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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 10-01-2012 , 2012, and ending 09-30-2013

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

C Name of organization
SKY LAKES MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2865 DAGGETT AVENUE

City or town, state or country, and ZIP + 4
KLAMATH FALLS, OR 97601

D Employer identification number
93-0508781

E Telephone number
(541) 274-6311

G Gross receipts $ 448,750,541

F Name and address of principal officer
PAUL STEWART
2865 DAGGETT AVENUE
KLAMATH FALLS,OR 97601

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 SKYLAKES ORG

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

L Year of formation 1979

M State of legal domicile OR

Part I Summary

1 Briefly describe the organization's mission or most significant activities
SKY LAKES MEDICAL CENTER WILL CONTINUALLY STRIVE TO REDUCE THE BURDEN OF ILLNESS, INJURY AND DISABILITY, AND TO IMPROVE THE HEALTH, SELF- RELIANCE AND WELL-BEING OF THE PEOPLE WE SERVE WE WILL DEMONSTRATE THAT WE ARE COMPETENT AND CARING IN ALL WE DO WE SHALL ENDEAVOR TO BE SO SUCCESSFUL IN THIS EFFORT THAT WE WILL BECOME A PREEMINENT HEALTHCARE CENTER

2 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**	9
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	8
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	1,344
6	Total number of volunteers (estimate if necessary)	**6**	359
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	7,352
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	3,390

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	519,427	2,108,577
	9 Program service revenue (Part VIII, line 2g)	390,702,910	443,177,926
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,585,916	2,891,059
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	94,687	-239,830
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	392,902,940	447,937,732
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	224,181	252,388
	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)	78,196,204	83,990,919
	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)	296,902,508	348,624,683
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	375,322,893	432,867,990
	19 Revenue less expenses Subtract line 18 from line 12	17,580,047	15,069,742

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	194,957,124	216,824,030
	21 Total liabilities (Part X, line 26)	69,739,902	76,047,401
	22 Net assets or fund balances Subtract line 21 from line 20	125,217,222	140,776,629

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

****** | 2014-08-14
Signature of officer | Date

RICHARD RICO VP/CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
WENDY CAMPOS				P00448102

Firm's name ▶ MOSS ADAMS LLP | Firm's EIN ▶ 91-0189318

Firm's address ▶ 805 SW BROADWAY STE 1200
PORTLAND, OR 97205 | Phone no (503) 242-1447

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

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

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations 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 $ 372,330,650 including grants of $ 26,774) (Revenue $ 438,377,350)

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

4b (Code) (Expenses $ 29,892,158 including grants of $) (Revenue $)

UNCOMPENSATED CARE - DURING FISCAL YEAR 2013, SKY LAKES MEDICAL CENTER CONTINUED TO SEE AN INCREASE IN CHARITY CARE APPLICATIONS AND WRITE OFFS FOR BAD DEBT BY WAY OF COMPARISON, THE ECONOMY IN KLAMATH COUNTY IS POORER THAN THE STATE OF OREGON, INCLUDING HIGHER UNEMPLOYMENT RATES AND MEDICAL INDIGENCY CHARGES WRITTEN OFF UNDER OUR BROAD REACHING CHARITY CARE POLICY TOTALED $15,764,015 CHARGES WRITTEN OFF AS BAD DEBT TOTALED $14,128,143 AS A PERCENTAGE OF CHARGES, THESE REPRESENT 4 1% AND 3 2% RESPECITVELY THE AVERAGE CHARITY CARE WRITE OFFS BACK TO 2004 RAN 2 8% WE ARE DOING A MUCH BETTER JOB OF IDENTIFYING PATIENTS REQUIRING CHARITY CARE AT THE TIME SERVICE IS PROVIDED AND AVOIDING, AS MUCH AS POSSIBLE, HAVING SERVICES LATER CHARGED OFF AS BAD DEBT THIS IS PUSHING UP OUR CHARITY CARE WRITE OFFS AND BRINGING DOWN OUR BAD DEBT WRITE OFFS

4c (Code) (Expenses $ 5,177,705 including grants of $ 149,899) (Revenue $ 1,755,080)

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

(Code) (Expenses $ 75,715 including grants of $ 75,715) (Revenue $ 3,115,435)

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

4d Other program services (Describe in Schedule O)

(Expenses $ 75,715 including grants of $ 75,715) (Revenue $ 3,115,435)

4e **Total program service expenses** ▶ 407,476,228

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 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	Yes	
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI 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**	Yes	
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**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**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**	Yes	
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**		No
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**	Yes	
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**		No
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	203		
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	1,344		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b		Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
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** 9		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	**1b** 8		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**		No
6	Did the organization have members or stockholders?	**6**		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	**8a**	Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	**10a**		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	**10b**		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	**11a**		No
b	Describe in Schedule O the process, if any, used by the organization to review 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**	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	**16a**	Yes	
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	**16b**		No

Section C. Disclosure

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

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

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

▶ RICHARD RICO VPCFO 2865 DAGGETT AVENUE KLAMATH FALLS, OR (541) 274-6150

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation 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) JOHN BELL CHAIRMAN	3 00 1 00	X		X				0	0	0
(2) ROD WENDT VICE CHAIRMAN	1 00 1 00	X		X				0	0	0
(3) PAUL R STEWART PRESIDENT/CEO/SECRETARY/TREASURER	50 00 1 00	X		X				530,703	0	26,888
(4) KERMIT HOUSER BOARD MEMBER	1 00 1 00	X						0	0	0
(5) CLARK PEDERSON BOARD MEMBER	1 00 3 00	X						0	0	0
(6) BERNARD SIMONSON BOARD MEMBER	1 00 1 00	X						0	0	0
(7) WENDY WARREN MD BOARD MEMBER	1 00 1 00	X						0	0	0
(8) DOUGLAS MCINNIS DVM BOARD MEMBER	1 00 1 00	X						0	0	0
(9) JOHN R PATTE MD BOARD MEMBER	10 00 1 00	X						22,550	0	0
(10) GRANT NISKANEN MD BOARD MEMBER	40 00 1 00	X						188,718	0	7,356
(11) RICHARD RICO VP/CFO	50 00			X				358,926	0	32,096
(12) PATRICK MAVEETY MD MEDICAL PROVIDER	40 00					X		450,572	0	21,224
(13) STANTON T SMITH MD MEDICAL PROVIDER	40 00					X		420,333	0	31,844
(14) RICHARD DEVORE MD MEDICAL PROVIDER	40 00					X		340,858	0	30,860
(15) JAYMIE PANUNCIALMAN MD MEDICAL PROVIDER	40 00					X		271,669	0	32,039
(16) W CLAY MCCORD MD MEDICAL PROVIDER	40 00					X		233,014	0	24,960

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			
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								2,817,343	0	207,267

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 ▶74

			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
KLAMATH ORTHOPEDIC CLINIC 2220 BRYANT WILLIAMS DRIVE KLAMATH FALLS OR 97601	PHYSICIAN PRACTICE	1,209,061
EBMS 2075 OVERLAND AVENUE BILLINGS MT 59102	BENEFIT PLAN ADMIN	682,893
MODOC CONTRACTING COMPANY INC 409 PINE STREET KLAMATH FALLS OR 97601	CONSTRUCTION CONTRACTING	667,161
WEATHERBY LOCUMS INC 6451 NORTH FEDERAL HIGHWAY SUITE 8 FORT LAUDERDALE FL 33308	STAFFING SERVICES	619,717
LINDE HEALTHCARE STAFFING PO BOX 915241 DALLAS TX 753915241	STAFFING SERVICES	514,206

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 ▶20

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	2,108,577			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		2,108,577			
Program Service Revenue			Business Code				
	2a	PATIENT REVENUE	621990	438,377,350	438,377,350		
	b	OTHER PROGRAM REVENUE	621990	4,800,576	4,800,576		
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		443,177,926			
	3	Investment income (including dividends, interest, and other similar amounts)		2,900,065			2,900,065
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					

		(i) Real	(ii) Personal				
	6a	Gross rents	700,809					
	b	Less rental expenses	696,231					
	c	Rental income or (loss)	4,578					
	d	Net rental income or (loss)		4,578			4,578

		(i) Securities	(ii) Other				
	7a	Gross amount from sales of assets other than inventory		70				
	b	Less cost or other basis and sales expenses		9,076				
	c	Gain or (loss)		-9,006				
	d	Net gain or (loss)			-9,006			-9,006
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	121,394				
	b	Less cost of goods sold	b	107,502				
	c	Net income or (loss) from sales of inventory			13,892			13,892
		Miscellaneous Revenue		Business Code				
	11a	PASSTHROUGH INCOME		621990	77,291	69,939	7,352	
	b	OTHER INCOME		900099	-335,591			-335,591
	c							
	d	All other revenue						
	e	**Total.** Add lines 11a–11d			-258,300			
	12	**Total revenue.** See Instructions			447,937,732	443,247,865	7,352	2,573,938

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	75,715	75,715		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	176,673	176,673		
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,146,100	77,539	1,068,561	
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	65,342,344	60,505,061	4,837,283	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	2,597,994	2,262,235	335,759	
9 Other employee benefits	9,778,650	8,928,050	850,600	
10 Payroll taxes	5,125,831	4,136,050	989,781	
11 Fees for services (non-employees)				
a Management				
b Legal	200,148	7,186	192,962	
c Accounting	159,213	640	158,573	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	7,910,450	7,103,057	807,393	
12 Advertising and promotion	771,848	280,495	491,353	
13 Office expenses	1,971,073	1,207,459	763,614	
14 Information technology	2,689,197	60,729	2,628,468	
15 Royalties . .				
16 Occupancy	3,224,822	3,122,358	102,464	
17 Travel	157,063	116,778	40,285	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	529,535	447,937	81,598	
20 Interest	2,925,239	12,006	2,913,233	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	8,826,235	3,049,835	5,776,400	
23 Insurance	1,939,887	825,714	1,114,173	
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 CONTRACTUAL ALLOWANCE	240,886,726	240,886,726		
b SUPPLIES	25,572,088	25,439,414	132,674	
c CHARITY CARE	15,764,015	15,764,015		
d TAXES PAID ON UBI	1,200		1,200	
e All other expenses	35,095,944	32,990,556	2,105,388	
25 **Total functional expenses.** Add lines 1 through 24e	432,867,990	407,476,228	25,391,762	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		92,098	1	10,740,249
	2	Savings and temporary cash investments		29,636,460	2	24,067,447
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		23,811,862	4	21,815,609
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	150,313
	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			7	
	8	Inventories for sale or use		2,234,783	8	1,814,623
	9	Prepaid expenses and deferred charges		2,793,011	9	2,416,059
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 186,489,536			
	b	Less accumulated depreciation	10b 97,645,966	85,334,626	10c	88,843,570
	11	Investments—publicly traded securities		28,172,899	11	37,089,769
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		3,196,520	13	3,712,125
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		19,684,865	15	26,174,266
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		194,957,124	16	216,824,030
Liabilities	17	Accounts payable and accrued expenses		7,093,782	17	6,166,803
	18	Grants payable			18	
	19	Deferred revenue		2,574,744	19	2,541,306
	20	Tax-exempt bond liabilities		50,102,082	20	55,834,010
	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		1,093,445	23	1,014,735
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		8,875,849	25	10,490,547
	26	**Total liabilities.** Add lines 17 through 25		69,739,902	26	76,047,401
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		125,217,222	27	140,776,629
	28	Temporarily restricted net assets			28	
	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		125,217,222	33	140,776,629
	34	Total liabilities and net assets/fund balances		194,957,124	34	216,824,030

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	447,937,732
2	Total expenses (must equal Part IX, column (A), line 25)	2	432,867,990
3	Revenue less expenses Subtract line 2 from line 1	3	15,069,742
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	125,217,222
5	Net unrealized gains (losses) on investments	5	497,111
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	-7,446
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	140,776,629

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
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

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

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

1 ☐ A church, convention of churches, or association of churches 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
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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	b (c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance	13,956,740	11,698,651	12,339,426	11,694,819	14,291,129
b	Contributions	12,716	20,361	98,175	86,864	164,841
c	Net investment earnings, gains, and losses	2,126,606	2,760,201	-202,310	1,209,992	-2,183,225
d	Grants or scholarships	10,509	12,270	32,407	37,029	10,388
e	Other expenditures for facilities and programs	1,214,051	220,861	256,108	390,645	341,106
f	Administrative expenses	281,672	289,342	248,125	224,575	226,432
g	End of year balance	14,589,830	13,956,740	11,698,651	12,339,426	11,694,819

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

- a Board designated or quasi-endowment ▶ 100 000 %
- b Permanent endowment ▶ 0 %
- c Temporarily restricted endowment ▶ 0 %

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

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		1,882,451		1,882,451
b Buildings		114,277,095	52,473,028	61,804,067
c Leasehold improvements		4,298,719	2,536,442	1,762,277
d Equipment		48,102,006	34,554,704	13,547,302
e Other		17,929,265	8,081,792	9,847,473
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				88,843,570

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
(1) ASSETS LIMITED AS TO USE	9,485,540
(2) OTHER ASSETS	1,526,526
(3) RISK POOL WITHHOLD RECEIVABLE	1,883,658
(4) DEFERRED FINANCING COSTS	1,776,101
(5) CONSTRUCTION IN PROCESS	4,502,724
(6) OTHER RECEIVABLES	6,999,717
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	26,174,266

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
CAPITAL LEASE OBLIGATIONS	6,773,237
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	3,717,310
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	10,490,547

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	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	

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

1	Total expenses and losses per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIII)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	

