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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 07-01-2012 , 2012, and ending 06-30-2013

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
Good Shepherd Health Care System

Doing Business As
Good Shepherd Medical Center

Number and street (or P O box if mail is not delivered to street address) | Room/suite
610 NW 11th Street

City or town, state or country, and ZIP + 4
Hermiston, OR 97838

D Employer identification number
93-0425580

E Telephone number
(541) 667-3400

G Gross receipts $ 85,758,950

F Name and address of principal officer
Dennis Burke
610 NW 11th Street
Hermiston, OR 97838

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ www gshealth org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1953

M State of legal domicile OR

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Hospital and health care services

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	11
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	619
6	Total number of volunteers (estimate if necessary)	**6**	140
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	161,990	308,309
9	Program service revenue (Part VIII, line 2g)	78,701,390	78,776,801
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,477,660	4,138,296
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	133,024	128,348
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	80,474,064	83,351,754
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	322,510	326,745
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)	36,831,076	38,275,999
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)	33,615,294	32,409,194
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	70,768,880	71,011,938
19	Revenue less expenses Subtract line 18 from line 12	9,705,184	12,339,816

Revenue

Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	120,122,697	122,960,248
21	Total liabilities (Part X, line 26)	17,715,512	7,169,831
22	Net assets or fund balances Subtract line 21 from line 20	102,407,185	115,790,417

Net Assets or Fund Balances

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

****** | 2014-05-07
Signature of officer | Date

Dennis Burke President/CEO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Kim Hunwardsen CPA		2014-05-07		P00484560

Firm's name ▶ Eide Bailly LLP | Firm's EIN ▶ 45-0250958

Firm's address ▶ 800 Nicollet Mall Ste 1300
Minneapolis, MN 554027033 | Phone no (612) 253-6500

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

To provide compassionate, high quality, and accessible health care and to promote a healthy community

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 $ 66,808,062 including grants of $ 326,745) (Revenue $ 78,007,507)

Good Shepherd Health Care System (GSHCS) served 1,868 inpatients over 4,942 patient-days and 44,280 outpatients in fiscal year 2012-13, as well as 18,606 patients in our Emergency Center Although reimbursement for services rendered is critical to the operations and stability of GSHCS, not all individuals have the ability to purchase essential medical services In recognition of this, during FY 2012-13 GSHCS wrote off to collection $5,454,412 valued at charges foregone as bad debt Direct charity care to our community amounted to an additional $9,726,316, valued at charges foregone GSHCS provides care to persons covered by governmental programs at deeply discounted rates Recognizing its mission to the community, services were provided to both Medicare and Medicaid patients The unreimbursed value of providing care to these patients during fiscal year 2012-13 was $34,770,417 valued at charges foregone Our Emergency Center is open around-the-clock to all community members, visitors, and travelers, without regard to one's ability to pay

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** ▶ 66,808,062

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2		No
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 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*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e		No
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	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*	**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*	**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*	**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*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**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*	**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*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**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*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**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*	**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*	**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*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	Yes	
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**	Yes	
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*	**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*	**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	146		
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	619		
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			No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b			
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).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** 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** 12		
	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** 11		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**		No
6	Did the organization have members or stockholders?	**6**		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	**8a**	Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**		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*	**9**		No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	**10a**		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	**10b**		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	**11a**	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review 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?			
a	The organization's CEO, Executive Director, or top management official	**15a**	Yes	
b	Other officers or key employees of the organization	**15b**		No
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	**16a**		No
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**		

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶ OR

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request ☐ 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

▶ Jan Peter 610 NW 11th Street Hermiston, OR (541) 667-3416

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Steve Eldrge Chair	2 00 0 00	X		X				0	0	0
(2) Nancy Mabry Vice Chair	2 00 0 00	X		X				0	0	0
(3) Dr Derek Earl Secretary	2 00 0 00	X		X				0	0	0
(4) Tom Wamsley Treasurer	2 00 2 00	X		X				0	0	0
(5) Bob Carlson Director	2 00 0 00	X						0	0	0
(6) Richard Lindner Director	2 00 2 00	X						0	0	0
(7) Tricia Fenley Director	2 00 1 00	X						0	0	0
(8) Bill Elfering Director	2 00 0 00	X						0	0	0
(9) Sue Daggett Director	2 00 0 00	X						0	0	0
(10) Rachel Archer Director (Feb-Jun)	2 00 0 00	X						0	0	0
(11) Janet Cooley Director	2 00 0 00	X						0	0	0
(12) Gabino Gispert Director (Feb-Jun)	2 00 0 00	X						0	0	0
(13) Dennis E Burke President/CEO	40 00 0 00			X				355,876	0	54,328
(14) Jan D Peter VP/CFO	40 00 0 00			X				196,720	0	35,751
(15) David T Hughes VP/COO	40 00 0 00				X			193,615	0	34,034
(16) Dr Olga Stobart Physician - ER Doctor	40 00 0 00					X		318,110	0	0
(17) Dr Laura K Maskell Physician - ER Doctor	40 00 0 00					X		279,990	0	18,005

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	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Dr Thomas L Farney Physician - Surgeon	40 00 0 00					X		298,512	0	37,258
(19) Dr Thomas J Holt Physician - Urologist	40 00 0 00					X		324,052	0	23,998
(20) Dr Mark Donnelly Physician - ER Doctor	40 00 0 00					X		308,121	0	15,298

1b	**Sub-Total**			
c	**Total from continuation sheets to Part VII, Section A**			
d	**Total (add lines 1b and 1c)**	2,274,996	0	218,672

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 ▶ 54

			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**		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *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
Rehab Associates 600 NW 11th St Ste E31 Hermiston OR 97838	Physical Therapy	1,264,046
Tualitin Imaging 6464 SW Boreland Rd Suite A-4 Tualitin OR 97062	Imaging Services	1,074,230
Medical Doctor Assoc Inc PO Box 277185 Atlanta GA 30384	Locum Doctors	574,352
McCormack Construction Corp 422 SW 6th Pendleton OR 97801	Construction	446,178
Medicus Hospitalists Services 7 Industrial Way Unit 5 Salem NH 03079	Locum Doctors	418,576

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 ▶ 14

Part VIII Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f 308,309				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f	▶	308,309			
Program Service Revenue			Business Code				
	2a	Net Patient Services	622110	77,112,580	77,112,580		
	b	EHR Funding	900099	547,540	547,540		
	c	Cafeteria	900099	531,841			531,841
	d	Other Supporting Revenue	900099	521,173	521,173		
	e	Daycare	900099	237,453			237,453
	f	All other program service revenue		-173,786	-173,786		
	g	**Total.** Add lines 2a–2f	▶	78,776,801			
	3	Investment income (including dividends, interest, and other similar amounts)	▶	2,803,500			2,803,500
	4	Income from investment of tax-exempt bond proceeds	▶				
	5	Royalties	▶				
		(i) Real / (ii) Personal					
	6a	Gross rents: 128,348					
	b	Less rental expenses: 0					
	c	Rental income or (loss): 128,348					
	d	Net rental income or (loss)	▶	128,348			128,348
		(i) Securities / (ii) Other					
	7a	Gross amount from sales of assets other than inventory: 3,698,883 / 43,109					
	b	Less cost or other basis and sales expenses: 2,275,080 / 132,116					
	c	Gain or (loss): 1,423,803 / -89,007					
	d	Net gain or (loss)	▶	1,334,796			1,334,796
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events	▶				
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities	▶				
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory	▶				
		Miscellaneous Revenue	Business Code				
	11a						
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d	▶				
	12	**Total revenue.** See Instructions	▶	83,351,754	78,007,507	0	5,035,938

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	326,745	326,745		
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	855,142		855,142	
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	30,033,552	28,556,919	1,476,633	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	1,217,013	1,157,177	59,836	
9 Other employee benefits	4,333,084	4,120,043	213,041	
10 Payroll taxes	1,837,208	1,703,905	133,303	
11 Fees for services (non-employees)				
a Management				
b Legal	30,152		30,152	
c Accounting	60,694		60,694	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees	270,091		270,091	
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	9,185,139	8,429,263	755,876	
12 Advertising and promotion	115,142	110,518	4,624	
13 Office expenses	8,661,831	8,472,579	189,252	
14 Information technology				
15 Royalties . .				
16 Occupancy	659,828	659,828		
17 Travel	311,221	264,624	46,597	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	108,635		108,635	
20 Interest	116,150	116,150		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	5,144,905	5,144,905		
23 Insurance	561,413	561,413		
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 Bad Debts	3,763,863	3,763,863		
b Medical Supplies	3,158,770	3,158,770		
c Taxes & Licenses	131,913	131,913		
d				
e All other expenses	129,447	129,447		
25 **Total functional expenses.** Add lines 1 through 24e	71,011,938	66,808,062	4,203,876	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 ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing			1	
	2	Savings and temporary cash investments		4,198,077	2	2,985,714
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		11,207,147	4	12,364,329
	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		12,883,234	7	13,058,734
	8	Inventories for sale or use		1,591,960	8	1,976,111
	9	Prepaid expenses and deferred charges		788,546	9	1,121,830
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 88,117,777			
	b	Less accumulated depreciation	10b 44,000,570	45,369,623	10c	44,117,207
	11	Investments—publicly traded securities		44,143,587	11	48,268,655
	12	Investments—other securities See Part IV, line 11			12	630,000
	13	Investments—program-related See Part IV, line 11		-6,400,024	13	-6,573,810
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		6,340,547	15	5,011,478
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		120,122,697	16	122,960,248
Liabilities	17	Accounts payable and accrued expenses		6,920,810	17	7,169,831
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		10,794,702	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			25	
	26	**Total liabilities.** Add lines 17 through 25		17,715,512	26	7,169,831
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		102,030,950	27	115,290,964
	28	Temporarily restricted net assets		376,235	28	499,453
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		102,407,185	33	115,790,417
	34	Total liabilities and net assets/fund balances		120,122,697	34	122,960,248

