u>

Note 16 - Functional Expenses

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

	<u>2013</u>	<u>2012</u>
Health care services	\$ 226,217,046	\$ 229,190,029
General and administrative	65,852,421	55,765,605
Physician services	<u>55,462,661</u>	<u>51,617,238</u>
Total operating expenses	<u>\$ 347,532,128</u>	<u>\$ 336,572,872</u>

HARRISON MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS

Note 17 - Harrison Medical Center Foundation

The Harrison Medical Center Foundation (the Foundation) is a not-for-profit organization located in Bremerton, Washington. It exists to support Harrison Medical Center with fund-raising activities and to enhance the community's awareness of the Medical Center. Funds are distributed to the Medical Center as determined by the Foundation's board of directors.

A summary of the Foundation's assets, liabilities, net assets, results of operations, and changes in net assets follows. The Medical Center's interest in the net assets of the Foundation is reported as a noncurrent asset on the balance sheets.

	As of and for the Year Ended April 30, 2013	As of and for the Year Ended April 30, 2012
Assets		
Cash and investments	\$ 6,596,783	\$ 6,592,365
Pledge of building	- 12,000,000	
Other assets	<u>1,945,864</u>	<u>1,919,988</u>
Total assets	<u>\$ 8,542,647</u>	<u>\$ 20,512,353</u>
Liabilities		
Unrestricted net assets	\$ 494,466	\$ 3,457,906
Temporarily restricted net assets	2,764,869	2,532,112
Permanently restricted net assets	<u>3,281,444</u>	<u>12,536,237</u>
	<u>2,001,868</u>	<u>1,986,098</u>
Total liabilities and net assets	<u>\$ 8,542,647</u>	<u>\$ 20,512,353</u>
Support and revenue		
Expenses	\$ 2,199,875	\$ 2,166,014
	<u>2,208,985</u>	<u>2,118,245</u>
Excess of support and revenue over expenses	(9,110)	47,769
Change in pledge agreement	(8,997,156)	-
Net assets, beginning of year	<u>17,054,447</u>	<u>17,006,678</u>
Net assets, end of year	<u>\$ 8,048,181</u>	<u>\$ 17,054,447</u>

Liabilities include \$0 and \$6,998 payable to Harrison Medical Center at April 30, 2013 and 2012, respectively. These amounts were paid after the end of the year.

During fiscal years 2013 and 2012, the Medical Center recorded as contributions and received cash funding of approximately \$854,221 and \$535,072, respectively, from the Harrison Medical Center Foundation, which funded both capital purchases and operations. During fiscal year 2012, Harrison Medical Center Foundation provided significant support for the Medical Center's nurse residency program.

HARRISON MEDICAL CENTER NOTES TO FINANCIAL STATEMENTS

Note 17 - Harrison Medical Center Foundation (continued)

During fiscal year 2011, the Foundation entered into a pledge agreement with a donor. Under that agreement, the donor pledged the interest in a limited liability company, which owns and operates a building on the Medical Center's Silverdale campus. As a condition of executing that agreement, the Medical Center provided \$3,002,844 to the limited liability company on behalf of the Foundation to pay off the bank note on the building. This amount had been recorded as a noncurrent asset on the balance sheets to reflect the asset that will be given to the Foundation to satisfy the pledge and then to the Medical Center, which is the ultimate beneficiary. Furthermore, the value of the pledged asset was determined to be approximately \$12,000,000 and the value was reflected on the balance sheets through an increase to the beneficial interest in the Foundation of \$8,997,156 and on the statements of changes in net assets as an increase to temporarily restricted net assets in the same amount.

During fiscal year 2013, the pledge agreement described above was modified. The modification changes the pledge from irrevocable to revocable, provided the donor repays the \$3,002,844 associated with the building. The modification resulted in a reversal of the pledge and recognition of a decrease to temporarily restricted net assets in the amount of \$8,997,156 on the Foundation's records and a corresponding reduction in the Medical Center's beneficial interest in the Foundation in fiscal year 2013. Although reversal of the related pledge is required because the agreement became revocable, the related promise to give still exists.

Note 18 - Subsequent Events

In October 2012, the Harrison Medical Center (HMC) Board of Directors signed a nonbinding letter of intent to explore an affiliation with the Franciscan Health System (FHS) and FHS' parent, Catholic Health Initiatives (CHI). Due diligence work was conducted throughout the remainder of fiscal year 2013 and into the early months of fiscal year 2014.

In June 2013, the HMC Board of Directors signed a binding agreement to become affiliated with the FHS, CHI, and Franciscan Health Ventures (FHV). The affiliation is expected to close as soon as the final reviews by the Washington State Department of Health and the Archdiocese of Seattle have been completed. The affiliation agreement will allow HMC to continue to operate as a secular (nonreligious) community medical center. As part of the affiliation, FHV, which is a new nonprofit corporation established by HMC, will become the sole member of HMC and a co-member of FHS. The board members of FHV and FHS will be the same and FHV will be granted certain control rights with respect to HMC. Until FHV obtains its tax exempt status determination letter from the Internal Revenue Service indicating that FHV qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code, SJMGroup, which is a nonprofit corporation affiliated with CHI, will serve as the sole member of HMC and a co-member of FHS. The affiliation agreement also provides for the establishment of an oversight corporation, HMCOC, to oversee certain terms of the affiliation agreement on HMC's behalf. HMCOC's board is composed of five current members of the HMC board, including the chair of HMC's board. The affiliation agreement also establishes a Community Board that will have responsibility for the governance oversight of certain designated medical procedures. The Community Board is composed of former members of the HMC board.

HARRISON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 18 - Subsequent Events (continued)

The pending affiliation will allow HMC to enhance the services it offers and build on the economies of scale that a larger organization can provide. HMC's affiliation with FHS will better position the organization to address the challenges health care entities face related to health care reform. As part of the affiliation, HMC facilities and physicians will be integrated into FHS' electronic health records systems. Additionally, FHS will provide capital that will allow HMC to expand the services it provides to residents of Kitsap, Mason, Jefferson, and Clallam Counties.