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 INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	ENDOWMENTS ARE HELD BY A RELATED ORGANIZATION, SKY LAKES MEDICAL CENTER FOUNDATION, FOR THE BENEFIT OF SKY LAKES MEDICAL CENTER THE CONTINUED GROWTH OF THE ENDOWMENT FUNDS ALLOWS FOR LARGER EXPENDITURES OF INVESTMENT AND OTHER INCOME TO BE SPENT WITHOUT EXPENDING ANY OF THE INITIAL GIFTED FUNDS OR DESIGNATED FUNDS, WHICH REMAIN AS ENDOWED FUNDS
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	FIN 48 (ASC 740) FOOTNOTE - THE MEDICAL CENTER HAD NO UNRECOGNIZED TAX BENEFITS AT SEPTEMBER 30, 2013 OR 2012 THE MEDICAL CENTER RECOGNIZES INTEREST ACCRUED AND PENALTIES RELATED TO UNRECOGNIZED TAX BENEFITS AS AN ADMINISTRATIVE EXPENSE DURING THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012, THE MEDICAL CENTER RECOGNIZED NO INTEREST AND PENALTIES THE MEDICAL CENTER FILES AN EXEMPT ORGANIZATION INFORMATION AND AN UNRELATED BUSINESS INCOME TAX RETURN IN THE U S FEDERAL JURISDICTION AND AN UNRELATED BUSINESS INCOME TAX RETURN WITH THE OREGON DEPARTMENT OF REVENUE

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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
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

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)		12,536	12,859,735		12,859,735	3 070 %
b Medicaid (from Worksheet 3, column a)			30,401,970	30,347,469	54,501	0 010 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs		12,536	43,261,705	30,347,469	12,914,236	3 080 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	12	46,899	247,267	2,352	244,915	0 060 %
f Health professions education (from Worksheet 5)	2	5	4,149,876	1,755,080	2,394,796	0 570 %
g Subsidized health services (from Worksheet 6)	5	244,041	25,510,013	18,652,208	6,857,805	1 640 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			144,823		144,823	0 030 %
j **Total.** Other Benefits	19	290,945	30,051,979	20,409,640	9,642,339	2 300 %
k **Total.** Add lines 7d and 7j	19	303,481	73,313,684	50,757,109	22,556,575	5 380 %

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support	9	231,143	654,874	483,773	171,101	0 040 %
4	Environmental improvements						
5	Leadership development and training for community members	1	1,660	16,240	0	16,240	0 %
6	Coalition building	1	4,800	1,020	0	1,020	0 %
7	Community health improvement advocacy	12	107,303	174,340	0	174,340	0 040 %
8	Workforce development	3	100,030	760,484	0	760,484	0 180 %
9	Other						
10	**Total**	26	444,936	1,606,958	483,773	1,123,185	0 260 %

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	14,128,143		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	2,684,347		
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	45,723,823		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	48,138,478		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-2,414,655		
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	SKY LAKES MEDICAL CENTER 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601 WWW SKYLAKES ORG	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 SKY LAKES MEDICAL CENTER

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**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ 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 200 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 400 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?
14

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
		PART I, LINE 7 A COST-TO-CHARGE RATIO WAS USED FOR THE FINANCIAL ASSISTANCE AND COMMUNITY BENEFITS TABLE THE RATIO WAS DERIVED USING WORKSHEET 2, 'RATIO OF PATIENT CARE COST-TO-CHARGES '
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS $ 14128143

Identifier	ReturnReference	Explanation
		PART II COMMUNITY BUILDING ACTIVITIES COMMUNITY SUPPORT ACTIVITIES INCLUDE KLAMATH-LAKE CHILD ABUSE RESPONSE AND EVALUATION SERVICES (CARES) CARES IS DEDICATED TO PROVIDING SAFE, COMPREHENSIVE, OBJECTIVE MEDICAL ASSESSMENTS, AND TO RAISING AWARENESS ABOUT CHILD ABUSE THROUGH COORDINATED, COLLABORATIVE EDUCATIONAL PROGRAMS FOUR TIMES PER YEAR, DISCOUNTED AND FREE PRESCRIPTION DRUGS, ALONG WITH EDUCATIONAL SUPPORT BY LICENSED PHARMACISTS, ARE PROVIDED TO LOW INCOME ELDERLY THROUGH LOCAL SENIOR CENTERS THE NO ONE DIES ALONE PROGRAM IS A VOLUNTEER PROGRAM THAT PROVIDES THE REASSURING PRESENCE OF A VOLUNTEER COMPANION TO DYING PATIENTS WHO WOULD OTHERWISE BE ALONE SKY LAKES ALSO PARTICIPATES IN RELAY FOR LIFE, UNITED WAY AND OTHER LOCAL FUNDRAISING AND AWARENESS INITIATIVES, AS WELL AS ONGOING EFFORTS IN THE PERIOD OF PURPLE CRYING COMMUNITY EDUCATION CAMPAIGN THERE ARE A NUMBER OF OTHER COMMUNITY SUPPORT ACTIVITIES THAT ARE PROVIDED, INCLUDING BUT NOT LIMITED TO SPONSORSHIP OF SUPPORT GROUPS FOR CANCER, ADOPTING FAMILIES AT CHRISTMAS, TRANSPORTATION ASSISTANCE TO INDIGENT PATIENTS, STAFF VOLUNTEER PARTICIPATION IN COMMUNITY EVENTS, AND FREE ACCESS TO MEETING ROOMS LEADERSHIP DEVELOPMENT AND TRAINING FOR COMMUNITY MEMBERS SKY LAKES AND SKY LAKES EMPLOYEES WORK IN CONJUNCTION WITH THE KLAMATH COUNTY HIGH SCHOOLS AND OREGON INSTITUTE OF TECHNOLOGY TO DEVELOP AN AWARENESS OF HEALTH CARE, HEALTH CARE CAREERS, AND SUPPORT FOR HEALTH PROFESSIONS EDUCATION SUPPORT AND TRAINING SENIORS IN THE OREGON HEALTH & SCIENCE UNIVERSITY NURSING PROGRAM IN KLAMATH FALLS CONDUCT QUALITATIVE SURVEILLANCE OF THE PERCEIVED HEALTH STATUS OF PEOPLE IN NEARBY COMMUNITIES AND REPORT ON BARRIERS TO ACCESS TO HEALTHCARE IDENTIFIED BY THOSE COMMUNITIES THE STUDENTS USE TOOLS INCLUDING ONE-ON-ONE INTERVIEWS, FOCUS GROUPS, PUBLIC MEETINGS, AND PHONE SURVEYS THEIR DATA ARE SHARED WITH COMMUNITY LEADERS AND COMPARED WITH OTHER DATA TO DEVELOP COMPREHENSIVE IMPROVEMENT STRATEGIES COALITION BUILDING THE LOCAL HEALTH DEPARTMENT, IN CONJUNCTION WITH THE OREGON HEALTH DEPARTMENT, PERIODICALLY PERFORMS HEALTH ASSESSMENTS OF THE PEOPLE IN THE COMMUNITIES SERVED BY SKY LAKES THE MEDICAL CENTER WORKS WITH LOCAL HEALTH AUTHORITIES TO DETERMINE THE HEALTH INITIATIVES THAT CAN BE JOINTLY ADDRESSED BY COMMUNITY LEADERS, WITH SKY LAKES MEDICAL CENTER SERVING A SIGNIFICANT LEADERSHIP ROLE SKY LAKES MEDICAL CENTER ACTIVELY PARTNERS WITH AGENCIES SUCH AS THE KLAMATH COUNTY HEALTH DEPARTMENT, OREGON HEALTH & SCIENCE UNIVERSITY, AND THE UNITED WAY OF THE KLAMATH BASIN IN HEALTH-IMPROVEMENT INITIATIVES EMPLOYEES VOLUNTEER THEIR TIME FOR LEADERSHIP KLAMATH, KLAMATH HOSPICE AND MANY OTHER COMMUNITY SERVICE ORGANIZATIONS WHERE LEADERS COME TOGETHER COMMUNITY HEALTH IMPROVEMENT ADVOCACY SKY LAKES ALSO SUPPORTS COMMUNITY HEALTH IMPROVEMENT ADVOCACY VIA THE SOUTHERN OREGON METH PROJECT SOMP IS MADE UP OF COMMUNITY BUSINESSES THAT HOPE TO HAVE AN IMPACT ON THE 75% OF CHILDREN IN FOSTER CARE THAT ARE THERE BECAUSE OF METH AND ON THE 8 OUT OF 10 ARRESTS BEING RELATED TO METH OVERWHELMED COURTS AND JAILS IN OUR COMMUNITY HELP DRIVE THE SOMP PARTNERS TO COME TOGETHER TO STOP THE NEXT GENERATION FROM WORSENING THE PROBLEM OTHER HEALTH IMPROVEMENT ADVOCACY TAKES PLACE VIA AN ANNUAL HEALTH FAIR AND ONGOING EDUCATIONAL OFFERINGS FOR HEART DISEASE, CHOLESTEROL SCREENING, WEIGHT MANAGEMENT, NUTRITION, DUII, EATING ON A BUDGET, BREASTFEEDING, SMOKING CESSATION, CAR SEAT SAFETY, AIDS/HIV, AND DIABETES IN ADDITION TO COMMUNITY MEMBERS, EDUCATIONAL OFFERINGS INCLUDE NURSING STUDENTS, ELEMENTARY, MIDDLE, HIGH SCHOOLS AND LOCAL COLLEGES EMPLOYEE SUPPORT - TIME AND MONETARY DONATIONS - OF LOCAL FOOD BANKS IS ALSO ENCOURAGED WORKFORCE DEVELOPMENT SKY LAKES UNDERWRITES THE WAGES AND BENEFITS OF SELECTED NEW GRADUATES FROM THE LOCAL BACCALAUREATE NURSING PROGRAM THESE NURSES SPEND 6 MONTHS ORIENTING TO VARIOUS INPATIENT UNITS BY SHADOWING EXPERIENCED REGISTERED NURSES IN ORDER TO DETERMINE THE BEST EMPLOYMENT "FIT" FOR THEM AND FOR SKY LAKES
		PART III, LINE 4 BAD DEBTS ARE ACCRUED MONTHLY AT A FIXED PERCENTAGE OF GROSS CHARGES BOOKED BAD DEBT EXPENSE IS ROUTINELY COMPARED TO ACTUAL BAD DEBT WRITEOFFS, WHICH INCLUDE PAYMENTS TO PREVIOUSLY RECORDED BAD DEBTS, AND THE ACCRUAL PERCENTAGE IS ADJUSTED ACCORDINGLY THIS PROCESS HAS THE INTENDED EFFECT OF REALIZING BAD DEBT EACH MONTH AS A LESS VOLATILE EXPENSE BAD DEBT EXPENSE INCLUDES PAYMENTS - PATIENT AND INSURANCE - TO PREVIOUSLY RECORDED BAD DEBTS SKY LAKES MEDICAL CENTER OFFERS A CHARITY CARE APPLICATION TO ALL PATIENTS, EITHER IN PERSON OR MAKING IT AVAILABLE VIA US MAIL OR ON THE HOSPITAL'S WEBSITE A SAMPLE OF PROCESSED CHARITY CARE APPLICATIONS WAS TAKEN WE FOUND THAT 19% OF CHARITY CARE APPLICATIONS WERE TURNED TO BAD DEBT DUE TO LACK OF INFORMATION SUPPLIED BY THE HOUSEHOLD WE ASSUME THAT ALL REMAINING BAD DEBT ACCOUNTS WERE CORRECTLY CLASSIFIED DURING OUR COLLECTION PROCESS THIS 19% REPRESENTS $2 7 MILLION THE FOOTNOTE THAT DISCUSSES BAD DEBT EXPENSE IS CONTAINED ON PAGE 11 OF THE ATTACHED FINANCIAL STATEMENTS, ENTITLED 'PATIENT ACCOUNTS RECEIVABLE '

Identifier	ReturnReference	Explanation
		PART III, LINE 8 MEDICARE REIMBURSEMENTS DO NOT COVER THE COSTS OF DELIVERING CARE TO THE COMMUNITY IN ADDITION, SKY LAKES IS A TEACHING HOSPITAL THAT PROVIDES ACCESS TO PRIMARY CARE IN A RURAL COMMUNITY THAT HAS A PHYSICIAN SHORTAGE SERVICES PROVIDED AND PAID ON THE MEDICARE FEE SCHEDULE (E G OUTPATIENT LAB TESTS, OUTPATIENT THERAPY SERVICES, OR PROVIDER BASED PHYSICIAN SERVICES) ARE NOT INCLUDED IN THE MEDICARE AMOUNTS INCLUDED IN PART III, SECTION B SKY LAKES DOES NOT UTILIZE A COST ACCOUNTING SYSTEM VENDORS AND SURVEYING AGENCIES (GOVERNMENTAL AND NON-GOVERNMENTAL) ARE PROVIDED WITH THE MEDICARE COST REPORT COST-TO-CHARGE RATIO WHEN THEY REQUEST IT COSTS OF ROUTINE AND ICU NURSING SERVICES ARE CALCULATED ON A PER DIEM ANCILLARY SERVICE COSTS ARE CALCULATED BASED ON TOTAL COSTS INCLUDING OVERHEAD TO TOTAL CHARGES BY ANCILLARY SERVICE TO DEVELOP A RATIO OF COSTS-TO-CHARGES (RCC), WITH MEDICARE'S APPORTIONMENT CALCULATED BY TAKING MEDICARE CHARGES MULTIPLIED BY THE RCC DEVELOPED ON THE COST REPORT
		PART III, LINE 9B SKY LAKES PLACES ALL ACCOUNTS IDENTIFIED AS ELIGIBLE FOR FINANCIAL ASSISTANCE ON HOLD AND THEN MAKES ANY NECESSARY ADJUSTMENTS BEFORE STATEMENTS ARE SENT MANY OF THESE ACCOUNTS ARE ADJUSTED OFF COMPLETELY AND NO STATEMENTS ARE SENT SKY LAKES ALSO CALLS PAST DUE ACCOUNTS (THIRD STATEMENT) AND REVIEWS TO SEE IF FINANCIAL ASSISTANCE IS AVAILABLE LARGER ACCOUNTS ARE REVIEWED BY FINANCIAL COUNSELORS AND CHAMBERLIN EDMONDS FOR FINANCIAL ASSISTANCE ELIGIBILITY OR MEDICAID ELIGIBILITY BOTH GROUPS MAKE PROACTIVE CALLS AND FOLLOW UP WITH PATIENTS TO GET THE NECESSARY INFORMATION TURNED IN