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	83,351,754
2	Total expenses (must equal Part IX, column (A), line 25)	2	71,011,938
3	Revenue less expenses Subtract line 2 from line 1	3	12,339,816
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	102,407,185
5	Net unrealized gains (losses) on investments	5	1,043,416
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	0
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	115,790,417

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		No
	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 ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
	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 ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separate basis			
c	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?	2c	Yes	
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O			
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
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Good Shepherd Health Care System

Employer identification number
93-0425580

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		Yes	No
(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?	**11g(i)**		
(ii) A family member of a person described in (i) above?	**11g(ii)**		
(iii) A 35% controlled entity of a person described in (i) or (ii) above?	**11g(iii)**		

h Provide the following information about the supported organization(s)

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (see instructions) **12**

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** . . . . . ▶☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2011 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2012.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2011.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2012.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶☐

Part 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

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Good Shepherd Health Care System

Employer identification number
93-0425580

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)
☐ Preservation of land for public use (e g , recreation or education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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

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

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

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

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

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

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

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

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

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

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

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

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

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

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

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

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

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

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	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

		Yes	No
(i) unrelated organizations	3a(i)		
(ii) related organizations	3a(ii)		
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	2,860,961	951,448		3,812,409
b Buildings		43,756,245	17,294,527	26,461,718
c Leasehold improvements				
d Equipment		37,860,275	25,540,588	12,319,687
e Other		2,688,848	1,165,455	1,523,393
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				44,117,207

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		
Other		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶		

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	
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	

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	77,923,211
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	1,043,416		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	-6,201,868		
e	Add lines **2a** through **2d**			2e	-5,158,452
3	Subtract line **2e** from line **1**			3	83,081,663
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	270,091		
b	Other (Describe in Part XIII)	4b			
c	Add lines **4a** and **4b**			4c	270,091
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	83,351,754

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

1	Total expenses and losses per audited financial statements			1	66,651,239
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	66,651,239
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	270,091		
b	Other (Describe in Part XIII)	4b	4,090,608		
c	Add lines **4a** and **4b**			4c	4,360,699
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	71,011,938

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
Description of Uncertain Tax Positions Under FIN 48	Part X, Line 2	The Hospital is organized as an Oregon nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) The Hospital is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS In addition, the Hospital is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report its unrelated business taxable income The Hospital believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements The Hospital would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred The Hospital's federal Form 990 filings are no longer subject to federal tax examinations by tax authorities for years before 2010
Part XI, Line 2d - Other Adjustments		Grants to Other Organizations recorded in Revenue on the F/S -326,745 Net Assets released from Restrictions recorded in Revenue on the F/S 17,785 Provisions for Bad Debt recorded in Revenue on the F/S -3,763,863 Loss on Investment in Clinic recorded in Revenue on the Financial Statements -2,129,045
Part XII, Line 4b - Other Adjustments		Grants to Other Organizations recorded in Revenue on the F/S 326,745 Provisions for Bad Debt recorded in Revenue on the F/S 3,763,863

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Good Shepherd Health Care System

Employer identification number
93-0425580

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			
	☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ 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 *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☐ 100% ☑ 150% ☐ 200% ☐ Other _____ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ 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 eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 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)			4,925,000		4,925,000	7 320 %
b Medicaid (from Worksheet 3, column a)			11,752,660	10,453,694	1,298,966	1 930 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			16,677,660	10,453,694	6,223,966	9 250 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			324,529	86,515	238,014	0 350 %
f Health professions education (from Worksheet 5)			9,083		9,083	0 010 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			326,745		326,745	0 490 %
j **Total.** Other Benefits			660,357	86,515	573,842	0 850 %
k **Total.** Add lines 7d and 7j			17,338,017	10,540,209	6,797,808	10 100 %

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

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

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1		No
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount 2 3,763,863			
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 3 318,885			
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	15,568,144	
6	Enter Medicare allowable costs of care relating to payments on line 5	6	15,861,299	
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-293,155	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used			

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

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

Part IV **Management Companies and Joint Ventures** (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

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

	Name, address, and primary website address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	Good Shepherd Health Care System 610 NW 11th Street Hermiston, OR 97838	X	X			X		X			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Good Shepherd Health Care System

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	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 12			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**	Yes	
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☑ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted 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 *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 150 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 000000000000% 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 ☑ Income level			
b ☑ Asset level			
c ☑ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☑ Other (describe in Part VI)			
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 ☑ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☑ 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 ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ 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 ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

- **a** ☐ Notified individuals of the financial assistance policy on admission
- **b** ☑ Notified individuals of the financial assistance policy prior to discharge
- **c** ☑ Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- **d** ☑ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**19**	Yes	
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)			

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 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?	**21**		No
If "Yes," explain in Part VI			
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?	**22**	Yes	
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?
3

	Name and address	Type of Facility (describe)
1	Good Shepherd Medical Group 610 NW 11th Street Hermiston, OR 97838	Clinic
2	Vange John Memorial Hospice 610 NW 11th Street Hermiston, OR 97838	Hospice
3	TLC Home Health 610 NW 11th Street Hermiston, OR 97838	Home Health
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, Line 6a The state posts the community benefit report online
		Part I, Line 7 The charity care included in Part I, Line 7a is calculated by multiplying the ratio of cost to gross charges for the hospital by the gross uncompensated charges associated with providing charity care to its patients The unreimbursed Medicaid in Part I, Line 7b is based on gross charges and claims from the Medicaid Cost Report The community health services, education and contributions in Part I, Lines 7e, 7f and 7i are based on actual expenses

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) The amount of bad debt expense removed from the denominator of the calculation on Part 1, Line 7, column f was $3,763,863
		Part III, Line 4 Bad debt on line 2 is reported at charges Management considers historical write off and recovery information in determining the estimated bad debt provision The organization estimates the amount of bad debt attributable to charity patients to be $318,885 This estimate is based on an overall charity care percentage of gross revenue Footnote from organization's financial statements The footnote that describes bad debt expense is found on page 8 of the attached audit report

Identifier	ReturnReference	Explanation
		Part III, Line 8 Medicare allowable cost is based on the Medicare cost report The Medicare cost report is completed based on the rules & regulations set forth by Centers for Medicare and Medicaid Services Good Shepherd Health Care System provides services to patients under the Medicare program knowing they will not recover all the costs associated with providing these services Providing these services is essential to these patients and the community and increases their access to healthcare services Therefore, the Medicare shortfall is considered a community benefit
		Part III, Line 9b The organization's collection procedures requires a financial advisor to work with any patient who is identified as potentially being eligible for financial assistance prior to sending the account to collection If during the course of the collection process the collection agency determines an account may be eligible for financial assistance, it is referred back to the hospital for further discussion with the patient or for write off All further collection action is ceased

Identifier	ReturnReference	Explanation
Good Shepherd Health Care System		Part V, Section B, Line 3 The needs assessment was envisioned, designed, and executed by dozens of community leaders and members representing healthcare, public health, law enforcement, education, and social services The assessment was conducted in partnership with St Anthony Hospital in Pendleton, OR The assessment process included regular consultation with the local Healthy Communities Coalition, a grass-roots advisory committee comprised of 35 community members of diverse background and professions
Good Shepherd Health Care System		Part V, Section B, Line 4 The CHNA was conducted with St Anthony Hospital, Pendleton, OR

Identifier	ReturnReference	Explanation
Good Shepherd Health Care System		Part V, Section B, Line 5c The CHNA was made widely available through a newspaper article providing a synopsis of the assessment's findings, as well as public forums discussing the assessment's findings The CHNA and Implementation Strategy was also made available at the following website url http //www gshealth org/about/communityprofile html
Good Shepherd Health Care System		Part V, Section B, Line 7 The following prioritized health needs were determined by CHNAs for Umatilla and Morrow counties, along with their current mitigation strategies 1 Obesity Healthy Communities Coalition provided nutritional guideline presentations in schools and workplaces, along with ad hoc community nutrition classes 2 Mental Health Good Shepherd will provide corporate support (friendship lease of land) of Lifeways acute inpatient mental health center in Hermiston (groundbreaking expected summer 2014) 3 Alcohol/drug addiction Supported recruitment of additional mental health practitioners with addiction mitigation expertise Established pain clinic with pain control specialist at Good Shepherd 4 Diabetes Continued active diabetes education program, open to the public without restrictions on ability to pay 5 Tobacco use Not currently addressed by Good Shepherd in deference to public health programs in place Good Shepherd regularly offers tobacco cessation classes and support

Identifier	ReturnReference	Explanation
Good Shepherd Health Care System		Part V, Section B, Line 14g A summary of the FAP is distributed in unemployment offices and other areas in the community that target the eligible population A summary is also available on the website, at local community clubs, admissions offices, and sent with billings invoices Also, upon discharge, a patient financial representative meets with patients to discuss their ability to pay for services Included as part of this discussion is a summary of the FAP
Good Shepherd Health Care System		Part V, Section B, Line 22 All individuals eligible under the hospital financial assistance policy are provided a discount for emergency and other medically necessary care FAP-eligible patients without insurance may be charged gross charges on elective procedures

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Our community healthcare needs assessment process has five components that are conducted every other year 1 The ongoing collection and evaluation of community feedback from patient surveys and comment forms 2 Patient and community-member healthcare needs focus groups 3 A healthcare needs survey completed by employers and other community leaders 4 A formal telephone survey 5 A demographic study conducted by the Oregon Office of Rural Health
		Part VI, Line 3 Our financial counselors inform and educate the people we serve with respect to charity care and governmental assistance programs All patients and responsible parties, where possible, are apprised of the availability of financial counseling services at the time and point of service We have arranged our patient flow to maximize the convenience of visiting our financial counselors as part of the Good Shepherd treatment regime In addition, the financial assistance policy is provided in writing to the patients upon request, and when the Hospital is able to identify a potential FAP-eligible individual upon admissions

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Good Shepherd Health Care System (GSHCS) is the corporate name for an organization made up of several entities, including Good Shepherd Medical Center, Vange John Memorial Hospice, TLC Home Health, Good Shepherd Medical Group, Good Shepherd Clinic Pharmacy, Good Shepherd Medical Foundation, and Good Shepherd Community Health Foundation Good Shepherd serves a core population of almost 50,000 people in the city of Hermiston, Oregon and in 14 outlying smaller towns within a rough 50-mile radius This population is largely rural, with agriculture dominating industrial enterprises The average household income in Hermiston is $35,865 17 1% of residents have incomes below federal poverty guidelines 31 3% of residents identify as non-white Hispanic ethnicity, with a sizable number of Spanish-primary speakers
		Part VI, Line 5 Good Shepherd maintains open active, affiliate, and courtesy medical staffs, with privileges available to all qualified and interested physicians in the communities we serve GSHCS is governed by a twelve-member board of trustees The board is comprised of independent representatives of the community, with an emphasis on maintaining a true cross-section of core population communities within its membership Our surplus funds are used to fund community health education classes, as well as funding building and equipment upgrades to maintain the highest quality healthcare for our community Surplus funds are also applied to ongoing professional education among our clinical staff to remain current in the best practices of modern healthcare We operate a fully-staffed 24-hour emergency room, available to the public regardless of ability to pay Good Shepherd operates two foundations that provide funds to appropriate community groups and activities, as well as providing scholarship funds to local residents establishing or furthering healthcare-related education We live our mission to promote a healthy community Good Shepherd is the host and driving force behind the Good Shepherd Wellness Coalition, a grass-roots group of community leaders that identify, analyze, and address pressing healthcare issues in the community We maintain a dialogue with the people we serve through a biweekly radio show, with an emphasis on wellness and preventative care Good Shepherd hosts an annual Family Health and Fitness Day, with free access to healthcare professionals, free screenings, and a wealth of health and wellness information available to the public We are active in community health-related activities, including the American Cancer Society's Relay for Life, the March of Dimes' March for Babies, and the Umatilla County Fair, where we provide health information and healthcare-related giveaways

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	OR

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Good Shepherd Health Care System

Employer identification number
93-0425580

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) Good Shepherd Community Health Foundation 610 NW 11th Street Hermiston, OR 97838	93-1170546	501(c)(3)	250,000				Annual Tithe
(2) American Red Cross 1205 Halley Ave Norman, OK 73069		501(c)(3)	10,000				Tornado Disaster Relief in OK
(3) Blue Mountain Community College 2411 NW Carden Ave PO Box 100 Pendleton, OR 97801	93-6033846	Government	40,000				Fund Nursing Instructor
(4) Farmers Ending Hunger PO Box 7361 Salem, OR 97203	08-0505305	501(c)(3)	25,000				Support crops to Orgeon Food Bank

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 4

3 Enter total number of other organizations listed in the line 1 table . . . . . ▶ 0

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. 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 Grants are awarded to Good Shepherd Community Health Foundation, a related organization which is tax exempt under Section 501(c)(3) Any organization receiving an award must sign an agreement before the funds are dispursed stating the funds will be used for the stated purpose as listed in their grant application They are also asked to submit regular reports until all funds have been spent These reports are reviewed at the Foundation meetings of which board members who serve on both the Hospital and the Foundation Boards attend There are no reporting requirements required to be sent to the Hospital from the other organizations listed on Schedule I

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

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2012

Open to Public Inspection

Name of the organization
Good Shepherd Health Care System

Employer identification number
93-0425580

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Dennis E Burke	(i)	333,876	22,000	0	27,500	26,878	410,254	0
President/CEO	(ii)	0	0	0	0	0	0	0
(2) Jan D Peter	(i)	178,433	18,287	0	13,309	22,483	232,512	0
VP/CFO	(ii)	0	0	0	0	0	0	0
(3) David T Hughes	(i)	175,563	18,052	0	11,771	22,313	227,699	0
VP/COO	(ii)	0	0	0	0	0	0	0
(4) Dr Olga Stobart	(i)	313,610	4,500	0	0	0	318,110	0
Physician - ER Doctor	(ii)	0	0	0	0	0	0	0
(5) Dr Laura K Maskell	(i)	279,990	0	0	3,560	14,495	298,045	0
Physician - ER Doctor	(ii)	0	0	0	0	0	0	0
(6) Dr Thomas L Farney	(i)	291,274	7,238	0	20,000	17,258	335,770	0
Physician - Surgeon	(ii)	0	0	0	0	0	0	0
(7) Dr Thomas J Holt	(i)	318,903	5,149	0	14,688	9,310	348,050	0
Physician - Urologist	(ii)	0	0	0	0	0	0	0
(8) Dr Mark Donnelly	(i)	298,121	10,000	0	0	15,298	323,419	0
Physician - ER Doctor	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 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 7	At the end of the fiscal year the Board determines the amount of funds that will be dispursed for bonuses based on the acheivement of specified goals Management then determines the percentage of bonuses allocated to each level and each individual

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

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.**

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Name of the organization
Good Shepherd Health Care System

Employer identification number
93-0425580

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 . . . . . ▶ $

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-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

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? Yes	No
Total			▶ $									

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Credits Inc	Company is owned 100% by board member Nancy Mabry	495,301	Charges for collection services		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

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2012

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Name of the organization
Good Shepherd Health Care System

Employer identification number
93-0425580

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 8b	There are no committees with the authority to act on behalf of the governing body
	Form 990, Part VI, Section B, line 11	The return is reviewed by the CFO and Controller and presented on a high level to the Boar d of Directors A final copy is provided to the Board before filing
	Form 990, Part VI, Section B, line 12c	All officers, directors, and key employees with conflicts are expected to disclose conflic ts of interest on a voluntary basis and refrain from discussion and/or voting on related m atters as necessary These disclosures are reviewed and determined to exist or not to exis t by the Board of Directors
	Form 990, Part VI, Section B, line 15a	The CEO's compensation is approved by the compensation committee of the Board of Directors based on survey information This process is completed annually in the month of October The compensation of other officers or key employees is determined by the CEO based on surv ey information This process is completed annually on the anniversary date of the individu al's hire date
	Form 990, Part VI, Section C, line 19	The governing documents, conflict of interest policy and financial statements are available upon request
Other Fees	Form 990, Part IX, line 11g	Purchased Services Program service expenses 3,644,016 Management and general expenses 59 1,521 Fundraising expenses 0 Total expenses 4,235,537 Professional Fees Program servic e expenses 4,024,504 Management and general expenses 0 Fundraising expenses 0 Total exp enses 4,024,504 Contract Labor/Temp Staff Program service expenses 284,035 Management a nd general expenses 0 Fundraising expenses 0 Total expenses 284,035 Collection Expenses Program service expenses 476,708 Management and general expenses 0 Fundraising expense s 0 Total expenses 476,708 Recruiting Fees Program service expenses 0 Management and g eneral expenses 164,355 Fundraising expenses 0 Total expenses 164,355
		this is a test

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

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2012

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Name of the organization
Good Shepherd Health Care System

Employer identification number
93-0425580

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) Good Shepherd Community Health Foundation 610 NW 11th Street Hermiston, OR 97838 93-1170546	Fundraising	OR	501(c)(3)	Line 11a, I	Good Shepherd Health Care System	Yes	
(2) Good Shepherd Medical Foundation 610 NW 11th Street Hermiston, OR 97838 93-0844485	Fundraising	OR	501(c)(3)	Line 7	Good Shepherd Health Care System	Yes	

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity? Yes	(i) No
(1) Good Shepherd Medical Service Corp 610 NW 11th Street Hermiston, OR 97838 93-0688940	Retail Pharmacy	OR	N/A	C	11,479,812	9,838,341	100 000 %	Yes	

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

		Yes	No
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 orgranization 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	1a	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b	Yes	
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j		No
k Lease of facilities, equipment, or other assets from related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		No
m Performance of services or membership or fundraising solicitations by related organization(s)	1m		No
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	Yes	
o Sharing of paid employees with related organization(s)	1o	Yes	
p Reimbursement paid to related organization(s) for expenses	1p	Yes	
q Reimbursement paid by related organization(s) for expenses	1q		No
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	1s		No

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) Good Shepherd Medical Service Corp	A	423,829	book value
(2) Good Shepherd Medical Service Corp	O		book value
(3) Good Shepherd Community Health Foundation	B	250,000	book value
(4) Good Shepherd Community Health Foundation	C		
(5) Good Shepherd Community Health Foundation	N		
(6) Good Shepherd Community Health Foundation	P		

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Software ID:
Software Version:
EIN: 93-0425580
Name: Good Shepherd Health Care System

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Good Shepherd Medical Service Corp	A	423,829	book value
Good Shepherd Medical Service Corp	O		book value
Good Shepherd Community Health Foundation	B	250,000	book value
Good Shepherd Community Health Foundation	C		
Good Shepherd Community Health Foundation	N		
Good Shepherd Community Health Foundation	P		

Consolidated Financial Statements
June 30, 2013 and 2012

Good Shepherd Health Care System

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Trustees
Good Shepherd Health Care System
Hermiston, Oregon

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Good Shepherd Health Care System, which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations, consolidated changes in net assets, and consolidated cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Good Shepherd Health Care System as of June 30, 2013 and 2012, and the consolidated results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 24 through 34 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Eide Bailly LLP

Boise, Idaho
August 22, 2013

Good Shepherd Health Care System
Consolidated Balance Sheets
June 30, 2013 and 2012