Identifier	ReturnReference	Explanation
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 1J WHAT BEGAN AS A CONVERSATION BETWEEN THE COMMUNITY HEALTH OUTREACH MANAGER AT SKY LAKES MEDICAL CENTER, KLAMATH FALLS, ORE , AND THE HEALTH PROMOTION/DISEASE PREVENTION COORDINATOR AT KLAMATH COUNTY (ORE) PUBLIC HEALTH BECAME THE SEED THAT TOOK ROOT AND THEN FLOURISHED INTO A MAJOR COLLABORATION AMONG LOCAL PUBLIC AND PRIVATE PARTNERS THE COLLABORATION - COMMUNITY PARTNERS SEEKING BETTER HEALTH -- EVOLVED INTO HEALTHY KLAMATH, A SEMI-FORMAL ORGANIZATION REPRESENTING A WIDE VARIETY OF PUBLIC-SECTOR AGENCIES AND DEPARTMENTS AS WELL AS PRIVATE PARTIES WITH INFLUENCE IN LOCAL HEALTH IT HAS AT ITS CORE THE MEDICAL CENTER, THE LOCAL HEALTH DEPARTMENT, A MANAGED-CARE ORGANIZATION FOR THE MEDICAID POPULATION, AND A FEDERALLY QUALIFIED HEALTHCARE PRACTICE WITH TWO FAMILY PRACTICE CLINICS IN THE COUNTY KLAMATH FALLS CITY AND KLAMATY COUNTY GOVERNMENT, STATE OF OREGON AGENCIES, AND MEMBERS OF LOCAL SCHOOL DISTRICTS AND HIGHER EDUCATION ARE ALSO REPRESENTED FURTHER THE PARTNERSHIP ALSO INCLUDES A LOCAL RURAL RESIDENCY PROGRAM, OREGON STATE UNIVERSITY'S EXTENSION IN KLAMATH COUNTY, OREGON HEALTH & SCIENCES UNIVERSITY'S NURSING PROGRAM AT OREGON INSTITUTE OF TECHNOLOGY, THE LOCAL NEWSPAPER AND THE REGION'S LARGEST RADIO STATION THE ASSESSMENT LAUNCHED AS A RESULT OF SKY LAKES LEADERSHIP RECOGNIZING THERE ARE MYRIAD CAUSES FOR POOR HEALTH AND THE PROBLEM IS TOO LARGE FOR ANY ONE ORGANIZATION TO TAKE ON ALONE, AND SO WORKED AS A "COMMUNITY CONVENER" TO GET OTHERS TO THE TABLE TO PLAN AND IMPLEMENT CHANGE THE INTENT WAS TO HEAR FROM MANY VOICES AND TO STRIVE FOR HARMONY AS WE WORKED TOGETHER TO MAKE IMPROVEMENTS THAT WOULD LAST AT THE SAME TIME, MEDICAL CENTER LEADERS RIGHTLY UNDERSTOOD THERE ARE POTENTIAL SOLUTIONS TO THE PROBLEMS OF POOR HEALTH THAT ARE BEYOND THEIR PURVIEW THE MEDICAL CENTER TOOK THE LEAD TO HELP FIND WAYS EACH OF THE PARTNERS COULD USE THEIR UNIQUE EXPERTISE TO IMPROVE THE HEALTH OF OUR COMMUNITY OUR SUCCESS IS MONITORED AND MEASURED BY THE HCI INDICATORS WITHIN TWO MONTHS OF THE INITIAL MEETING, UNDER THE LEADERSHIP OF THE MEDICAL CENTER AND WITH THE FULL COOPERATION OF THE PARTNERS, THE "CORE FOUR" HAD AGREED TO A PLAN TO DEPLOY THE HCI WEB-BASED INDICATORS TOOL (HEALTHKLAMATH ORG) AND A FRAMEWORK TO ACCOMMODATE THE VARIOUS OTHER COMMUNITY PARTNERS IN THE PROCESS THE COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) COORDINATED BY SKY LAKES MEDICAL CENTER DONE IN KLAMATH COUNTY REPRESENTS THE COLLABORATIVE WORK BETWEEN SKY LAKES MEDICAL CENTER AND ITS LOCAL PARTNERS THIS CHNA IS THE FIRST OF ITS KIND TO FORMALLY ASSESS AND DOCUMENT THE HEALTH OF OUR COMMUNITY UTILIZING A COORDINATED AND COLLABORATIVE PROCESS IT IS THE FIRST STEP TO THE ONGOING PROCESS OF COMMUNITY HEALTH IMPROVEMENT THE COMMUNITY ASSESSMENT IS UPDATED WHENEVER MORE DATA ARE RECEIVED TO POPULATE MORE THAN 100 HEALTH INDICATORS THE HEALTHY KLAMATH ORGANIZATION MEETS REGULARLY TO EVALUATE DATA AND PROGRESS OF STRATEGIES TO IMPROVE HEALTH ACCORDING TO THE PREVIOUSLY IDENTIFIED PRIORITIES THE PRIMARY GOAL OF THE CHNA IS TO BETTER UNDERSTAND THE HEALTH OF OUR COMMUNITY AND TO DEVELOP LOCAL STRATEGIES TO ADDRESS OUR COMMUNITY'S SPECIFIC NEEDS AND IDENTIFIED PRIORITY ISSUES THE CHNA INFORMS THE GROUP AND HELPS SET COMMUNITY PRIORITIES, ESTABLISH BENCHMARKS AND MONITOR TRENDS IN THE HEALTH STATUS OF KLAMATH COUNTY RESIDENTS THERE IS AN ADDED BENEFIT IN THAT THE IMPROVEMENT EFFORTS EXTENDS TO OTHER REGIONS IN THE CATCHMENT AREA OUTSIDE THE DEFINED COMMUNITY WE ACKNOWLEDGE THAT THE CHNA IS A LIVING DOCUMENT, ALLOWING US TO SEEK CONTINUOUS IMPROVEMENT AND FURTHER ANALYZE THE DATA AND, ULTIMATELY, IMPROVE THE HEALTH OF OUR COMMUNITY UNDERSTANDING THAT HEALTH IS A PRODUCT OF MANY CONDITIONS AND FACTORS, AN ADAPTED VERSION OF THE STRATEGIC PLANNING FRAMEWORK DEVELOPED BY THE NATIONAL ASSOCIATION OF COUNTY AND CITY HEALTH OFFICIALS (NACCHO) IN COOPERATION WITH THE CENTERS FOR DISEASE CONTROL AND PREVENTION (CDC) WAS MADE TO CREATE THIS CHNA THE STRATEGIC PLANNING FRAMEWORK THAT WAS ADAPTED FOR KLAMATH COUNTY IS KNOWN AS MOBILIZING ACTION THROUGH PLANNING AND PARTNERSHIPS (MAPP) MAPP IS A COMMUNITY-DRIVEN PROCESS THAT RESULTS IN THE IDENTIFICATION OF HEALTH ISSUES AND HEALTH IMPROVEMENT STRATEGIES THROUGH COMMUNITY MEMBER AND STAKEHOLDER ENGAGEMENT FACILITATED BY PUBLIC HEALTH LEADERS, MAPP IS INTENDED TO IMPROVE THE EFFICIENCY, EFFECTIVENESS, AND PERFORMANCE OF LOCAL HEALTHCARE SYSTEMS, SKY LAKES IS A PRINCIPAL PART OF THAT LOCAL SYSTEM MAPP ALLOWS FOR AN ENHANCED UNDERSTANDING OF THE INFLUENCES ON COMMUNITY HEALTH THROUGH THE ANALYSIS OF POPULATION-BASED QUANTITATIVE DATA, LOCALLY GATHERED QUALITATIVE DATA, AND THE EXPERTISE OF KEY STAKEHOLDERS THESE VARIOUS DATA-COLLECTION METHODS ALLOW FOR A BETTER UNDERSTANDING OF THE SOCIAL DETERMINANTS OF HEALTH THE SOCIAL DETERMINANTS OF HEALTH ARE THE CIRCUMSTANCES IN WHICH PEOPLE ARE BORN, RAISED, LIVE, AND WORK, IN ADDITION TO AVAILABLE RESOURCES THE SOCIAL DETERMINANTS OF HEALTH PROVIDE A LENS THROUGH WHICH TO VIEW DIFFERENT POPULATIONS AND COMMUNITIES AND IDENTIFY CONDITIONS THAT PROMOTE HEALTH, RATHER THAN LIMIT IT WITH THIS INFORMATION WE CAN COLLECTIVELY BETTER UNDERSTAND THE DRIVERS OF HEALTH OUTCOMES IN KLAMATH COUNTY AND DEVELOP STRATEGIES FOR HEALTH IMPROVEMENT WHILE THE STANDARD MAPP INCLUDES FOUR ASSESSMENTS (COMMUNITY HEALTH STATUS ASSESSMENT, COMMUNITY THEMES AND STRENGTHS ASSESSMENT, LOCAL PUBLIC HEALTH SYSTEM ASSESSMENT, AND THE FORCES OF CHANGE ASSESSMENT), THE LOCAL PARTNERS AS HEALTHY KLAMATH TAILORED MAPP TO BETTER FIT OUR COMMUNITY THE PARTNERS DECIDED TO COMBINE THE LOCAL PUBLIC HEALTH SYSTEM ASSESSMENT AND FORCES OF CHANGE ASSESSMENT INTO A SINGLE ASSESSMENT THIS SPECIFIC COMBINATION INCREASED EFFICIENCY AND UTILIZES RESOURCES MOST EFFECTIVELY THE INFORMATION FOR THIS COMBINED ASSESSMENT WAS COLLECTED FROM STAKEHOLDERS WITH THE ABILITY TO SPEAK TO THE CURRENT SYSTEM AS WELL AS THE FUTURE OPPORTUNITIES AND UNCERTAINTIES THAT MAY AFFECT THE CURRENT SYSTEM COLLECTING AND ANALYZING THE VOLUME OF DATA NECESSARY TO FULLY UNDERSTAND COMMUNITY HEALTH IS TIME- AND RESOURCE-INTENSIVE, HEALTHY KLAMATH PARTNERS COLLABORATIVELY SOUGHT A SOLUTION TO UTILIZE RESOURCES IN THE MOST EFFECTIVE MANNER THE PARTNERS AGREED TO UTILIZE THE HEALTHY COMMUNITIES INSTITUTE (HCI), WHICH MANAGES AND CONTINUALLY UPDATES A CENTRALIZED PUBLICALLY AVAILABLE WEB-BASED SOURCE OF POPULATION DATA AND COMMUNITY HEALTH INFORMATION HCI PROVIDES A PLATFORM FOR CONTINUAL MONITORING AND TRACKING ON 100+ INDICATORS SELECTED BY THE COMMUNITY PARTNERS THESE INDICATORS WERE ASSESSED ON FOUR FACTORS 1) COMPARISON TO OREGON AND NATIONAL BENCHMARKS2) TRENDS OVER TIME, 3) HEALTH DISPARITIES, AND4) SEVERITY OF HEALTH ISSUE THE HEALTH INDICATORS SELECTED MET AT LEAST THREE OF THE FOUR CONDITIONS - KLAMATH COUNTY RATE IS HIGHER THAN THE OREGON STATE AVERAGE AND/OR DOES NOT MEET THE NATIONAL HEALTHY PEOPLE 2020 BENCHMARK, - THE TREND IS WORSENING, - CERTAIN POPULATIONS ARE EXPERIENCING A DISPARITY, OR - LONG-TERM CONSEQUENCE, PREMATURE DEATH, AND/OR HIGH HEALTH-RELATED EXPENDITURES ARE ASSOCIATED THE FORMULATION OF THE CHNA COORDINATED BY SKY LAKES MEDICAL CENTER WAS STRONGLY INFLUENCED BY INPUT FROM COMMUNITY PARTNERS AND STAKEHOLDERS AS WELL AS INDIVIDUALS IN KLAMATH COUNTY COMMUNITIES COMMUNITY INVOLVEMENT IS ESSENTIAL TO SUCCESSFUL PUBLIC HEALTH ACTION, AND THE PRIORITY AREAS FOR HEALTH IMPROVEMENT SHOULD REFLECT THE PROBLEMS OF GREATEST CONCERN TO THE LOCAL COMMUNITIES HEALTHY KLAMATH PARTNERS REGULARLY SEEK COMMUNITY INPUT VIA LISTENING SESSIONS, FOCUS GROUPS, AND SURVEYS
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 3 THE KLAMATH COUNTY CHNA COORDINATED BY SKY LAKES MEDICAL CENTER IN PARTHERSHIP WITH OTHER PUBLIC AGENCIES IN THE COMMUNITY TAKES INTO ACCOUNT AN UNDERSTANDING OF THE ENVIRONMENT WHITHIN WHICH WE OPERATE UNDERSTANDING THE STRENGTHS AND WEAKNESS OF THE CURRENT LOCAL HEALTHCARE SYSTEM, IN ADDITION TO ANY UPCOMING SOCIAL, POLITICAL, OR ECONOMIC CHANGES THAT COULD AFFECT THE SYSTEM IS INTEGRAL TO DEVELOPING PRIORITY AREAS OF FOCUS HEALTHCARE REFORM AND THE CURRENT ECONOMIC CLIMATE ARE LARGELY IMPACTING THE LOCAL HEALTHCARE SYSTEM AND THESE STRUCTURAL CHANGES MUST BE ACCOUNTED FOR THE HEALTHY KLAMATH PARTNERS IDENTIFIED A LIST OF KEY STAKEHOLDERS ORGANIZED BY SECTOR TO INTERVIEW FOR THIS ASSESSMENT THE ORIGINAL STAKEHOLDERS WERE SELECTED FOR THEIR ORGANIZATIONS INFLUENCE ON COMMUNITY HEALTH AND THEIR ROLE IN THE PUBLIC HEALTH SYSTEM THE STAKEHOLDERS, IN ADDITION TO SKY LAKES MEDICAL CENTER, INCLUDE KLAMATH COUNTY PUBLIC HEALTH, CASCADE COMPREHENSIVE CARE, CASCADE HEALTH ALLIANCE, KLAMATH OPEN DOOR CLINICS, THE CITY OF KLAMATH FALLS, KLAMATH FALLS PUBLIC SCHOOLS AND KLAMATH COUNTY SCHOOL DISTRICT, KLAMATH COMMUNITY COLLEGE, OREGON INSTITUTE OF TECHNOLOGY, AND APPROXIMATELY 16 OTHER AGENCIES AND ORGANIZATIONS AS PART OF THE ASSESSMENT, THE PARTNERS CONDUCTED 20 INTERVIEWS WITH MORE THAN 25 LOCAL STAKEHOLDERS EACH INTERVIEW BEGAN WITH AN EXPLANATION OF THE CHNA USING THE CHNA FRAMEWORK AND WITH A WRITTEN AND VISUAL DEFINITION OF HEALTH THIS IS THE WRITTEN DEFINITION OF HEALTH USED IN THE INTERVIEWS HEALTH IS A STATE OF COMPLETE PHYSICAL, MENTAL AND SOCIAL WELL-BEING AND NOT MERELY THE ABSENCE OF DISEASE OR INFIRMITY (WORLD HEALTH ORGANIZATION) FURTHER, HEALTH IS NOT SIMPLY A STATE FREE FROM DISEASE BUT IS THE CAPACITY OF PEOPLE TO BE RESILIENT AND MANAGE LIFE'S CHALLENGES AND CHANGES (PUBLIC HEALTH ACCREDITATION BOARD) AFTER ANY QUESTIONS REGARDING THE CHNA WERE ANSWERED, THREE INTERVIEW QUESTIONS FOLLOWED 1 HOW DOES YOUR ORGANIZATION CONTRIBUTE TO THE HEALTH OF THE COMMUNITY?2 WHAT DO YOU SEE AS YOUR ORGANIZATIONS ROLE IN THE LOCAL PUBLIC HEALTH SYSTEM?3 WHAT CHALLENGES DO YOU SEE THAT MAY AFFECT YOUR WORK (UPCOMING CHANGES IN LEGISLATION, FUNDING, TECHNOLOGY, NEW COLLABORATIONS, AND THE LIKE)?COMPLETE ANALYSIS OF THOSE INTERVIEWS AND THEIR RECOMMENDATIONS IS IN PROCESS ALSO, OREGON HEALTH & SCIENCE UNIVERSITY SCHOOL OF NURSING STUDENTS CONDUCTED LISTENING SESSIONS AND FOCUS GROUPS IN SIX OUTLYING COMMUNITIES (MERRIL, MALIN, BONANZA, CHILOQUIN, MIDLAND, AND KENO) IN RURAL KLAMATH COUNTY INFORMATION FROM THOSE SESSIONS AND INTERVIEWS ARE IN APPENDIX A OF THE CHNA FURTHER QUALITATIVE ANALYSIS IN THE FORM OF A WEB-BASED SURVEY WAS CONDUCTED BY THE PARTNERS AND SPONSORED BY SKY LAKES MEDICAL CENTER NEARLY 900 SELF-SELECTED RESPONDENTS TO THAT SURVEY PROVIDED ADDITIONAL COMMUNITY PERSPECTIVE FOR THE CHNA AND WILL BE USEFUL TO DEFINE STRATEGIES AND TACTICS GOING FORWARD RESULTS FROM THE SURVEY ARE INCLUDED IN THE FULL CHNA REPORT, WHICH IS AVAILABLE UPON REQUEST VIA WEBMASTER@SKYLAKES ORG