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$ 3,195,105	$ 4,417,402
Receivables		
Patient, net of estimated uncollectibles of $2,853,858 in 2013 and $3,002,171 in 2012	12,243,985	11,119,531
Estimated third-party payor settlements	1,790,418	3,129,936
Supplies	2,437,871	1,968,774
Prepaid expenses	1,348,312	800,361
Other current assets	485,818	311,259
Total current assets	21,501,509	21,747,263
Assets Limited as to Use		
By the hospital board	47,561,922	43,553,085
Strategic property holdings	2,860,961	2,730,126
Unemployment deposit	631,733	590,502
Total assets limited as to use	51,054,616	46,873,713
Property and Equipment		
Land	999,941	789,950
Land improvements	1,919,816	1,919,450
Buildings	56,992,938	56,294,879
Equipment	38,340,333	36,949,124
Construction in progress	1,027,456	47,535
	99,280,484	96,000,938
Less accumulated depreciation	49,296,181	44,264,195
Total property and equipment	49,984,303	51,736,743
Other Assets		
Investment in coordinated care organization	600,000	-
Investment in joint venture	30,000	-
Total other assets	630,000	-
	$ 123,170,428	$ 120,357,719

Liabilities and Net Assets	2013	2012
Current Liabilities		
Accounts payable	$ 1,872,599	$ 1,501,111
Accrued payroll	2,245,531	2,208,352
Accrued vacation liabilities	1,765,137	1,726,511
Other accrued liabilities	1,501,930	1,719,858
Total current liabilities	7,385,197	7,155,832
Long-Term Debt, Less Current Maturities	-	10,794,702
Total liabilities	7,385,197	17,950,534
Net Assets		
Unrestricted	115,285,778	102,030,950
Temporarily restricted	499,453	376,235
Total net assets	115,785,231	102,407,185
	$ 123,170,428	$ 120,357,719

Good Shepherd Health Care System
Consolidated Statements of Operations
Years Ended June 30, 2013 and 2012

	2013	2012
Unrestricted Revenues, Gains, and Other Support		
Net patient service revenue	$ 80,440,765	$ 80,216,124
Provision for bad debts	(3,763,863)	(5,020,156)
Net patient service revenue less provision for bad debts	76,676,902	75,195,968
Other revenue	3,307,458	2,448,833
Net assets released from restrictions for operations	17,785	28,960
Total revenues, gains, and other support	80,002,145	77,673,761
Expenses		
Salaries and wages	30,790,144	29,183,120
Payroll taxes and benefits	7,475,878	7,553,692
Supplies	13,918,124	12,717,009
Depreciation and amortization	5,662,724	5,217,870
Interest	116,150	463,555
Professional services	4,015,739	4,652,539
Purchased services	5,536,269	5,079,699
Other expenses	1,996,412	2,275,989
Utilities	932,859	874,141
Insurance	576,102	593,528
Total expenses	71,020,401	68,611,142
Operating Income	8,981,744	9,062,619
Other Income (Expense)		
Investment income	3,533,383	827,968
Other nonoperating revenue	112,037	56,022
Charitable donations	(326,745)	(322,510)
Gain (loss) on disposal of fixed assets	(89,007)	61,810
Total other income, net	3,229,668	623,290
Revenues in Excess of Expenses	12,211,412	9,685,909
Change in Unrealized Gains and (Losses) on Investments	1,043,416	(2,215,685)
Change in Unrestricted Net Assets	$ 13,254,828	$ 7,470,224

Good Shepherd Health Care System
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2013 and 2012

	2013	2012
Unrestricted Net Assets		
Revenues in excess of expenses	$ 12,211,412	$ 9,685,909
Change in unrealized gains and losses on investments	1,043,416	(2,215,685)
Change in unrestricted net assets	13,254,828	7,470,224
Temporarily Restricted Net Assets		
Contributions for specific purposes	141,003	48,235
Net assets released from restrictions	(17,785)	(28,960)
Change in temporarily restricted net assets	123,218	19,275
Change in Net Assets	13,378,046	7,489,499
Net Assets, Beginning of Year	102,407,185	94,917,686
Net Assets, End of Year	$ 115,785,231	$ 102,407,185

	2013	2012
Operating Activities		
Cash received from patients	$ 76,891,966	$ 72,575,734
Other receipts and payments	3,325,243	2,477,793
Cash paid to suppliers and employees	(66,203,769)	(62,932,785)
Interest paid	(116,150)	(463,555)
Net Cash from Operating Activities	13,897,290	11,657,187
Investing Activities		
Proceeds from sale of fixed assets	43,109	86,080
Purchases of fixed assets	(4,173,235)	(12,706,278)
Purchase of assets whose use is limited	(3,172,152)	(4,659,038)
Proceeds from sale of assets limited as to use	3,698,883	9,673,723
Purchase of other assets	(630,000)	-
Net Cash used for Investing Activities	(4,233,395)	(7,605,513)
Financing Activities		
Charitable donations	(326,745)	(322,510)
Other revenue	235,255	75,297
Principal payments on long-term debt	(10,794,702)	(3,632,600)
Net Cash used for Financing Activities	(10,886,192)	(3,879,813)
Net Change in Cash and Cash Equivalents	(1,222,297)	171,861
Cash and Cash Equivalents, Beginning of Year	4,417,402	4,245,541
Cash and Cash Equivalents, End of Year	$ 3,195,105	$ 4,417,402
Reconciliation of Change in Unrestricted Net Assets to Net Cash from Operating Activities		
Change in unrestricted net assets	$ 13,254,828	$ 7,470,224
Adjustments to reconcile change in unrestricted net assets to net cash from operating activities		
Depreciation and amortization	5,662,724	5,217,870
Provision for bad debts	(3,763,863)	(5,020,156)
Loss (gain) on disposal of equipment	89,007	(61,810)
Charitable donations	326,745	322,510
Net realized and unrealized gains and losses on investments	(4,576,799)	1,387,717
Other nonoperating revenue	(112,037)	(56,022)
Changes in assets and liabilities		
Patient accounts receivable	2,639,409	4,841,291
Estimated third-party payor settlements	1,339,518	(2,441,369)
Inventory of supplies	(469,097)	(183,016)
Prepaid expenses and other assets	(722,510)	(127,549)
Accounts payable and accrued expenses	229,365	307,497
Net Cash from Operating Activities	$ 13,897,290	$ 11,657,187

See Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Good Shepherd Health Care System (the Hospital) of Hermiston, Oregon, is a non-profit, nonstock corporation operating a 25 bed acute-care hospital in Hermiston, Oregon The Hospital is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code The Hospital is also exempt from state income taxes

The Hospital's wholly owned subsidiary, Good Shepherd Medical Service Corp , a for-profit corporation, owns and operates medical office buildings and a retail pharmacy Good Shepherd Community Health Foundation is a separate, not consolidated, non-profit corporation, organized to provide scholarships and support to the community Good Shepherd Medical Foundation is a separate, non-consolidated, non-profit corporation, organized to provide support to the Hospital

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use

Patient Accounts Receivable

Patient receivables are uncollateralized patient and third-party payor obligations Unpaid patient receivables, excluding amounts due from third-party payors, with invoice dates over 30 days old have interest assessed at 0 9% per month Due to the uncertainty of collecting private pay accounts, these interest charges are recognized as income when received Payments of patient receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim

Patient accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectability of accounts receivable, the Hospital 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 Hospital 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 Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts

The Hospital's process for calculating the allowance for doubtful accounts for self-pay patients has not significantly changed from June 30, 2012 to June 30, 2013 The Hospital does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors The Hospital has not significantly changed its charity care or uninsured discount policies during fiscal years 2013 or 2012

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market

Assets Limited as to Use

Assets limited as to use consist of assets that have been designated to replace property and equipment by the Board of Trustees, proceeds from long-term debt that will be used to complete construction projects, strategic property holdings and unemployment deposits

Strategic property holdings are land that was purchased within the hospital strategic zone and is not currently being used for operating purposes During the years ended June 30, 2013 and 2012 the Hospital paid $130,835 and $10,000, respectively, to purchase strategic property holdings consisting of land

Property and Equipment

Property and equipment acquisitions in excess of $750 are capitalized and recorded at cost Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method Amortization is included in depreciation and amortization in the financial statements The estimated useful lives of property and equipment are as follows

Land improvements	5 to 30 years
Buildings	10 to 40 years
Equipment	3 to 27 years

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets Net interest of $3,195 and $75,656 was capitalized during the years ended June 30, 2013 and 2012, respectively

Rental Property

Rental property consists of property adjacent to the hospital campus which has been purchased in the event that additional property is needed for future expansion of the hospital campus The allocable portion of the property in excess of the fair value of non-depreciable land is depreciated over an estimated life of 2-22 years The property is rented to tenants and is recorded as other income in the consolidated financial statements

Investments and Investment Income

Investments in equity securities having a readily determinable fair value and in all debt securities are measured at fair value in the balance sheets Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses as non-operating revenue Unrealized gains and losses on investments are excluded from the excess of revenues over expenses

Investments in Affiliated Organizations

Investments in entities in which the Hospital has the ability to exercise significant influence over operating and financial policies but does not have operational control are recorded under the equity method of accounting Under the equity method, the initial investment is recorded at cost and adjusted annually to recognize the Members' share of earnings and losses of those entities, net of any additional investments or distributions The Members' share of net earnings or losses of the entities is included in other income (expense)

Fair Value Measurements

The Hospital has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability Level 3 inputs are unobservable inputs related to the asset or liability

Self-Insurance Reserves

The Hospital provides for self-insurance reserves for estimated incurred but not reported claims for its employee health plan and workers' compensation insurance program These reserves, which are included in current liabilities on the balance sheets, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified

Income Taxes

The Hospital is organized as an Oregon non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) The Hospital is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS In addition, the Hospital is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report its unrelated business taxable income

The Hospital believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements The Hospital would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred The Hospital's federal Form 990 filings are no longer subject to federal tax examinations by tax authorities for years before 2010