Identifier	ReturnReference	Explanation
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 5C BESIDES THE SKY LAKES MEDICAL CENTER WEBSITE (SKYLAKES ORG), THE CHNA CONDUCTED BY THE HEALTHY KLAMATH PARTNERS AND COORDINATED BY THE MEDICAL CENTER ALSO WILL RESIDE ON THE HEALTHY KLAMATH WEBSITE (HEALTHYKLAMATH ORG), ON THE KLAMATH COUNTY HEALTH DEPARTMENT WEBSITE, AND WILL BE AVAILABLE IN PRINT FORM AT SKY LAKES MEDICAL CENTER, AT THE HEALTH DEPARTMENT, AT THE LOCAL NEWSPAPER OFFICE (HERALD AND NEWS, 2701 FOOTHILLS ROAD, KLAMATH FALLS, OR), AND AT THE KLAMATH COUNTY LIBRARY
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 7 INFORMATION GATHERED IN THE COMMUNITY HEALTH NEEDS ASSESSMENT PROCESS FACILITATED BY THE COMMUNITY PARTNERS SEEKING BETTER HEALTH AND USING THE HEALTHY KLAMATH INITIATIVE INDICATES A STRATIFICATION OF PRIORITIES DATA COLLECTED BY VARIOUS SURVEYS AGGREGATED BY THE HEALTHY COMMUNITIES INSTITUTE AND ORGANIZED AT HEALTHYKLAMATH ORG INDICATE A RANGE OF NEEDS AMONG THE TOP ARE - ADULTS 65+ WITH INFLUENZA VACCINATION - ADULTS 65+ WITH PNEUMONIA VACCINATION - BABIES WITH LOW BIRTH WEIGHT - MOTHERS WHO RECEIVED EARLY PRENATAL CARE - DEATH RATE DUE TO COLORECTAL CANCER (AGE ADJUSTED) FURTHER, THE NUMBER OF LOCAL RESIDENTS WHO SELF-REPORTED THEIR HEALTH AS "GOOD" OR BETTER IS SIGNIFICANTLY LOWER THAN THE COMPARISON GROUP WITH THAT AS A BACKDROP, THE COMMUNITY PARTNERS BROKE THE KEY DRIVERS OF HEALTH ACCORDING TO THE DATA INTO BROADER CATEGORIES, AND ASKED AREA RESIDENTS TO ASSIGN PRIORITY RANKS TO THEM NEARLY 1,000 PEOPLE PARTICIPATED IN THE ONLINE, SELF-SELECT SURVEY DATA COLLECTION REMAINED OPEN NINE DAYS (ONE WORK WEEK AND TWO WEEKENDS) ACCORDING TO THE DATA, RESIDENTS IDENTIFIED OBESITY, ACCESS TO MENTAL HEALTH AND LIMITING THE EFFECTS OF SUBSTANCE AND ALCOHOL ABUSE AND TOBACCO USE TOP SHORT-TERM (12-18 MONTHS) PRIORITIES SIMILARLY, THE PRIORITIES FOR AN INTERMEDIATE TERM (18-36 MONTHS) LEFT IN PLACE THREE OF THE SHORT-TERM PRIORITIES AND TO THE TOP PRIORITIES LIST HEALTH INSURANCE COVERAGE AND YOUTH MENTORING THE LONG-TERM (3+ YEARS) PRIORITIES CLOSELY ALIGN WITH THE OTHER CATEGORIES WITH THE TOP PRIORITY TO DECREASE POVERTY WHILE INCREASING THE HIGH SCHOOL GRADUATION RATE, ENCOURAGING HEALTHIER LIFESTYLES WITH BETTER NUTRITION AND MORE EXERCISE OPPORTUNITIES, AND BROADER HEALTH INSURANCE COVERAGE COMPRISING THE TOP SPOTS IT IS CLEAR TO MOST THAT THOSE WHO PARTICIPATED IN THE SURVEY RECOGNIZE THAT OBESITY AND ITS ASSOCIATED COMPONENTS, PRIMARILY HEALTHIER EATING HABITS AND INCREASED ACTIVITY, ARE CLOSELY LINKED TO A VARIETY OF OTHER UNHEALTHFUL CONDITIONS FURTHER, THERE IS A RECOGNITION THAT IN ORDER FOR THE CHANGES TO BE MORE OR LESS PERMANENT REQUIRES BROAD-BASED SYSTEMIC CHANGES RATHER THAN SO-CALLED INSTANT FIXES THE COMMUNITY COALITION, LED IN NO SMALL MEASURE BY SKY LAKES MEDICAL CENTER AND RESPONSIBLE FOR ENSURING THERE IS PROGRESS TOWARD MAKING IMPROVEMENTS IN THE PRIORITIES, BROKE THE SHORT-, INTERMEDIATE- AND LONG-TERM PRIORITIES INTO AN EIGHT-POINT PROJECT LIST SUCCESS ON ANY OF THE POINTS SUPPORTS PROGRESS ON OTHER POINTS COMMUNITY PARTNERS SEEKING BETTER HEALTH TEAMS PARTICIPATING IN THE HEALTHY KLAMATH INITIATIVE WERE FORMED AROUND 1 OBESITY, HEALTH EATING, EXERCISE2 ACCESS TO MENTAL HEALTH3 SUBSTANCE AND ALCOHOL ABUSE4 TRANSPORTATION5 YOUTH MENTORING6 INFRASTRUCTURE7 DECREASING POVERTY, AND8 HEALTH POLICY CHANGES NONE OF THE ISSUES CAN BE RESOLVED WITHOUT CONSIDERABLE ENERGY AND RESOURCES, YET PROGRESS IS BEING MADE FOR INSTANCE, SKY LAKES MEDICAL CENTER HIRED A PHYSICIAN AND NURSE, BOTH WITH PUBLIC HEALTH CREDENTIALS, TO OPEN AND OPERATE A FIRST-EVER "WELLNESS CENTER" AIMED SPECIFICALLY AT IMPROVING OBESITY-RELATED HEALTH AT THE SAME TIME, SKY LAKES MEDICAL CENTER HAS MADE SIGNIFICANT CONTRIBUTIONS TO SUPPORT BETTER NUTRITION AND INCREASED PHYSICAL ACTIVITY ALSO, SKY LAKES MEDICAL CENTER HAS COMMITTED TO BE A MAJOR SOURCE OF ALTERNATE REVENUE TO ENSURE THE MUNICIPAL POOL CONTINUES TO HAVE SWIMMING OPPORTUNITIES, RECOGNIZING IT AS AN IMPORTANT TYPE OF ACTIVITY FOR MANY PEOPLE, PARTICULARLY MOBILITY IMPAIRED INDIVIDUALS SKY LAKES MEDICAL CENTER AND COMMUNITY PARTNERS ARE ACTIVELY IMPROVING ACCESS TO MENTAL HEALTH THROUGH A VARIETY OF MECHANISMS THE MEDICAL CENTER, FOLLOWING A RIGOROUS RECRUITING EFFORT, HAS ATTRACTED TO THE COMMUNITY A PSYCHIATRIST TO PRACTICE AT THE NEWLY FORMED KLAMATH BASIN BEHAVIORAL HEALTH THE ADDITION OF THE PROVIDER WILL LEVERAGE ADDITIONAL MENTAL HEALTH SERVICES FOR THE REGION EFFORTS ARE UNDER WAY TO INCREASE - THE AWARENESS AND THE FREQUENCY OF CANCER SCREENING OPPORTUNITIES TO ENCOURAGE AND SUPPORT THE EARLY DETECTION OF TUMORS, - DIRECT INTERVENTIONS FOR PEOPLE AT RISK OF DIABETES OR WHO HAVE BEEN DIAGNOSED WITH DIABETES TO IMPROVE THEIR CONDITIONS WITHOUT HOSPITALIZATION, AND - AWARENESS OF THE BENEFITS OF REGULAR LOW-IMPACT EXERCISES TO IMPROVE HEALTH AS WELL AS TO CONTROL AN ASSORTMENT OF CHRONIC DISEASES WORKING WITH PHYSICIANS AND OTHER MEDICAL PROFESSIONALS, SKY LAKES MEDICAL CENTER ACTIVELY PROMOTES PRE-NATAL EDUCATION AMONG THE TARGET DEMOGRAPHIC BY OFFERING NO-CHARGE CHILDBIRTH PREPARATION CLASSES THE MEDICAL CENTER ALSO HAS UNDERWAY A MORE EXPANSIVE PROGRAM USING NON-TRADITIONAL METHODS TO GET APPROPRIATE NUTRITION, EXERCISE AND CHILDBIRTH PREPARATION INFORMATION TO FIRST-TIME MOTHERS MEASUREMENT DATA COLLECTED ON THE PROGRAMS ARE INCOMPLETE SO FIRM CONCLUSIONS REGARDING THEIR SUCCESS WOULD NOT BE APPROPRIATE

Identifier	ReturnReference	Explanation
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 12H HOUSEHOLD SIZE AND A MAXIMUM OUT-OF-POCKET EXPENDITURE
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 18E SKY LAKES EMPLOYS A FIRM, CHAMBERLIN EDMONDS, THAT QUALIFIES PATIENTS FOR BENEFIT PROGRAMS THEY SCREEN ALL OF SKY LAKES' UNINSURED PATIENTS FOR POSSIBLE MEDICAID, MEDICARE AND/OR DISABILITY BENEFITS