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined

The Hospital 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, as noted above For uninsured patients that do not qualify for charity care, the Hospital 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 Hospital's uninsured patients will be unable or unwilling to pay for the services provided Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided Net patient service revenue, but before the provision for bad debts, recognized for the years ended June 30, 2013 and 2012 from these major payor sources, is as follows

	2013	2012
Net patient service revenue		
Medicare	$ 21,569,881	$ 21,019,426
Medicaid	11,859,540	11,768,547
Blue Cross	15,529,520	15,318,323
Other third party payors	29,198,740	26,015,949
Self-pay	2,283,084	6,093,879
Total all payors	$ 80,440,765	$ 80,216,124

Revenues in Excess of Expenses

Revenues in excess of expenses excludes unrealized gains and losses on investments other than trading securities, transfers of assets to and from related parties for other than goods and services, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors

Charity Care

The Hospital provides health care services to patients who meet certain criteria under its Charity Care Policy without charge or at amounts less that established rates Since the Hospital does not pursue collection of these amounts, they are not reported as patient service revenue The estimated cost of providing these services was $4,925,000 and $3,916,000 for the years ended June 30, 2013 and 2012, respectively, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients

Donor Restricted Gifts

Gifts received with donor stipulations are reported as either temporarily or permanently restricted support When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions Donor contributions that are not explicitly restricted by the donors are included in other operating revenues in the consolidated statement of operations

Retirement Plan

The Hospital has a defined contribution pension plan that covers substantially all employees The effective date of the plan was January 1, 1983 Pension costs include current service costs, which are accrued and funded currently

Advertising

Costs incurred for producing and distributing advertising are expensed as incurred The Hospital incurred $116,627 and $120,010 for the years ended June 30, 2013 and 2012, respectively

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) amended the Social Security Act to establish incentive payments under the Medicare and Medicaid programs for certain hospitals and professionals that meaningfully use certified Electronic Health Records (EHR) technology

These incentive payments are available for the next two years To qualify for the EHR incentive payments, hospitals and physicians must meet designated EHR meaningful use criteria In addition, hospitals must attest that they have used certified EHR technology, satisfied the meaningful use objectives, and specify the EHR reporting period This attestation is subject to audit by the federal government or its designee The EHR incentive payment to hospitals for each payment year is calculated as a product of (1) allowable costs as defined by the Centers for Medicare & Medicaid Services (CMS) and (2) the Medicare share Once the initial attestation of meaningful is completed, critical access hospitals receive the entire EHR incentive payment for submitted allowable costs of the respective periods in a lump sum, subject to a final adjustment on the cost report

The Hospital recognizes EHR incentive payments as revenue when there is reasonable assurance that the Hospital will comply with the conditions attached to the incentive payments EHR incentive payments are included in other operating revenue in the accompanying consolidated financial statements The amount of EHR incentive payments recognized are based on management's best estimate and those amounts are subject to change with such changes impacting the period in which they occur

Principles of Consolidation

The consolidated financial statements include the accounts of the Hospital and its wholly-owned subsidiary All significant intercompany accounts and transactions have been eliminated in consolidation

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

New Accounting Pronouncements

As of and for the year ended June 30, 2013, the Hospital adopted the provisions of ASU No 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* In accordance with the implementation guidance, the Hospital retroactively applied the presentation requirements to 2012 The impact on 2012 was a decrease to total revenues, gains, and other support of $5,020,156, and a decrease to total expenses of $5,020,156 in the consolidated statements of operations There was no impact on operating income or net assets

Reclassifications

Reclassifications have been made to the June 30, 2012 financial information to make it conform to the current year presentation The reclassifications had no effect on previously reported operating results or changes in net assets

Subsequent Events

The Hospital has evaluated subsequent events through August 22, 2013, the date which the consolidated financial statements were available to be issued

Note 2 - Net Patient Service Revenue

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

Medicare The Hospital is licensed as a Critical Access Hospital (CAH) The Hospital is reimbursed for most acute care services at cost plus one percent with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare intermediary The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2010 Clinical services are paid on a cost basis or fixed fee schedule

Medicaid Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors Outpatient services related to Medicaid beneficiaries are paid based on the lower of customary charges, allowable cost as determined through the Hospital's Medicare cost report, or rates as established by the Medicaid program The Hospital is reimbursed at a tentative rate with final settlement determined by the program based on the Hospital's final Medicaid cost report The Hospital's final Medicaid settlements have been processed through the year ended June 30, 2010

Other The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates

Revenue from the Medicare and Medicaid programs accounted for approximately 34% and 18% of the hospital's net patient service revenue for the year ended June 30, 2013 and 33% and 18% for the year ended June 30, 2012 Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term The net patient service revenue for the years ended June 30, 2013 and 2012 decreased approximately $340,000 and increased $902,000, respectively, due to the addition and removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations

The Centers for Medicare and Medicaid Services (CMS) has implemented a Recovery Audit Contractor (RAC) program under which claims subsequent to October 1, 2007, are reviewed by contractors for validity, accuracy, and proper documentation A demonstration project completed in several other states resulted in the identification of potential overpayments, some being significant If selected for audit, the potential exists that the Hospital may incur a liability for a claims overpayment at a future date The Hospital is unable to determine if it will be audited and, if so, the extent of the liability of overpayments, if any As the outcome of such potential reviews is unknown and cannot be reasonably estimated, it is the Hospital's policy to adjust revenue for deductions from overpayment amounts or additions from underpayment amounts determined under the RAC audits at the time a change in reimbursement is agreed upon between the Hospital and CMS

A summary of patient service revenue and contractual adjustments for the years ended June 30, 2013 and 2012 is as follows

	2013	2012
Gross patient service revenue		
Inpatient services	$ 31,802,876	$ 29,602,033
Outpatient services	78,454,515	76,975,584
Clinic services	6,811,575	6,353,135
Retail pharmacy	6,865,793	5,006,622
Total patient service revenue	123,934,759	117,937,374
Contractual adjustments		
Medicare	23,812,920	20,196,461
Medicaid	12,207,988	10,263,112
Blue Cross	1,892,029	1,834,576
Other	5,581,057	5,427,101
Total contractual adjustment	43,493,994	37,721,250
Net patient service revenue	$ 80,440,765	$ 80,216,124

Note 3 - Assets Limited as to Use

The composition of assets limited as to use at June 30, 2013 and 2012, is shown in the following table Cash and cash equivalents are stated at historical cost plus accrued interest Exchange-traded funds, mutual funds, equities, US government bonds and notes, and corporate bonds are stated at fair value Land is stated at historical cost

	2013	2012
By Board for capital improvements and debt redemption		
Cash and cash equivalents	$ 21,244,079	$ 2,983,853
Exchange-traded funds	13,739,973	-
Mutual funds	-	1,097,036
Equities	12,577,870	24,083,866
Government agency bonds	-	896,003
Corporate fixed income	-	14,492,327
	$ 47,561,922	$ 43,553,085
Strategic property holdings		
Land	$ 2,860,961	$ 2,730,126
Unemployment deposit		
Cash and cash equivalents	$ 631,733	$ 590,502

Investment Income

Investment income and gains and losses on assets limited as to use, cash equivalents, and other investments consists of the following for the years ended June 30, 2013 and 2012

	2013	2012
Other income		
Interest and dividends	$ 2,379,671	$ 1,277,797
Realized gains (losses) and sales of securities	1,423,803	(173,595)
Less broker fees	(270,091)	(276,234)
	$ 3,533,383	$ 827,968
Other changes in unrestricted net assets		
Change in unrealized gains (losses) on investments	$ 1,043,416	$ (2,215,685)

Investments in an Unrealized Gain (Loss) Position

Investments in an unrealized gain (loss) position at June 30, 2013 and 2012 are shown in the following table

	2013			
	Fair Value	Unrealized Loss	Fair Value	Unrealized Gain
Exchange-traded funds	$ -	$ -	$ 13,739,973	$ 16,393
Equities	3,655,004	(652,148)	8,922,866	2,039,119
	$ 3,655,004	$ (652,148)	$ 22,662,839	$ 2,055,512

	2012			
	Fair Value	Unrealized Loss	Fair Value	Unrealized Gain
Mutual funds	$ 1,097,036	$ (31,500)	$ -	$ -
Equities	8,392,580	(2,014,796)	15,691,286	2,705,542
Government agency bonds	308,830	(2,548)	587,173	15,299
Corporate fixed income	7,992,021	(503,299)	6,500,306	199,668
	$ 17,790,467	$ (2,552,143)	$ 22,778,765	$ 2,920,509

The duration of the investments in an unrealized loss position at June 30, 2013 are shown in the following table

	2013			
	Less Than Twelve Months		More Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Equities	$ 158,245	$ 1,948,112	$ 493,903	$ 1,642,231

The duration of the investments in an unrealized loss position at June 30, 2012 are shown in the following table

	2012			
	Less Than Twelve Months		More Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Mutual funds	$ -	$ -	$ 31,940	$ 1,024,742
Equities	266,808	9,855,458	9,075	585,994
Corporate bonds	1,173,839	6,566,001	588,654	1,826,590
	$ 1,440,647	$ 16,421,459	$ 629,669	$ 3,437,326

The unrealized losses on the Hospital's investments in equities were primarily a result of recent market declines consistent with the cyclical nature of the financial markets The Hospital has a diversified portfolio The Hospital's investments in an unrealized loss position consist of 204 investments from various market sectors Based on that evaluation and the Hospital's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Hospital does not consider these investments to be other-than-temporarily impaired at June 30, 2013

Note 4 - Property and Equipment

Construction in Progress

Construction in progress at June 30, 2013, represents the following projects

- *Central Utility Plant* As of June 30, 2013, $64,667 has been capitalized for this project The estimated cost to complete this project is $2,395,208, with construction commitments of $2,330,541 as of June 30, 2013 Of the estimated cost to complete this project, $500,000 will be financed by debt, the remaining balance will be financed with Hospital funds The Central Utility Plan project is expected to be completed February 2014
- *Surgery Expansion* As of June 30, 2013, $768,001 has been capitalized for this project The estimated cost to complete this project is $9,961,573, with construction commitments of $9,193,572 as of June 30, 2013 Of the estimated cost to complete this project, $3,500,000 will be financed by debt, the remaining balance will be financed with Hospital funds The Surgery Expansion project is expected to be completed October 2014
- *IT Server Room* As of June 30, 2013, $14,545 has been capitalized for this project The estimated cost to complete this project is $489,000 as of June 30, 2013, which will be financed with Hospital funds The IT Server Room project is expected to be completed October 2014

- *PCM Project* As of June 30, 2013, $176,632 has been capitalized for this project The estimated cost to complete this project is $324,000, with construction commitments of $147,368 as of June 30, 2013, which will be financed with Hospital funds The PCM project is expected to be completed October 2014

Two additional projects, the Family Health remodel and Patient Education expansion, have been put on hold As of June 30, 2013, $3,611 has been capitalized for these projects

Capitalized Interest

The amount of interest cost capitalized on assets acquired with proceeds of tax-exempt borrowings that are externally restricted shall be all interest cost of the borrowing less any investment income earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings from the date of the borrowing until the assets are ready for their intended use

The following is a summary of the amount of interest costs capitalized on assets acquired or constructed with proceeds of tax exempt borrowings during the years ended June 30, 2013 and 2012

	2013	2012
Interest costs on tax-exempt borrowings	$ 119,345	$ 550,404
Interest costs on completed, non constructed, assets	(116,150)	(463,555)
Interest costs on construction projects	3,195	86,849
Investment income earned on related interest-bearing investments	-	(11,193)
Interest capitalized on construction projects financed with proceeds of tax-exempt borrowings	$ 3,195	$ 75,656

Note 5 - Rental of Medical Office Buildings

The Hospital and Good Shepherd Medical Service Corporation (Subsidiary) operate the rental of medical office buildings Revenues and expenses are included in the consolidated totals Results consisted of the following

	2013	2012
Gross rents and utilities	$ 1,340,939	$ 1,038,001
Utilities, repairs, and other expenses	(299,014)	(205,877)
Property taxes	(155,677)	(115,947)
Depreciation expense	(517,819)	(471,320)
Rental gain	$ 368,429	$ 244,857

Interest expense from the Subsidiary of $423,829 in 2013 and $349,008 in 2012, to Good Shepherd Health Care System (Parent) is not included as an expense above The interest expense from the Subsidiary and the interest income to the Parent has been eliminated in the consolidation

The Hospital leases building space to other medical operations under operating leases Book value of building space under operating leases was $7,498,944 and $7,547,670 at June 30, 2013 and 2012, respectively, and is included in buildings and improvements in net property and equipment, at cost in the accompanying consolidated statement of financial position Accumulated depreciation on equipment under operating leases was $3,068,672 and $2,596,637 at June 30, 2013 and 2012, respectively Rental payments received operating leases totaled $1,129,759 and $886,221 for the years ended June 30, 2013 and 2012, respectively Minimum future rental payments on non-cancelable operating lease agreements, with terms of one year or longer, are receivable as follows

2014	$ 1,086,152
2015	706,998
2016	539,875
2017	218,277
Total	$ 2,551,302

Note 6 - Retail Pharmacy Operation

The Subsidiary also operates a retail pharmacy Revenues and expenses are included in the consolidated totals Retail pharmacy operations consisted of the following

	2013	2012
Pharmacy sales	$ 6,914,167	$ 5,011,384
Contractual adjustments	(3,537,608)	(2,426,003)
Cost of sales	(2,663,023)	(2,161,320)
Gross profit	713,536	424,061
Expenses		
Payroll services	(676,782)	(448,771)
Supplies and other pharmacy operations	(56,847)	(102,298)
Total expenses	(733,629)	(551,069)
Loss from retail pharmacy operation	$ (20,093)	$ (127,008)

Note 7 - Long-Term Debt

During the year ended June 30, 2013, the Hospital paid its long-term debt in full During the year ended June 30, 2012, the Hospital refinanced their debt by drawing on a line of credit Long-term debt at June 30, 2012 consisted of the following

	2013	2012
Morgan Stanley Line of Credit with a maximum principal amount of $19,750,000, maturing in November 2015, incurring interest at a variable LIBOR based rate, 2% at June 30, 2012 Collateralized by securities	$ -	$ 10,794,702

Note 8 - Leases

The Hospital leases various equipment and facilities under operating leases expiring at various dates through June 30, 2017 Total rental expense in 2013 and 2012 for all operating leases was $288,779 and $344,836, respectively

Minimum future lease payments for the operating leases are as follows

2014	$ 234,576
2015	232,076
2016	228,576
2017	221,546
Total	$ 916,774

Note 9 - Retirement Plan

The Hospital has a defined contribution pension plan under which all employees are eligible to participate, unless they have become employees as a result of an asset or stock acquisition, merger, or other similar transaction The Hospital will match contributions of 50% of salary deferrals for the first 6% of compensation deferred by the employee for employees who are union nurses with 11 or more years of service For all other employees, the Hospital will match up to 4% of annual compensation deferred by the employee All salary deferrals and matching contributions are deposited with the plan trustee, who invests the plan assets Total retirement plan expense for the years ended June 30, 2013 and 2012, was $1,271,197 and $1,242,039, respectively

Note 10 - Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of who are residents of Oregon and Southeast Washington and are insured under third-party payor agreements

The mix of receivables from patients and third-party payors follows

	2013	2012
Medicare	30%	27%
Medicaid	15%	17%
Blue Cross	7%	7%
Other third-party payors	30%	28%
Patients (self-pay)	18%	21%
	100%	100%

Note 11 - Functional Expenses

The Hospital provides health care services to residents of Oregon and Southeast Washington Expenses related to providing these services are summarized as follows

	Health Care Services	Fiscal and Administrative	Total
Year ended June 30, 2013			
Salaries and payroll costs	$ 24,554,370	$ 6,235,774	$ 30,790,144
Supplies and other expenses	36,295,543	3,934,714	40,230,257
Total expenses	$ 60,849,913	$ 10,170,488	$ 71,020,401
Year ended June 30, 2012			
Salaries and payroll costs	$ 22,768,833	$ 6,414,287	$ 29,183,120
Supplies and other expenses	35,890,994	3,537,028	39,428,022
Total expenses	$ 58,659,827	$ 9,951,315	$ 68,611,142

Note 12 - Fair Value of Assets

Assets measured at fair value on a recurring basis and the related fair values of these assets at June 30, 2013 and 2012 are as follows

	2013			
	Level 1	Level 2	Level 3	Total
Exchange-traded funds	$ 13,739,973	$ -	$ -	$ 13,739,973
Equities	12,577,870	-	-	12,577,870
	$ 26,317,843	$ -	$ -	$ 26,317,843

	2012			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 1,097,036	$ -	$ -	$ 1,097,036
Equities	24,083,866	-	-	24,083,866
Government Agency Bonds	-	896,003	-	896,003
Corporate bonds	-	14,492,327	-	14,492,327
	$ 25,180,902	$ 15,388,330	$ -	$ 40,569,232

The fair values for exchange-traded funds, mutual funds, equities, government agency bonds, and corporate bonds are determined by reference to quoted market prices

Note 13 - Fair Value of Financial Instruments

Cash and Cash Equivalents

The carrying amount reported in the consolidated balance sheets for cash and cash equivalents approximates its fair value

Assets Limited as to Use

The fair value of some instruments is estimated based on quoted market prices for those or similar investments

Note 14 - Contingencies

Malpractice Insurance

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of $1 million per claim and an annual aggregate limit of $10 million Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured

Litigations, Claims, and Disputes

The Hospital is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Hospital

The health care industry is subject to numerous laws and regulations of federal, state, and local governments Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services

Note 15 - Electronic Health Record Incentive Payments

During the year ended June 30, 2013, the Hospital received from Medicaid $547,540 as a lump sum incentive payment related to Electronic Health Records At the time the lump sum payment was received, the Hospital recorded other operating revenue for the entire amount as all requirements to recognize the revenue had been met

Supplemental Information
June 30, 2013 and 2012

Good Shepherd Health Care System

Good Shepherd Health Care System

Patient Service Revenue

Years Ended June 30, 2013 and 2012

	Year Ended June 30, 2013			Year Ended June 30, 2012		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Patient Services						
Acute care	$ 3,905,898	$ 835,947	$ 4,741,845	$ 3,676,146	$ 211,549	$ 3,887,695
Obstetrics and nursery	2,860,512	343,804	3,204,316	2,646,299	283,422	2,929,721
Special care	2,230,025	273,106	2,503,131	2,031,941	198,309	2,230,250
Diagnostic imaging	2,206,120	23,553,246	25,759,366	2,044,075	22,913,739	24,957,814
Emergency room	914,282	18,505,839	19,420,121	767,982	17,595,523	18,363,505
Surgery and recovery rooms	11,626,058	13,596,270	25,222,328	10,283,814	14,189,040	24,472,854
Laboratory	2,813,446	8,778,183	11,591,629	2,492,922	8,479,744	10,972,666
Pharmacy	2,935,029	5,972,491	8,907,520	2,798,381	5,376,230	8,174,611
Respiratory care, EKG, and EEG	1,994,332	1,667,425	3,661,757	2,147,554	1,524,373	3,671,927
Anesthesiology	2,131,305	3,986,032	6,117,337	1,911,779	3,975,189	5,886,968
Physical therapy	230,117	2,324,884	2,555,001	179,706	2,223,760	2,403,466
Home health	420	942,066	942,486	-	525,897	525,897
Clinic services	-	7,065,238	7,065,238	-	6,593,732	6,593,732
Retail pharmacy	-	6,865,793	6,865,793	-	5,006,622	5,006,622
Hospice care	10,197	707,482	717,679	5,131	1,009,224	1,014,355
Cardiac Rehab	-	420,702	420,702	331,302	-	331,302
IV Therapy	119,386	2,662,689	2,782,075	102,602	2,371,273	2,473,875
Speech	19,444	199,759	219,203	33,011	235,298	268,309
Occupational Therapy	28,376	23,814	52,190	8,046	149,525	157,571
Diabetes	9,917	114,706	124,623	34,452	127,214	161,666
Chemo Therapy	255	120,792	121,047	-	53,529	53,529
Hospitalists	500,069	165,619	665,688	357,685	198,584	556,269
Gross Patient Service Revenue	$ 34,535,188	$ 99,125,887	133,661,075	$ 31,852,828	$ 93,241,776	125,094,604
Medical, Welfare, Insurance, and Provision for Bad Debt Adjustments			56,984,173			49,898,636
Net Patient Service Revenue			$ 76,676,902			$ 75,195,968