Identifier	ReturnReference	Explanation
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 20D SKY LAKES IS AWAITING CLARIFICATION ON 501(R) REGULATIONS, WHICH ARE PROPOSED
SKY LAKES MEDICAL CENTER		PART V, SECTION B, LINE 22 SOME PATIENTS ARE ONLY ELIGIBLE FOR AN ANNUAL MAXIMUM OUT-OF-POCKET REDUCTION

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 BESIDES FORMAL CONVERSATIONS WITH COMMUNITY PARTNERS AND MEDICAL COLLABORATORS, SKY LAKES MEDICAL CENTER ACTIVELY PARTNERS WITH AGENCIES SUCH AS THE KLAMATH COUNTY HEALTH DEPARTMENT AND THE UNITED WAY OF THE KLAMATH BASIN IN HEALTH-IMPROVEMENT INITIATIVES THE HEALTH DEPARTMENT, IN CONJUNCTION WITH THE OREGON HEALTH DEPARTMENT, PERIODICALLY PERFORMS HEALTH ASSESSMENTS OF THE PEOPLE IN THE COMMUNITIES SERVED BY SKY LAKES THE MEDICAL CENTER WORKS WITH LOCAL HEALTH AUTHORITIES TO DETERMINE THE HEALTH INITIATIVES THAT CAN BE JOINTLY ADDRESSED BY COMMUNITY LEADERS, WITH SKY LAKES MEDICAL CENTER SERVING A SIGNIFICANT LEADERSHIP ROLE FURTHER, MEDICAL CENTER LEADERS USE INFORMATION AND DATA TRENDING FROM THE ROBERT WOOD JOHNSON FOUNDATION-SPONSORED UNIVERSITY OF WISCONSIN "COUNTY HEALTH RANKINGS" STUDY TO IDENTIFY SPECIFIC OPPORTUNITIES FOR IMPROVEMENT COMMUNITY MEMBERS' PERCEPTIONS REGARDING HEALTH NEEDS ARE CAPTURED IN NON-SCIENTIFIC SURVEYS CONDUCTED AT THE CONCLUSION OF FREE HEALTH- AND WELLNESS-RELATED SEMINARS AND SIMILAR COMMUNITY EVENTS HOSTED BY THE MEDICAL CENTER
		PART VI, LINE 3 SKY LAKES MEDICAL CENTER'S FINANCIAL ASSISTANCE POLICY AND APPLICATION FOR ASSISTANCE IS LOCATED ON THE HOSPITAL'S WEBSITE, IS REFERENCED IN THE ONLINE BILL-MANAGEMENT SECTION OF THE SITE, AND IS FEATURED IN THE MEDICAL CENTER'S ANNUAL REPORT AND PUBLISHED IN THE ANNUAL LIVE HEALTHY MAGAZINE THE ANNUAL REPORT IS MAILED TO SOME 2,300 HOUSEHOLDS IN THE AREA AND THE MAGAZINE IS DISTRIBUTED TO ROUGHLY 17,000 HOUSEHOLDS IN THE MEDICAL CENTER'S CATCHMENT AREA USING THE LOCAL NEWSPAPER'S DISTRIBUTION NETWORK, BOTH ARE AVAILABLE ONLINE AND THE MAGAZINE IS PROMOTED VIA THE NEWSPAPER THE FINANCIAL ASSISTANCE POLICY ALSO IS AVAILABLE WHEN SERVICES ARE PERFORMED IN ADDITION, UNINSURED PATIENTS ARE PROVIDED PATIENT ADVOCACY BASED ELIGIBILITY AND ENROLLMENT SERVICES FOR MEDICAID AND OTHER BENEFIT PROGRAMS THE MEDICAL CENTER ENSURES INFORMATION ABOUT FINANCIAL ASSISTANCE AND APPLICATIONS FOR ASSISTANCE IS AT ALL PATIENT REGISTRATION AREAS AND OUR SPECIALLY TRAINED FINANCIAL COUNSELORS HELP APPLICANTS COMPLETE THE FORM ADDITIONALLY, FINANCIAL COUNSELORS TELEPHONE UNINSURED PATIENTS WITH LARGE BALANCES TO PROACTIVELY OFFER ASSISTANCE OUR ABILITY TO OFFER FINANCIAL ASSISTANCE IS CLEARLY LISTED ON EVERY STATEMENT AND MOST FORM LETTERS WE MAIL IT ALSO IS COVERED DURING COURTESY PHONE CALLS IF THERE IS MENTION OF DIFFICULTY IN PAYING MADE THE ASSISTANCE ALSO IS DISCUSSED IF DIFFICULTY IN PAYING IS MENTIONED DURING INCOMING PHONE CALLS IN ADDITION, SKY LAKES PROVIDES INFORMATION ABOUT FEDERAL, STATE OR LOCAL GOVERNMENT PROGRAMS WE HAVE ENGAGED THE SERVICES OF CHAMBERLIN EDMONDS, A COMPANY THAT SPEAKS WITH ALL UNINSURED INPATIENTS WHO MEET CLEARLY DEFINED CRITERIA CHAMBERLIN EDMONDS STAFF ALSO REVIEW ALL QUALIFYING OUTPATIENT ACCOUNTS AND CONTACT PATIENTS TO DISCUSS THEIR ELIGIBILITY THOSE STAFF FURTHER ASSIST PATIENTS IN COMPLETING FINANCIAL ASSISTANCE APPLICATIONS IF THEY ARE UNSUCCESSFUL GETTING ON A GOVERNMENT PROGRAM BESIDES THE MAIN MEDICAL CENTER, THE SKY LAKES CANCER TREATMENT CENTER ALSO HAS FINANCIAL COUNSELORS WHO ASSIST WITH PHARMACEUTICAL CO-PAY RELIEF THROUGH THE DRUG MANUFACTURERS, RELIEVING PATIENTS OF SOME OF THAT FINANCIAL OBLIGATION THE MEDICAL CENTER, THROUGH A THIRD-PARTY RELATIONSHIP, ROUTINELY PROVIDES NO-CHARGE MEDICATIONS TO INDIGENT PATIENTS THROUGH MAJOR PHARMACEUTICAL COMPANIES

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 COMMUNITIES IN A 10,000-SQUARE MILE AREA ENCOMPASSING SOUTH-CENTRAL OREGON AND NORTH-CENTRAL CALIFORNIA COMPRISE THE SKY LAKES MEDICAL CENTER SERVICE AREA WHILE KLAMATH COUNTY IS THE LARGEST POLITICAL UNIT IN THE SERVICE AREA, A TOTAL OF ROUGHLY 80,000 TO 100,000 PEOPLE IN TWO OREGON COUNTIES AND TWO CALIFORNIA COUNTIES RELY ON SKY LAKES FOR THEIR ACUTE HEALTHCARE NEEDS CENSUS DATA FROM 2010 SHOW KLAMATH COUNTY'S POPULATION AT 66,380, A 4 1 PERCENT INCREASE SINCE 2000 AND 15 PERCENT GROWTH FROM 1990 THIS COMPARES TO A 35 PERCENT INCREASE FOR OREGON AS A WHOLE KLAMATH COUNTY IS A BIT OLDER THAN OREGON OVERALL AND IS AGING AT A SLIGHTLY FASTER PACE THAN THE STATE DATA FOR KLAMATH COUNTY SHOW 18 PERCENT OF THE POPULATION IS 65 YEARS OR OLDER AND 22 PERCENT ARE YOUNGER THAN 18 THE POPULATION'S GENDER SPLIT IS ALMOST EVEN WITH 50 1 PERCENT FEMALE THE MEDIAN HOUSEHOLD INCOME IN THE COUNTY IN OCTOBER 2013 FISCAL WAS REPORTED TO BE APPROXIMATELY $37,000, WHICH PUTS IT ABOUT $10,000 LESS THAN THE STATEWIDE MEDIAN ALSO, ABOUT A FIFTH OF THE COUNTY'S POPULATION IS BELOW THE POVERTY LEVEL THAT IS ROUGHLY 6 PERCENT GREATER THAN STATEWIDE THE POPULATION SERVED BY THE MEDICAL CENTER IS FURTHER DESCRIBED BY THE RELATIVE RANKINGS FROM THE UNIVERSITY OF WISCONSIN STUDY THE 2013 REPORT NOTES KLAMATH COUNTY IS RANKED 31ST OUT OF 33 RANKED OREGON COUNTIES ON SUCH FACTORS AS - POOR OR FAIR HEALTH (18 PERCENT VS THE NATIONAL BENCHMARK OF 10 PERCENT AND THE OREGON BENCHMARK OF 14 PERCENT),- ADULT SMOKING (23 PERCENT VS 13 PERCENT NATIONALLY AND 17 PERCENT IN OREGON),- UNINSURED ADULTS (22 PERCENT VS 11 PERCENT NATIONALLY AND 20 PERCENT IN OREGON),- PRIMARY CARE PROVIDERS (1,206 1 VS 1,067 1 NATIONALLY AND 1,134 1 IN OREGON),- UNEMPLOYMENT (12 2 PERCENT VS 5 0 PERCENT NATIONALLY AND 9 5 IN OREGON),- CHILDREN IN POVERTY (31 PERCENT VS 14 PERCENT NATIONALLY AND 23 PERCENT IN OREGON), AND- VIOLENT CRIME RATE (251 VS 66 NATIONALLY AND 257 IN OREGON) DURING 2013, APPROXIMATELY 30 PERCENT OF THE APPROXIMATELY 19,300 VISITS TO SKY LAKES MEDICAL CENTER'S EMERGENCY DEPARTMENT RESULTED IN AN INPATIENT STAY ABOUT TWO-THIRDS OF THE INPATIENTS AT SKY LAKES CAME IN VIA THE ER, VERSUS THE STATE AVERAGE OF ABOUT HALF
		PART VI, LINE 5 BESIDES PROVIDING HIGH-QUALITY HEALTHCARE, SKY LAKES MEDICAL CENTER FURTHERS ITS TAX-EXEMPT PURPOSE AND FULFILLS ITS MEDICAL MISSION TO THE COMMUNITY BY PROVIDING OR SUBSIDIZING NUMEROUS CLASSES, SUPPORT GROUPS, SCREENINGS AND SELF-HELP PROGRAMS, A FREE GENERALCOMMUNITY HEALTH FAIR ATTENDED BY SOME 2,500 PEOPLE A YEAR, AND A SEPARATE FREE FAIR FOCUSED ON INFORMATION FOR PEOPLE WITH DIABETES WITH APPROXIMATELY 500 PEOPLE ATTENDING, A VARIETY OF LECTURES AIMED AT ENCOURAGING GREATER FITNESS AND INCLUDING MONTHLY WALKS/HIKES, AND TWICE-A-MONTH ORGANIZED WALKS HOSTED BY PHYSICIANS FROM CASCADES EAST FAMILY MEDICINE, WHICH IS PART OF THE SKY LAKES FAMILY, TWO SATURDAYS A MONTH ALSO, THE MEDICAL CENTER SPONSORS AMERICAN CANCER SOCIETY FREEDOM FROM SMOKING CLASSES TAUGHT BY A COMMUNITY PARTNER SPECIALLY TRAINED NURSES PROVIDE CHILDBIRTH PREPARATION CLASSES AND LACTATION EDUCATION THESE EVENTS ARE EITHER FREE OR LOW COST, AND SCHOLARSHIPS ARE AVAILABLE TO ENCOURAGE PEOPLE TO BE MORE ACTIVE, SKY LAKES PROMOTES PEDOMETER GIVE-AWAYS AND HAS DISTRIBUTED THEM TO SOME 3,000 PEOPLE INTERESTED IN KEEPING TRACK OF THEIR STEPS EN ROUTE TO A DAILY GOAL OF 10,000 STEPS MANY OF THOSE PEOPLE ALSO PARTICIPATED IN THE FREE 'COUCH TO 5K' SERIES, WHICH DEMONSTRATED WAYS TO BE MORE ACTIVE THE NO-CHARGE LECTURES INCLUDE PRIZE DRAWINGS AND WALKS ALONG AREA TRAILS THE SKY LAKES FAMILY BIRTH CENTER HOSTS FREE CLASSES TO HELP SOON-TO-BE SIBLINGS AND NO-CHARGE SESSIONS TO ENSURE THE EMOTIONAL HEALTH OF MOMS DURING AND AFTER PREGNANCY SKY LAKES MEDICAL CENTER IS THE PRINCIPAL UNDERWRITER FOR CASCADES EAST FAMILY MEDICINE, A CLINIC AND A FAMILY PRACTICE RESIDENCY PROGRAM OPERATED IN PARTNERSHIP WITH OREGON HEALTH & SCIENCE UNIVERSITY SKY LAKES MEDICAL CENTER'S FINANCIAL SUPPORT AMOUNTS TO MORE THAN $4 MILLION THE MEDICAL CENTER CARRIES THE VAST MAJORITY OF COSTS INCURRED IN THE RUNNING OF THE CHILD ABUSE RESOURCE AND EDUCATIONAL SERVICES AGENCY THAT SERVES KLAMATH AND LAKE COUNTIES CASCADES EAST ALSO OPERATES A MOBILE CLINIC THAT PROVIDES NO-CHARGE HEALTHCARE SERVICES TO UN- AND UNDERINSURED POPULATIONS IN THE REGION THE CASCADES EAST MEDICAL STAFF LOG MORE THAN 1,000 MILES IN THE RV CLINIC EACH YEAR AND PERFORM MORE THAN 200 PATIENT EXAMS BESIDES REGULAR CLINICS AT KLAMATH FALLS LOCATIONS, THE RV VISITS THE RURAL COMMUNITIES OF GILCHRIST AND SPRAGUE RIVER THE FUEL, MAINTENANCE, AND SUPPLIES ARE ALL A PAID FOR BY SKY LAKES MEDICAL CENTER, THE SUM EXCEEDS $6,000 A YEAR SKY LAKES CONTRIBUTES $10,000 A YEAR AND PROVIDES STAFF TO HELP COORDINATE AND PROVIDE COLLATERAL SUPPORT IN THE WAY OF ADDITIONAL MULTI-MEDIA ADVERTISING TO FURTHER THE MESSAGE OF THE LOCAL 'STOP THE HURT' AND 'PERIODS OF PURPLE CRYING' CAMPAIGNS THE PROGRAMS ARE AIMED AT STOPPING INCIDENTS OF INFANT AND CHILD ABUSE AT THE HANDS OF ADULTS SIMILARLY, SKY LAKES IS AMONG THE COMMUNITY PARTNERS INVESTING IN THE 'SOUTHERN OREGON METH PROJECT,' WHICH TARGETS DRUG USE BY TEENS THE MEDICAL CENTER ANNUALLY CONTRIBUTES $9,000 A YEAR TO THE PUBLIC AWARENESS CAMPAIGN IN ADDITION, KLAMATH COUNTY IS A PHYSICIAN-SHORTAGE AREA SO PHYSICIAN RECRUITMENT EFFORTS ARE ALSO UNDERWRITTEN BY THE MEDICAL CENTER RATHER THAN LOCAL MEDICAL PRACTICES INCURRING THAT EXPENSE THE MEDICAL CENTER INVESTS UPWARDS OF $1 MILLION A YEAR IN RECRUITING ACTIVITIES THIS DOES NOT INCLUDE THE START-UP COSTS PAID BY THE MEDICAL CENTER FOR NEW PHYSICIANS ESTABLISHING THEIR PRACTICES IN KLAMATH FALLS SKY LAKES PROVIDES FREE EDUCATION IN OR FOR THE SCHOOLS THROUGH ITS PARTNERSHIP WITH OREGON STATE UNIVERSITY EXTENSION'S NUTRITION EDUCATION PROGRAM THE MEDICAL CENTER ALSO PARTNERS WITH OSU EXTENSION FOR THE EDUCATION SERIES FOR PEOPLE WITH DIABETES, AND THE THREE-CLASS 'MASTERY OF AGING WELL' SERIES AND A NUMBER OF SKY LAKES MEDICAL CENTER EMPLOYEES PROVIDE VOLUNTEER EDUCATIONAL SUPPORT IN THE FORM OF TEACHING, MENTORING, PROGRAM DEVELOPMENT, AND TOURS AND DEMONSTRATIONS FOR LOCAL SCHOOLS AND COLLEGES OTHER PARTNERSHIPS HELP ENSURE THE SUCCESS OF PROGRAMS SUCH AS - THE LOCAL KLAMATH AND LAKE COMMUNITY ACTION SERVICES PROGRAM BY DONATING MATERIAL FOR ITS PROGRAM TO PROVIDE QUALIFYING INDIVIDUALS AND FAMILIES ACCESS TO MEDICAL AND DENTAL CARE, HYGIENE RESOURCES AND THE LIKE,- THE KLAMATH COUNTY RELAY FOR LIFE BY CONTRIBUTING $2,500 TOWARD CANCER RESEARCH AND PROVIDING SOME 700 SERVINGS OF HOME-MADE SOUP TO THOSE AT THE EVENT,- THE RED CROSS BY GIVING AT NO-CHARGE SPACE IN SKY LAKES FACILITIES FOR COMMUNITY BLOOD DRIVES,- FRIENDS OF THE CHILDREN-KLAMATH FALLS BY UNDERWRITING THE ANNUAL 'FRIEND RAISER' EVENT SO PROCEEDS FROM THE EVENT GO ENTIRELY TO SUPPORTING THE ORGANIZATION'S MISSION OF HELPING CHILDREN,- PROVIDING SIGNIFICANT FUNDING OF LOCAL ATHLETIC PROGRAMS TO NURTURE A LIFELONG HABIT OF PHYSICAL ACTIVITY THROUGH PARTICIPATION IN SPORTS, - THE LOCAL CHAPTERS OF THE MARCH OF DIMES, MUSCULAR SCLEROSIS ORGANIZATIONS, AND LOCAL EARLY CANCER DETECTION CAMPAIGNS BY CONTRIBUTING HUNDREDS OF DOLLARS EACH TO THEIR MISSIONS THE MEDICAL CENTER AND LOCAL PARTNERS PROMOTE EARLY DETECTION OF CANCER IN A SIX-MONTH CAMPAIGN THAT CULMINATES AT THE JULY RELAY FOR LIFE EVENT - THE 'BASIN HEALTHY CHOICES' INITIATIVE COORDINATED BY THE KLAMATH COUNTY HEALTH DEPARTMENT AND THE HEALTHY ACTIVE KLAMATH COALITION, WHICH INCLUDES SKY LAKES MEDICAL CENTER SKY LAKES CONTRIBUTES COUNTLESS HOURS OF STAFF TIME AND TALENT, AS WELL AS FACILITY AND OTHER RESOURCES, IN THE CAMPAIGN AIMED AT IMPROVING THE HEALTH OF PEOPLE IN THE REGION BY PROMOTING WORKPLACE WELLNESS, BETTER NUTRITION THROUGH FOOD CHOICES, AND INCREASED PHYSICAL ACTIVITY SOME OTHER SKY LAKES COMMUNITY PARTNERSHIPS INCLUDE - AMERICAN ASSOCIATION OF UNIVERSITY WOMEN- AMERICAN CANCER SOCIETY- KLAMATH GOSPEL MISSION- AREA PUBLIC SCHOOLS AND STUDENTS- KLAMATH COMMUNITY COLLEGE AND STUDENTS- KLAMATH COUNTY CASA - KLAMATH COUNTY CHAMBER OF COMMERCE- KLAMATH BASIN BEHAVIORAL HEALTH- KLAMATH FIRE PREVENTION COOPERATIVE- KLAMATH HOSPICE- KLAMATH-LAKE FOOD BANK- MULTIPLE SCLEROSIS SOCIETY- 'OPERATION PROM NIGHT' TO PREVENT DISTRACTED DRIVING- OREGON INSTITUTE OF TECHNOLOGY, ITS FOUNDATION AND STUDENTS (CLINICAL PRECEPTING, ETC)- PREGNANCY HOPE CENTER- SANFORD HEALTH FOUNDATION- UNITED WAY OF THE KLAMATH BASIN- KLAMATH-LAKE LAND TRUST TO PRESERVE AND PROTECT AREA HABITATS- INTERNATIONAL MIGRATORY BIRDS DAY ACTIVITIES FOR CHILDREN- LOCAL CHILDREN AT CAMP ROSENBAUM IN COOPERATION WITH KLAMATH HOUSING AUTHORITY AND THE OREGON AIR NATIONAL GUARD AT KINGSLEY FIELD- VETERANS ORGANIZATION AT OREGON INSTITUTE OF TECHNOLOGY- KLAMATH PROMISE'S MISSION OF 100 PERCENT HIGH SCHOOL GRADUATION- KLAMATH ICE SPORTS- ROSS RAGLAND THEATER'S MISSION TO BRING PERFORMING ARTS TO THE COMMUNITY- HEALTHY KLAMATH, A COALITION OF LIKE-MINDED PUBLIC AGENCIES, CIVIC ORGANIZATIONS AND PRIVATE INDIVIDUALS DEDICATED TO IMPROVING THE HEALTH OF THE COMMUNITY- OREGON DEPARTMENT OF HUMAN SERVICES- CITY OF KLAMATH FALLS-OPERATED ELLA REDKEY SWIMMING POOL TO PROVIDE SWIMMING LESSONS FOR AREA THIRD-GRADERS AND TO PROVIDE INFRASTRUCTURE ASSISTANCE

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

Additional Data

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

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

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?
14

Name and address	Type of Facility (describe)
OUTPATIENT IMAGING 2900 DAGGETT AVENUE KLAMATH FALLS, OR 97601	OUTPATIENT DIAGNOSTIC IMAGING CENTER
CANCER TREATMENT CENTER 2610 URHMANN ROAD KLAMATH FALLS, OR 97601	OUTPATIENT DIAGNOSTIC IMAGING CENTER
FAMILY MEDICINE RESIDENCY 2801 DAGGETT AVENUE KLAMATH FALLS, OR 97601	OUTPATIENT DIAGNOSTIC IMAGING CENTER
MAIN - FAMILY PRACTICE CLINIC 1905 MAIN KLAMATH FALLS, OR 97601	OUTPATIENT DIAGNOSTIC IMAGING CENTER
MEDICAL OFFICE BUILDING I 2200 BRYANT WILLIAMS DRIVE KLAMATH FALLS, OR 97601	OUTPATIENT DIAGNOSTIC IMAGING CENTER
CENTER FOR OCCUPATIONAL HEALTH 2621 CROSBY AVENUE KLAMATH FALLS, OR 97603	OUTPATIENT DIAGNOSTIC IMAGING CENTER
MEDICAL OFFICE BUILDING II 3000 BRYANT WILLIAMS DRIVE KLAMATH FALLS, OR 97601	OUTPATIENT DIAGNOSTIC IMAGING CENTER
SANFORD - INTERNALFAMILY MED CLINICS 3001 DAGGETT AVENUE KLAMATH FALLS, OR 97601	OUTPATIENT DIAGNOSTIC IMAGING CENTER
ALMOND - ENT CLINIC 2617 ALMOND STREET KLAMATH FALLS, OR 97601	OUTPATIENT DIAGNOSTIC IMAGING CENTER
CLAIRMONT GASTRO & PULMO CLINICS 2301 2303 CLAIRMONT DRIVE KLAMATH FALLS, OR 97601	OUTPATIENT DIAGNOSTIC IMAGING CENTER
UROLOGY CLINIC 2630 CAMPUS DRIVE KLAMATH FALLS, OR 97601	OUTPATIENT DIAGNOSTIC IMAGING CENTER
MEDICAL OFFICE BUILDING III 2680 URHMANN ROAD KLAMATH FALLS, OR 97601	OUTPATIENT DIAGNOSTIC IMAGING CENTER
COMMUNITY HEALTHEDUCATION 2200 NORTH ELDORADO AVENUE KLAMATH FALLS, OR 97601	OUTPATIENT DIAGNOSTIC IMAGING CENTER
HUGH CURRIN HOUSE 2601 DAGGETT AVENUE KLAMATH FALLS, OR 97601	OUTPATIENT DIAGNOSTIC IMAGING CENTER

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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
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Part I General Information on Grants and Assistance

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

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. 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) KLAMATH COUNTY SCHOOL DISTRICT 10501 WASHBURN WAY KLAMATH FALLS, OR 97603	93-6000543	GOVERNMENT ENTITY	15,881				HOSA PROGRAM ASSISTANCE
(2) SKY LAKES MEDICAL CENTER FOUNDATION 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601	93-0946020	501(C)(3)	9,834				INFECTIOUS DISEASE CONFERENCE, CARES AWARENESS & PREVENTION EDUCATION
(3) CITY OF KLAMATH FALLS 500 KLAMATH AVENUE KLAMATH FALLS, OR 97601	93-6002195	GOVERNMENT ENTITY	50,000				FUNDING COMMUNITY SWIMMING POOL

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

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
(1) EMPLOYEE STUDENT LOAN FORGIVENESS	12	68,358			
(2) EXTERNSHIP STIPENDS	7	24,000			
(3) STUDENT LOAN ASSISTANCE TO EMPLOYEES	19	57,541			
(4) PATIENT ASSISTANCE	118	26,774			

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 THE BOARD OF DIRECTORS MAKES DECISIONS ON LARGE GRANT AWARDS SCHOLARSHIP AWARDS ARE BASED ON A WRITTEN POLICY OTHER STIPENDS AND EDUCATIONAL SUPPORT REQUIRE, RESPECTIVELY, WORKED HOURS OR MINIMUM GRADING CRITERIA PATIENT ASSISTANCE GRANTS ARE BASED ON ASSESSMENT OF NEED BY ASSIGNED PERSONNEL

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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.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

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**		No
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)PAUL R STEWART PRESIDENT/CEO/SECRETARY/TREASURER	(i) (ii)	340,703 0	190,000 0	0 0	12,500 0	14,388 0	557,591 0	0 0
(2)GRANT NISKANEN MD BOARD MEMBER	(i) (ii)	188,718 0	0 0	0 0	7,356 0	0 0	196,074 0	0 0
(3)RICHARD RICO VP/CFO	(i) (ii)	300,016 0	58,910 0	0 0	12,500 0	19,596 0	391,022 0	0 0
(4)PATRICK MAVEETY MD MEDICAL PROVIDER	(i) (ii)	450,572 0	0 0	0 0	12,500 0	8,724 0	471,796 0	0 0
(5)STANTON T SMITH MD MEDICAL PROVIDER	(i) (ii)	420,333 0	0 0	0 0	12,500 0	19,344 0	452,177 0	0 0
(6)RICHARD DEVORE MD MEDICAL PROVIDER	(i) (ii)	340,858 0	0 0	0 0	12,500 0	18,360 0	371,718 0	0 0
(7)JAYMIE PANUNCIALMAN MD MEDICAL PROVIDER	(i) (ii)	271,669 0	0 0	0 0	12,443 0	19,596 0	303,708 0	0 0
(8)W CLAY MCCORD MD MEDICAL PROVIDER	(i) (ii)	233,014 0	0 0	0 0	10,572 0	14,388 0	257,974 0	0 0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	KLAMATH FALLS INTERCOMMUNITY HOSPITAL AUTHORITY	93-1061020	498413DQ3	08-31-2006	39,329,258	REVENUE AND REFUNDING, MERLE WEST MEDICAL CENTER PROJECT	X		X			X
B	KLAMATH FALLS INTERCOMMUNITY HOSPITAL AUTHORITY	93-1061020	498413EF6	11-29-2012	18,288,334	REFUNDING OF 2002 BONDS, ENERGY EFFICIENCY COSTS, RESERVE FUND		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased	11,772,436	11,772,436		
3	Total proceeds of issue	39,329,258	18,288,334		
4	Gross proceeds in reserve funds	59,879	59,879		
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	558,445	257,477		
8	Credit enhancement from proceeds	1,170,952			
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	15,000,000	6,198,542		
11	Other spent proceeds	22,599,861			
12	Other unspent proceeds				
13	Year of substantial completion	2007	2013		