Good Shepherd Health Care System

Operating Expenses

Years Ended June 30, 2013 and 2012

	Year Ended June 30, 2013			Year Ended June 30, 2012		
	Salaries and Wages	Supplies and Other Expenses	Total	Salaries and Wages	Supplies and Other Expenses	Total
Patient Services						
Acute care	$ 1,743,311	$ 191,131	$ 1,934,442	$ 1,825,289	$ 162,981	$ 1,988,270
Obstetrics and nursery	1,275,425	242,697	1,518,122	1,202,700	226,268	1,428,968
Special care	922,163	50,730	972,893	973,570	64,933	1,038,503
Diagnostic imaging	1,593,749	1,815,382	3,409,131	1,587,994	1,776,820	3,364,814
Emergency room	3,431,228	511,698	3,942,926	2,879,980	1,079,636	3,959,616
Surgery and recovery rooms	2,206,777	5,668,002	7,874,779	2,137,399	5,355,573	7,492,972
Laboratory	1,020,468	1,346,247	2,366,715	958,537	1,367,811	2,326,348
Pharmacy	732,410	2,507,312	3,239,722	593,060	2,172,172	2,765,232
Clinic services	4,184,988	1,929,034	6,114,022	4,045,161	1,825,911	5,871,072
Respiratory care, EKG, and EEG	695,223	108,092	803,315	696,227	135,743	831,970
Anesthesiology	597,220	942,827	1,540,047	602,105	1,011,061	1,613,166
Physical therapy	-	1,187,232	1,187,232	-	1,111,529	1,111,529
Home health	550,830	257,266	808,096	372,633	172,272	544,905
Hospice care	535,233	178,267	713,500	452,867	224,752	677,619
Medical services pharmacy	-	2,210,384	2,210,384	-	2,247,261	2,247,261
Hospitalists	744,157	622,869	1,367,026	596,674	916,758	1,513,432
Cardiac Rehab	193,584	8,680	202,264	176,774	25,304	202,078
IV Therapy	852,261	100,911	953,172	960,604	81,352	1,041,956
Boardman Pharmacy	497,957	229,113	727,070	23,119	74,776	97,895
Chemo Therapy	58,639	15,297	73,936	12,579	2,409	14,988
Speech Therapy	123,437	5,141	128,578	126,558	5,267	131,825
Diabetes	123,948	6,120	130,068	136,318	7,931	144,249
Occupational	32	22,630	22,662	73,845	5,356	79,201
Other Patient Services	-	3,981	3,981	-	2,562	2,562
	22,083,040	20,161,043	42,244,083	20,433,993	20,056,438	40,490,431
General Services						
Dietary and cafeteria	1,038,902	821,281	1,860,183	972,477	746,665	1,719,142
Maintenance	698,970	775,186	1,474,156	653,324	778,439	1,431,763
Environmental services	733,458	388,209	1,121,667	709,039	395,251	1,104,290
	2,471,330	1,984,676	4,456,006	2,334,840	1,920,355	4,255,195

Good Shepherd Health Care System
Operating Expenses
Years Ended June 30, 2013 and 2012

	Year Ended June 30, 2013			Year Ended June 30, 2012		
	Salaries and Wages	Supplies and Other Expenses	Total	Salaries and Wages	Supplies and Other Expenses	Total
Fiscal and Administrative Services						
Fiscal and administrative	3,324,188	3,415,036	6,739,224	3,831,018	3,112,014	6,943,032
Nursing administration and quality	1,546,636	213,274	1,759,910	1,228,304	128,407	1,356,711
Medical records	528,792	74,945	603,737	546,134	89,635	635,769
Purchasing	217,071	10,325	227,396	206,668	9,085	215,753
Daycare	318,479	72,335	390,814	314,777	67,996	382,773
Health education	270,089	143,276	413,365	260,829	127,383	388,212
Chaplain	30,519	5,523	36,042	26,557	2,508	29,065
	6,235,774	3,934,714	10,170,488	6,414,287	3,537,028	9,951,315
Other						
Medical services rentals	-	895,072	895,072	-	679,084	679,084
Payroll taxes and benefits	-	7,475,878	7,475,878	-	7,553,692	7,553,692
Interest	-	116,150	116,150	-	463,555	463,555
Depreciation and amortization	-	5,662,724	5,662,724	-	5,217,870	5,217,870
	-	14,149,824	14,149,824	-	13,914,201	13,914,201
	$ 30,790,144	$ 40,230,257	$ 71,020,401	$ 29,183,120	$ 39,428,022	$ 68,611,142

Good Shepherd Health Care System
Consolidating Schedule – Balance Sheet Information
June 30, 2013

	Good Shepherd Hospital	Medical Service Corp	Eliminating Entries	Consolidated Totals
Assets				
Current Assets				
Cash	$ 2,985,714	$ 209,391	$ -	$ 3,195,105
Patient accounts receivable, net of allowance of $2,853,858	12,056,888	187,097	-	12,243,985
Interest receivable - intercompany	3,102,750	-	(3,102,750)	-
Inventory of supplies	1,976,111	461,760	-	2,437,871
Estimated third-party payor settlements	1,790,418	-	-	1,790,418
Prepaid expenses	1,121,830	226,482	-	1,348,312
Other current assets	460,264	25,554	-	485,818
Total current assets	23,493,975	1,110,284	(3,102,750)	21,501,509
Assets limited as to use				
By the hospital board	47,561,922	-	-	47,561,922
Strategic property holdings	2,860,961	-	-	2,860,961
Unemployment deposit	631,733	-	-	631,733
Total assets limited as to use	51,054,616	-	-	51,054,616
Property and Equipment				
Land	951,448	48,493	-	999,941
Land improvements	1,661,392	258,424	-	1,919,816
Buildings	43,756,245	13,236,693	-	56,992,938
Equipment	37,860,275	480,058	-	38,340,333
Construction in progress	1,027,456	-	-	1,027,456
	85,256,816	14,023,668	-	99,280,484
Less accumulated depreciation	44,000,570	5,295,611	-	49,296,181
Total property and equipment	41,256,246	8,728,057	-	49,984,303
Other Assets				
Note receivable - subsidiary	13,099,221	-	(13,099,221)	-
Investment in CCO	600,000	-	-	600,000
Investment in other	30,000	-	-	30,000
Investment in subsidiary	(8,702,855)	-	8,702,855	-
	5,026,366	-	(4,396,366)	630,000
	$ 120,831,203	$ 9,838,341	$ (7,499,116)	$ 123,170,428

Good Shepherd Health Care System
Consolidating Schedule – Balance Sheet Information
June 30, 2013

	Good Shepherd Hospital	Medical Service Corp	Eliminating Entries	Consolidated Totals
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 1,806,394	$ 66,205	$ -	$ 1,872,599
Accrued payroll	2,245,531	-	-	2,245,531
Accrued vacation liabilities	1,765,137	-	-	1,765,137
Interest payable - intercompany	-	3,102,750	(3,102,750)	-
Other accrued liabilities	1,352,769	149,161	-	1,501,930
Total current liabilities	7,169,831	3,318,116	(3,102,750)	7,385,197
Long-Term Liabilities				
Note payable - subsidiary	-	13,099,221	(13,099,221)	-
Long-term debt, less current portion	-	-	-	-
Total liabilities	7,169,831	16,417,337	(16,201,971)	7,385,197
Net Assets				
Unrestricted	113,161,919	(6,578,996)	8,702,855	115,285,778
Temporarily restricted	499,453	-	-	499,453
Total net assets	113,661,372	(6,578,996)	8,702,855	115,785,231
	$ 120,831,203	$ 9,838,341	$ (7,499,116)	$ 123,170,428

Good Shepherd Health Care System
Consolidating Schedule – Balance Sheet Information
June 30, 2012

Assets	Good Shepherd Hospital	Medical Service Corp	Eliminating Entries	Consolidated Totals
Current Assets				
Cash	$ 4,198,077	$ 219,325	$ -	$ 4,417,402
Patient accounts receivable, net of allowance of $3,002,171	10,976,232	143,299	-	11,119,531
Interest receivable - intercompany	3,103,921	-	(3,103,921)	-
Inventory of supplies	1,591,960	376,814	-	1,968,774
Estimated third-party payor settlements	3,129,936	-	-	3,129,936
Prepaid expenses	788,546	11,815	-	800,361
Other current assets	303,153	8,106	-	311,259
Total current assets	24,091,825	759,359	(3,103,921)	21,747,263
Assets limited as to use				
By the Hospital Board	43,553,085	-	-	43,553,085
Strategic property holdings	2,730,126	-	-	2,730,126
Unemployment deposit	590,502	-	-	590,502
Total assets limited as to use	46,873,713	-	-	46,873,713
Property and Equipment				
Land	741,457	48,493	-	789,950
Land improvements	1,661,026	258,424	-	1,919,450
Buildings	43,200,442	13,094,437	-	56,294,879
Equipment	36,475,440	473,684	-	36,949,124
Construction in progress	47,535	-	-	47,535
	82,125,900	13,875,038	-	96,000,938
Less accumulated depreciation	39,486,403	4,777,792	-	44,264,195
Total property and equipment	42,639,497	9,097,246	-	51,736,743
Other Assets				
Note receivable - subsidiary	12,924,221	-	(12,924,221)	-
Investment in subsidiary	(8,510,356)	-	8,510,356	-
Total other assets	4,413,865	-	(4,413,865)	-
	$ 118,018,900	$ 9,856,605	$ (7,517,786)	$ 120,357,719