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		X				
15	Were the bonds issued as part of an advance refunding issue?	X		X					
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

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

Part IV Arbitrage

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

Part IV Arbitrage *(Continued)*

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

Part V Procedures To Undertake Corrective Action

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

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

Identifier	Return Reference	Explanation

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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.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

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
(1) PAUL STEWART	PRES/CEO	LIFE INSURANCE POLICY PURCHASE		X	150,000	150,313		No	Yes		Yes	
Total			▶ $			150,313						

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

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.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	FORM 990 IS REVIEWED BY THE CONTROLLER, CFO AND OTHER STAFF BEFORE FILING
	FORM 990, PART VI, SECTION B, LINE 12C	IT IS THE DUTY OF THE BOARD OF DIRECTORS OF SKY LAKES MEDICAL CENTER TO SAFEGUARD THE TAX EXEMPT STATUS OF SKY LAKES MEDICAL CENTER, AND AS SUCH THE BOARD WILL TAKE SERIOUSLY ANY C ONFLICT OF INTEREST ON THE PART OF ANY BOARD MEMBER OR POTENTIAL BOARD MEMBER ALL BOARD M EMBERS AND POTENTIAL MEMBERS MUST DISCLOSE THE EXISTENCE OF ANY ACTUAL OR POTENTIAL CONFLI CT OF INTEREST AN UPDATED STATEMENT OF SUCH POTENTIAL CONFLICTS SHALL BE SUBMITTED YEARLY BY ALL BOARD MEMBERS FOR REVIEW AT THE BOARD'S ANNUAL MEETING AFTER DISCLOSURE OF THE PO TENTIAL CONFLICT OF INTEREST AND AFTER ANY DISCUSSION WITH THE INTERESTED PARTY, HE/SHE SH ALL LEAVE THE BOARD OR COMMITTEE MEETING WHILE THE DETERMINATION OF A CONFLICT OF INTEREST IS DISCUSSED AND VOTED UPON THE REMAINING BOARD MEMBERS SHALL DECIDE IF A CONFLICT OF IN TEREST EXISTS THE MINUTES OF THE BOARD AND ALL COMMITTEES OF THE BOARD SHALL CONTAIN 1) T HE NAMES OF THE PERSONS WHO DISCLOSED OR OTHERWISE WERE FOUND TO HAVE A FINANCIAL INTEREST IN CONNECTION WITH AN ACTUAL OR POSSIBLE CONFLICT OF INTEREST, 2) THE NATURE OF THE FINAN CIAL INTEREST, 3) THE NAMES OF THE PERSONS WHO WERE PRESENT FOR THE DISCUSSIONS AND VOTES RELATING TO THE TRANSACTION OR ARRANGEMENT, 4) THE CONTENT OF THE DISCUSSION INCLUDING ANY ALTERNATIVES TO THE PROPOSED TRANSACTION OR ARRANGEMENT, 5) ANY ACTION TAKEN TO DETERMINE WHETHER A CONFLICT OF INTEREST WAS PRESENT, AND, 6) THE BOARD OR COMMITTEE'S DECISION AS TO WHETHER A CONFLICT OF INTEREST IN FACT EXISTED
	FORM 990, PART VI, SECTION B, LINE 15	THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS REVIEWS COMPARATIVE DATA FOR CEO AND ALL VP POSITIONS FOR THE CEO POSITION, THE COMPENSATION COMMITTEE COMPLETES A PERSONNEL A CTION FORM, WHICH IS SIGNED BY THE BOARD CHAIR FOR ALL VP POSITIONS, THE COMMITTEE ACTS O N THE RECOMMENDATIONS MADE BY THE CEO
	FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE ALL MADE AVIALABLE TO THE PUBLIC UPON REQUEST
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	BOOK/TAX DIFFERENCE ON PASSTHROUGH INCOME -7,446

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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.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
SKY LAKES MEDICAL CENTER

Employer identification number
93-0508781

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" 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
(1) SOUTHERN OREGON EMERGENCY CARE LLC 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601 61-1595709	PHYSICIAN SERVICES	OR	0	376,215	SKY LAKES MEDICAL CENTER

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) SKY LAKES MEDICAL CENTER FOUNDATION 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601 93-0946020	FUNDRAISING AND STEWARDSHIP, SUPPORT MED CENTER	OR	501(C)(3)	11C	SKY LAKES MEDICAL CENTER		No
(2) KLAMATH CARE SERVICES INC 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601 93-0946018	SUPPORT MED CENTER (INACTIVE)	OR	501(C)(3)	11C	SKY LAKES MEDICAL CENTER		No

Part III **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" 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
(1) KLAMATH MEDICAL BUSINESS CENTER LLC 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601 02-0731372	REAL AND PERSONAL PROPERTY RENTAL	OR	SKY LAKES MEDICAL CENTER	INVESTMENT	80,516	501,260		No	7,352	Yes		50 000 %

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) WEST PHYSICIAN SERVICES LLC 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601 87-0696029	PHYSICIAN SERVICES	OR	SKY LAKES MEDICAL CENTER	C	-1,190,647	2,552,477	100 000 %	Yes	
(2) PREFERRED HEALTH PLAN INC 2865 DAGGETT AVENUE KLAMATH FALLS, OR 97601 93-1304315	HEALTH INSURANCE	OR	SKY LAKES MEDICAL CENTER	C			87 000 %	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		No
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	Yes	
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	Yes	
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		No
q Reimbursement paid by related organization(s) for expenses	1q	Yes	
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	Yes	

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) KLAMATH MEDICAL BUSINESS CENTER LLC	K	121,968	CASH TRANSFERRED
(2) WEST PHYSICIAN SERVICES LLC	D	337,657	BOOK CHANGE IN LIABILITY
(3) PREFERRED HEALTH PLAN INC	S	140,400	LIQUIDATING TRANSFER

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	

Additional Data

Return to Form

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

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation	

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Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information for

Sky Lakes Medical Center and Affiliates

September 30, 2013 and 2012

MOSS-ADAMS LLP

CONTENTS

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Sky Lakes Medical Center and Affiliates

Report on Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Sky Lakes Medical Center and Affiliates (the Medical Center) as of September 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

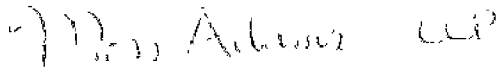
REPORT OF INDEPENDENT AUDITORS (continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center as of September 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating balance sheet, statement of operations, changes in nets assets, combining balance sheet – obligated group, combining statement of operations – obligated group, and combining statement of changes in net assets – obligated group included on pages 34 through 41 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we express no opinion on it.



Portland, Oregon
January 13, 2014

SKY LAKES MEDICAL CENTER AND AFFILIATES
CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2013	September 30, 2012
CURRENT ASSETS		
Cash and cash equivalents	$ 15,356,764	$ 16,343,104
Certificates of deposit	19,721,494	14,000,000
Patient accounts receivable, net	22,169,501	24,612,805
Other receivables	4,668,717	4,171,749
Risk pool withhold receivable	1,883,658	2,274,363
Estimated third-party payor settlements		
Supplies inventories	1,814,623	2,234,783
Prepaid expenses	2,416,059	2,793,011
Promises to give, current portion	1,357,374	1,347,335
Total current assets	69,388,190	67,777,150
ASSETS LIMITED AS TO USE	9,485,540	4,910,094
PROPERTY AND EQUIPMENT, net	94,284,542	89,664,174
OTHER ASSETS		
Deferred financing costs, net of amortization	1,776,101	1,594,637
Promises to give, net of current portion	571,327	582,069
Investments	58,001,747	47,480,079
Other	2,256,185	1,572,694
Total other assets	62,605,360	51,229,479
Total assets	$ 235,763,632	$ 213,580,897

See accompanying notes.

LIABILITIES AND NET ASSETS

	September 30, 2013	September 30, 2012
CURRENT LIABILITIES		
Accounts payable	$ 5,515,742	$ 7,561,495
Accrued payroll	4,725,054	4,764,996
Accrued compensated absences	3,637,586	3,299,587
Accrued interest payable	245,508	240,731
Other accrued expenses	8,535,248	6,802,106
Estimated third-party payor settlements	3,717,310	3,320,719
Current portion of capital lease obligations	864,087	415,162
Current portion of long-term debt	2,174,735	1,168,558
Total current liabilities	29,415,270	27,573,354
LONG-TERM LIABILITIES		
Capital lease obligations, net of current portion	5,909,150	5,139,968
Long-term debt, net of current portion	54,674,010	50,026,969
Other long-term liabilities	5,400,654	5,057,758
Total long-term liabilities	65,983,814	60,224,695
Total liabilities	95,399,084	87,798,049
NET ASSETS		
Unrestricted net assets		
Sky Lakes Medical Center	135,655,751	119,991,879
Non-Controlling Interest	519,937	552,437
Total unrestricted net assets	136,175,688	120,544,316
Temporarily restricted	4,188,860	5,238,532
Total net assets	140,364,548	125,782,848
Total liabilities and net assets	$ 235,763,632	$ 213,580,897

SKY LAKES MEDICAL CENTER AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended September 30,	
	2013	2012
REVENUES		
Patient service revenue, net of contractual adjustments	$ 184,477,133	$ 178,275,642
Provision for bad debts	(14,128,143)	(13,895,839)
Net patient service revenue	170,348,990	164,379,803
Contributions	1,493	5,207
Other revenue	4,569,519	4,617,526
Net assets released from restrictions	1,975,448	808,729
Total revenues	176,895,450	169,811,265
EXPENSES		
Salaries and benefits	82,901,610	79,831,438
Supplies	15,310,200	16,254,949
Drugs	9,830,969	9,277,512
Depreciation and amortization	9,183,830	8,599,200
Physician fees	6,997,393	6,450,445
Professional fees	1,371,635	1,904,022
Purchased services	14,430,650	8,176,183
Building and maintenance	8,235,464	7,369,177
Provider tax	7,522,652	6,741,244
Interest expense	2,938,493	3,048,313
Insurance	2,119,654	1,911,010
Rentals and lease expense	1,109,610	1,393,121
Minor equipment	522,427	452,159
Other	5,489,071	3,907,106
Total expenses	167,963,658	155,315,879
OPERATING INCOME	8,931,792	14,495,386
OTHER INCOME		
Investment income	4,473,467	2,004,970
Other non-operating income	1,582,031	495,437
Total other income	6,055,498	2,500,407
EXCESS OF REVENUES OVER EXPENSES	$ 14,987,290	$ 16,995,793

See accompanying notes.

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

	Years Ended September 30,	
	2013	2012
UNRESTRICTED NET ASSETS		
Excess of revenues over expenses	$ 14,987,290	$ 16,995,793
Distributions and other	(103,977)	(94,300)
Net change in unrealized gains and losses on other-than-trading securities	844,329	2,018,810
Increase in unrestricted net assets before discontinued operations	15,727,642	18,920,303
Loss from discontinued operations	(96,270)	(161,245)
Increase in unrestricted net assets	15,631,372	18,759,058
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	511,283	593,682
Investment income	387,548	518,156
Other revenue	26,945	46,563
Net assets released from restrictions	(1,975,448)	(808,729)
(Decrease) increase in temporarily restricted net assets	(1,049,672)	349,672
CHANGE IN NET ASSETS	14,581,700	19,108,730
NET ASSETS, beginning of year	125,782,848	106,674,118
NET ASSETS, end of year	$ 140,364,548	$ 125,782,848

See accompanying notes.

SKY LAKES MEDICAL CENTER AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30,	
	2013	2012
CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES		
Changes in net assets from continuing operations	$ 14,677,970	$ 19,269,975
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	9,183,830	8,599,200
Net amortization of premiums and accretion of discounts on bonds	61,928	5,082
Net change in unrealized gains and losses on other-than-trading securities	(844,329)	(2,018,810)
Loss on sale of fixed assets	115,396	113,405
(Increase) decrease in:		
Patient accounts receivable, net	2,443,304	(2,562,491)
Supplies inventories	420,160	252,823
Prepaid expenses	376,952	97,022
Other receivables	(496,968)	519,793
Risk pool withhold receivable	390,705	(581,195)
Promises to give	703	21,662
Deferred financing costs, net	(181,464)	(18,945)
Other assets	(683,491)	152,241
Increase (decrease) in:		
Accounts payable	(2,045,753)	2,571,595
Accrued payroll	(39,942)	221,280
Accrued compensated absences	337,999	30,060
Accrued interest payable	4,777	11,215
Other accrued expenses	1,733,142	(924,231)
Estimated third-party payor settlements	396,591	834,378
Other long-term liabilities	342,896	323,175
Net cash from continuing operations	26,194,406	26,917,234

See accompanying notes.

	Years Ended September 30,	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	$ 17,532,669	$ 9,354,263
Purchase of investments	(31,785,454)	(35,051,972)
Redemption (purchase) of certificates of deposit	(5,721,494)	4,356,140
Purchase of property and equipment	(12,017,048)	(9,157,437)
Net cash flows from investing activities	(31,991,327)	(30,499,006)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of bonds	18,400,000	-
Payments on long-term debt	(12,808,710)	(1,118,567)
Payment on capital lease obligations	(684,439)	(687,767)
Net cash flows from financing activities	4,906,851	(1,806,334)
CASH FLOWS FROM DISCONTINUED OPERATIONS	(96,270)	(161,245)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(986,340)	(5,549,351)
CASH AND CASH EQUIVALENTS, beginning of year	16,343,104	21,892,455
CASH AND CASH EQUIVALENTS, end of year	$ 15,356,764	$ 16,343,104

The Medical Center entered into capital lease obligations in the amount $1,902,546 and $385,862 for new property and equipment for the years ended September 30, 2013 and 2012.