Good Shepherd Health Care System
Consolidating Schedule – Balance Sheet Information
June 30, 2012

	Good Shepherd Hospital	Medical Service Corp	Eliminating Entries	Consolidated Totals
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 1,427,098	$ 74,013	$ -	$ 1,501,111
Accrued payroll	2,208,352	-	-	2,208,352
Accrued vacation liabilities	1,726,511	-	-	1,726,511
Estimated third-party payor settlements	-	-	-	-
Interest payable - intercompany	-	3,103,921	(3,103,921)	-
Other accrued liabilities	1,565,384	154,474	-	1,719,858
Total current liabilities	6,927,345	3,332,408	(3,103,921)	7,155,832
Long-Term Liabilities				
Note payable - subsidiary	-	12,924,221	(12,924,221)	-
Long-term debt, less current portion	10,794,702	-	-	10,794,702
Total liabilities	17,722,047	16,256,629	(16,028,142)	17,950,534
Net Assets				
Unrestricted	99,920,618	(6,400,024)	8,510,356	102,030,950
Temporarily restricted	376,235	-	-	376,235
Total net assets	100,296,853	(6,400,024)	8,510,356	102,407,185
	$ 118,018,900	$ 9,856,605	$ (7,517,786)	$ 120,357,719

Good Shepherd Health Care System
Consolidating Schedule – Statements of Operations Information
Year Ended June 30, 2013

	Hospital Medical Center	Clinic Medical Group	Subsidiary Pharmacy	Subsidiary Rentals	Eliminating Entries	Consolidated Totals
Gross Patient Revenue						
Inpatient services	$ 31,802,876	$ -	$ -	$ -	$ -	$ 31,802,876
Outpatient services	78,454,515	6,811,575	6,865,793	-	-	92,131,883
Total gross patient revenue	110,257,391	6,811,575	6,865,793	-	-	123,934,759
Deductions from Patient Revenue						
Medicare allowances	(22,822,337)	(362,358)	(628,225)	-	-	(23,812,920)
Welfare allowances	(10,578,085)	(1,167,081)	(462,822)	-	-	(12,207,988)
Other allowances	(4,223,200)	(525,358)	(2,446,561)	-	-	(7,195,119)
Administrative adjustments	(277,967)	-	-	-	-	(277,967)
Total deductions	(37,901,589)	(2,054,797)	(3,537,608)	-	-	(43,493,994)
Net patient revenue	72,355,802	4,756,778	3,328,185	-	-	80,440,765
Provision for bad debts	(3,711,674)	(52,189)	-	-	-	(3,763,863)
Net patient service revenue less provision for bad debts	68,644,128	4,704,589	3,328,185	-	-	76,676,902
Other revenue	2,133,619	42	44,038	1,129,759	-	3,307,458
Net assets released from restrictions used for operations	17,785	-	-	-	-	17,785
Total revenues, gains, and other support	70,795,532	4,704,631	3,372,223	1,129,759	-	80,002,145
Expenses						
Salaries and wages	26,605,156	4,184,988	-	-	-	30,790,144
Employee benefits	6,414,949	1,060,929	-	-	-	7,475,878
Supplies	10,782,476	456,830	2,672,568	6,250	-	13,918,124
Depreciation and amortization	5,144,905	-	-	517,819	-	5,662,724
Interest	116,150	-	-	423,829	(423,829)	116,150
Professional fees	2,901,364	1,114,375	-	-	-	4,015,739
Purchased services	4,506,709	226,637	676,782	126,141	-	5,536,269
Insurance	561,413	-	-	14,689	-	576,102
Rental and lease	215,405	44,306	29,068	-	-	288,779
Utilities and telephone	742,854	38,071	-	151,934	-	932,859
Travel and education	449,796	22,900	315	-	-	473,011
Dues and subscriptions	123,226	7,381	1,450	-	-	132,057
Recruitment	197,964	-	-	-	-	197,964
Other direct expenses	713,918	18,537	16,469	155,677	-	904,601
Total expenses	59,476,285	7,174,954	3,396,652	1,396,339	(423,829)	71,020,401

Good Shepherd Health Care System
Consolidating Schedule – Statements of Operations Information
Year Ended June 30, 2013

	Hospital Medical Center	Clinic Medical Group	Subsidiary Pharmacy	Subsidiary Rentals	Eliminating Entries	Consolidated Totals
Operating Income (Loss)	11,319,247	(2,470,323)	(24,429)	(266,580)	423,829	8,981,744
Other Income (Expense)						
Investment income	3,957,212	-	-	-	(423,829)	3,533,383
Nonoperating revenues	-	-	4,336	107,701	-	112,037
Nonoperating expenses	(2,391,838)	-	-	-	2,302,831	(89,007)
Charitable donations	(326,745)	-	-	-	-	(326,745)
Total other income, net	1,238,629	-	4,336	107,701	1,879,002	3,229,668
Revenues in Excess of Expenses	12,557,876	(2,470,323)	(20,093)	(158,879)	2,302,831	12,211,412
Change in Unrealized Gains and Losses on Investments	1,043,416	-	-	-	-	1,043,416
Change in Unrestricted Net Assets	$ 13,601,292	$ (2,470,323)	$ (20,093)	$ (158,879)	$ 2,302,831	$ 13,254,828

Good Shepherd Health Care System
Consolidating Schedule – Statement of Operations Information
Year Ended June 30, 2012

	Hospital Medical Center	Clinic Medical Group	Subsidiary Pharmacy	Subsidiary Rentals	Eliminating Entries	Consolidated Totals
Gross Patient Revenue						
Inpatient services	$ 29,602,033	$ -	$ -	$ -	$ -	$ 29,602,033
Outpatient services	76,975,584	6,353,135	5,006,622	-	-	88,335,341
Total gross patient revenue	106,577,617	6,353,135	5,006,622	-	-	117,937,374
Deductions from Patient Revenue						
Medicare allowances	(19,418,077)	(347,563)	(430,821)	-	-	(20,196,461)
Welfare allowances	(9,467,772)	(477,948)	(317,392)	-	-	(10,263,112)
Other allowances	(4,563,818)	(649,387)	(1,677,790)	-	-	(6,890,995)
Administrative adjustments	(370,682)	-	-	-	-	(370,682)
Total deductions	(33,820,349)	(1,474,898)	(2,426,003)	-	-	(37,721,250)
Net patient revenue	72,757,268	4,878,237	2,580,619	-	-	80,216,124
Provision for bad debts	(4,929,999)	(90,157)	-	-	-	(5,020,156)
Net patient service revenue less provision for bad debts	67,827,269	4,788,080	2,580,619	-	-	75,195,968
Other revenue	1,562,627	(15)	-	886,221	-	2,448,833
Net assets released from restrictions used for operations	28,960	-	-	-	-	28,960
Total revenues, gains, and other support	69,418,856	4,788,065	2,580,619	886,221	-	77,673,761
Expenses						
Salaries and wages	25,137,959	4,045,161	-	-	-	29,183,120
Employee benefits	6,526,343	1,027,349	-	-	-	7,553,692
Supplies	10,125,594	408,901	2,166,241	16,273	-	12,717,009
Depreciation and amortization	4,790,921	-	-	426,949	-	5,217,870
Interest	463,555	-	-	349,008	(349,008)	463,555
Professional fees	3,724,853	927,686	-	-	-	4,652,539
Purchased services	4,207,638	357,665	448,771	65,625	-	5,079,699
Insurance	581,540	-	-	11,988	-	593,528
Rental and lease	220,844	39,540	84,452	-	-	344,836
Utilities and telephone	726,094	36,056	-	111,991	-	874,141
Travel and education	444,179	18,853	303	-	-	463,335
Dues and subscriptions	117,320	8,524	1,726	-	-	127,570
Recruitment	477,493	-	-	-	-	477,493
Other direct expenses	707,226	28,686	10,896	115,947	-	862,755
Total expenses	58,251,559	6,898,421	2,712,389	1,097,781	(349,008)	68,611,142

Good Shepherd Health Care System
Consolidating Schedule – Statement of Operations Information
Year Ended June 30, 2012

	Hospital Medical Center	Clinic Medical Group	Subsidiary Pharmacy	Subsidiary Rentals	Eliminating Entries	Consolidated Totals
Operating Income (Loss)	11,167,297	(2,110,356)	(131,770)	(211,560)	349,008	9,062,619
Other Income (Expense)						
Investment income	1,176,976	-	-	-	(349,008)	827,968
Nonoperating revenues	61,793	-	4,762	51,277	-	117,832
Nonoperating expenses	(2,397,623)	-	-	-	2,397,623	-
Charitable donations	(322,510)	-	-	-	-	(322,510)
Total other income, net	(1,481,364)	-	4,762	51,277	2,048,615	623,290
Revenues in Excess of Expenses	9,685,933	(2,110,356)	(127,008)	(160,283)	2,397,623	9,685,909
Change in Unrealized Gains and Losses on Investments	(2,215,685)	-	-	-	-	(2,215,685)
Change in Unrestricted Net Assets	$ 7,470,248	$ (2,110,356)	$ (127,008)	$ (160,283)	$ 2,397,623	$ 7,470,224