Cash paid for interest as of September 30, 2013 and 2012 was $2,933,716 and $3,037,098, respectively.

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

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

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

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

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

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

Preferred Health Plan, Inc. (PHP)
Preferred Health Plan, Inc. was a former Klamath Falls-based insurance company which offered several medical plans. PHP discontinued operations during 2009 and fully liquidated as of September 30, 2013 (Note 17).

All significant intercompany transactions have been eliminated.

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

Significant estimates are necessary in determining the fair value of investments, the recorded value of the contractual and bad debt allowance, amount due to or from third parties, and useful lives of fixed assets. Management believes the assumptions used in arriving at these estimates are reasonable.

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

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

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

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

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

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

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

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

Certificates of deposit – Certificates of deposit are held at various financial institutions and range in maturity thru May 2014 and have interest rates ranging from .75% to 1.5%. Certificates of deposit are not subject to withdrawal limitations and are classified as current assets. Early withdrawal may result in a forfeiture of interest earned.

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

Patient accounts receivable – In the normal course of business, the Medical Center provides credit terms to its patients, including billing to third-party insurance carriers, most of whom are local residents and are insured under third-party payor agreements. Patient accounts receivables are reduced by an allowance for doubtful accounts. In evaluating the collectibility of receivables, the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients, the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. The Medical Center's allowance for contractual adjustments was $33,616,174 and $30,709,744 at September 30, 2013 and 2012, respectively. The Medical Center's bad debt provision was $12,892,005 and $12,959,953 at September 30, 2013 and 2012, respectively. There was no change in the methodology used by the Medical Center to estimate the allowance for contractual adjustments and bad debt provision in the current year.

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

	2013	2012
Medicare	37%	38%
Other third-party payors	26%	27%
Self-pay	20%	18%
Medicaid	13%	15%
Other governmental	4%	2%
Total	100%	100%

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

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

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

Assets limited as to use – Assets limited as to use include assets held by trustees under indenture agreements (see Note 10).

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

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

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

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

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

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

Health insurance – The Medical Center offers health insurance (the Employee Benefit Plan) to its active employees and families. The Medical Center pays approximately 80% of the premium and employees contribute the remaining 20% through bi-weekly payroll deductions. The Employee Benefit Plan provides medical, dental, vision, and prescription coverage. The Employee Benefit Plan is self-funded, but is reinsured through HM Life Insurance Company with a specific attachment point of $250,000 per covered individual annually plus a $60,000 aggregating specific with a $1,750,000 annual maximum per covered individual and an unlimited lifetime maximum. The Medical Center has established reserve amounts based upon information as to the status of claims plus development factors for incurred but not yet reported claims and anticipated future changes in underlying case reserves. Such reserve amounts are only estimates and there can be no assurance that the Medical Center's future Employee Benefit Plan obligations will not exceed the amount of its reserves. The Medical Center's reserve for health insurance was $1,949,000 and $1,904,000 at September 30, 2013 and 2012, respectively, and is included in accrued payroll on the consolidated balance sheet.

Worker's compensation – The Medical Center is self-funded for worker's compensation insurance, but is reinsured through Safety National Casualty Corporation with a specific attachment point of $500,000 per claim. The Medical Center has contracted with Empire Pacific Risk Management to act as the third party administrator to process and pay claims. The Medical Center has established reserve amounts based upon information as to the status of claims plus development factors for incurred but not yet reported claims and anticipated future changes in underlying case reserves. Such reserve amounts are only estimates and there can be no assurance that the Medical Center's future workers' compensation obligations will not exceed the amount of its reserves. The Medical Center's reserve for workers' compensation was $745,050 and $724,184 at September 30, 2013 and 2012, respectively, and is included in accrued payroll on the consolidated balance sheet.

Estimated malpractice costs – The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. Estimated malpractice costs are included in other accrued expenses and were approximately $807,000 and $928,000 as of September 30, 2013 and 2012, respectively. The estimated receivable, approximately $557,000 and $379,000 as of September 30, 2013 and 2012, respectively, is included in other receivables on the consolidated balance sheet.

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

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

Charity care – The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The policy of the Medical Center for charity care includes providing non-elective services to patients whose household income falls at or below 200% of the Federal Poverty Level at no cost. For those patients who fall between 200% and 225% of the Federal Poverty Level and who are unable to pay their bills, patients are eligible for either a partial write-off of their account, annual maximum out of pocket, or both. The policy applies to both insured patients as well as uninsured patients provided the patient meets the eligibility criteria. Total cost of charity care provided by the Medical Center was $5,883,896 and $5,457,711 as of September 30, 2013 and 2012, respectively.

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

Temporarily and permanently restricted net assets – Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Medical Center in perpetuity. The Medical Center does not have any permanently restricted net assets at September 30, 2013 and 2012.

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

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

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

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

The Medical Center had no unrecognized tax benefits at September 30, 2013 or 2012. The Medical Center recognizes interest accrued and penalties related to unrecognized tax benefits as an administrative expense. During the years ended September 30, 2013 and 2012, the Medical Center recognized no interest and penalties.

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

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

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

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

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

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

The Medical Center has evaluated subsequent events through January 13, 2014, which is the date the financial statements were issued.

Reclassifications – Certain reclassifications have been made to the 2012 consolidated financial statements to conform to current-year presentations. These reclassifications did not affect previously reported excess of revenues over expenses or net assets.

Note 2 – Net Patient Service Revenue

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

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

- *Medicaid* – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Medical Center is reimbursed at a tentative rate with final settlement determined after submission of the annual cost report by the Medical Center and finalization of the cost report by the Oregon Division of Medical Assistance Programs (DMAP).

Note 2 – Net Patient Service Revenue (continued)

- Cascade Comprehensive Care, Inc. is a local Medicaid claims administrator of which the Medical Center owns 37% (see Note 5). The Medical Center is paid on an interim basis based upon prospectively determined rates. The Medical Center also participates in a risk pool arrangement that encourages cost containment. The Medical Center received $11,424,406 and $9,883,733 in Medicaid reimbursements from Cascade Comprehensive Care in 2013 and 2012, respectively.

- Atrio Health Plans, Inc. is a for-profit Oregon health care service, of which Cascade Comprehensive Care, Inc. owns a one-third interest. Atrio Health Plans, Inc. provides Medicare Advantage Plans to residents primarily of Douglas, Klamath, Marion, Polk, and Washington counties. The Medical Center received $9,643,265 and $8,552,762 in Medicare reimbursement from Atrio Health Plans, Inc. in fiscal year 2013 and 2012, respectively.

Entities doing business with governmental payors, including Medicare and Medicaid, are subject to risks unique to the government-contracting environment that are difficult to anticipate and quantify. Revenues are subject to adjustment as a result of examination by government agencies as well as auditors, contractors, and intermediaries retained by the federal, state, or local governments (collectively "Government Agents"). Resolution of such audits or reviews often extends (and in some cases does not even commence until) several years beyond the year in which services were rendered and/or fees received.

Moreover, different Government Agents frequently interpret government regulations or other requirements differently. For example, Government Agents might disagree on a patient's principal medical diagnosis, the appropriate code for a clinical procedure, or many other matters. Such disagreements might have a significant effect on the ultimate payout due from the government to fully recoup sums already paid. Governmental agencies may make changes in program interpretations, requirements, or "conditions of participation," some of which may have implications for amounts previously estimated. In addition to varying interpretation and evolving codification of the regulations, standards of supporting documentation and required data are subject to wide variation.

In accordance with generally accepted accounting principles, to account for the uncertainty around Medicare and Medicaid revenues, the client estimates the amount of revenue that will ultimately be received under the Medicare and Medicaid programs. Amounts ultimately received or paid may vary significantly from these estimates.

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

Note 2 – Net Patient Service Revenue (continued)

Patient service revenue, net of contractual allowances of $246,361,262 and $202,944,075 for the years ending September 30, 2013 and 2012, respectively, recognized in the period from major payor sources, is as follows.

	2013	2012
Medicare	$ 73,858,446	$ 70,796,198
Other third-party payors	72,897,785	70,750,127
Medicaid	27,958,373	27,035,617
Other governmental	5,243,229	5,680,523
Self-pay	4,519,300	4,013,177
Provision for bad debts	(14,128,143)	(13,895,839)
Total net patient service revenue	$ 170,348,990	$ 164,379,803

Note 3 – Promises to Give

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

	2013	2012
Receivable in less than one year, net	$ 1,357,374	$ 1,347,335
Receivable in one to five years, net	571,327	582,069
	$ 1,928,701	$ 1,929,404

At September 30, 2013 and 2012, substantially all unconditional promises to give were from two donors.

Note 4 – Assets Limited as to Use

Assets held by trustees under indenture agreements for the bonds outstanding at September 30 include:

	2013	2012
Interest receivable	$ 15,776	$ 23,604
Money market	4,491,404	-
Mutual funds	184,896	93,026
Guaranteed investment contracts	4,793,464	4,793,464
	$ 9,485,540	$ 4,910,094

Note 5 – Investments

Investments at September 30 include:

	2013	2012
Corporate bonds	$ 31,502,026	$ 21,961,306
Common stocks	14,380,109	11,503,513
Mutual funds	5,153,127	5,083,284
Certificates of deposit	3,588,187	4,670,160
Cascade Comprehensive Care, Inc. – common stock	2,465,249	2,155,351
U.S. government securities	384,280	433,395
Southern Oregon Linen Services, Inc. – common stock	345,669	282,246
Mt. States Healthcare RRG – common stock	183,100	183,100
Other investments	-	1,207,724
	$ 58,001,747	$ 47,480,079

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

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

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

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

Note 5 – Investments (continued)

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

	2013 (unaudited)	2012 (unaudited)
Current assets	$ 6,044,796	$ 7,820,491
Noncurrent assets	9,328,026	8,436,292
Total assets	$ 15,372,822	$ 16,256,783
Current liabilities	$ 8,343,277	$ 10,362,828
Noncurrent liabilities	26,000	100,000
Equity	7,003,545	5,793,955
Total liabilities and equity	$ 15,372,822	$ 16,256,783
Operating revenue	$ 33,604,213	$ 29,796,938
Operating expenses	31,963,118	28,670,860
Operating income	$ 1,641,095	$ 1,126,078

Note 6 – Fair Value Measurements

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

Basis of fair value measurement –

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

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

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

Note 6 – Fair Value Measurements (continued)

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 3013 and 2012.

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

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

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

Guaranteed investment contracts – For these financial instruments, the carrying value as presented is a reasonable estimate of fair value.

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

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

Note 6 – Fair Value Measurements (continued)

The following tables disclose by level, the fair value hierarchy, of the Medical Center's assets at fair value at September 30, 2013:

	Fair Value Measurements			
	Total Fair Value	Level One	Level Two	Level Three
Common stock				
Consumer goods	$ 3,978,945	$ 2,490,011	$ 1,488,934	$ -
Healthcare	3,847,564	1,199,215	2,648,349	-
Financial	3,741,647	2,870,892	870,755	-
Technology	1,880,372	1,880,372	-	-
Basic materials	1,743,718	1,743,718	-	-
Services	1,320,256	974,587	345,669	-
Industrial goods	459,815	459,815	-	-
Utilities	248,663	248,663	-	-
Other	153,147	153,147	-	-
Guaranteed investment contracts				
Wachovia GIC	3,035,000	-	3,035,000	-
Morgan Stanley GIC	1,758,464	-	1,758,464	-
Mutual funds				
Equity funds	2,672,928	2,672,928	-	-
Blend funds	973,524	973,524	-	-
Other funds	515,696	515,696	-	-
Money market funds	676,652	676,652	-	-
Bond funds	281,849	281,849	-	-
Value funds	217,373	217,373	-	-
Certificates of deposit	23,309,681	-	23,309,681	-
Corporate bonds				
Financial	9,906,336	-	9,906,336	-
Technology	5,906,548	-	5,906,548	-
Basic materials	5,786,700	-	5,786,700	-
Industrial goods	2,582,808	-	2,582,808	-
Services	1,153,358	-	1,153,358	-
Consumer goods	596,501	-	596,501	-
Healthcare	280,658	-	280,658	-
Municipal	226,333	-	226,333	-
Other	5,062,785	2,238,232	2,824,553	-
U.S. government securities	384,280	-	384,280	-
	$ 82,701,601	$ 19,596,674	$ 63,104,927	$ -

Note 6 – Fair Value Measurements (continued)

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

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

Note 6 – Fair Value Measurements (continued)

Level 3 investments included an investment purchased during the year ended September 30, 2012 for approximately $1.2 million and was liquidated during the year ended September 30, 2013.

Note 7 – Property and Equipment

A summary of property and equipment at September 30 follows:

	2013	2012
Buildings and fixed equipment	$ 118,745,236	$ 113,616,960
Moveable equipment	48,102,006	43,272,954
Equipment under capital lease obligations	14,438,750	12,441,345
Land improvements	4,114,570	4,114,570
Land	2,191,727	1,826,576
Leasehold improvements	184,149	144,849
	187,776,438	175,417,254
Less: Accumulated depreciation and amortization	(97,994,620)	(89,105,273)
	89,781,818	86,311,981
Construction in progress	4,502,724	3,352,193
	$ 94,284,542	$ 89,664,174

Depreciation expense from operations for the years ended September 30, 2013 and 2012 was $8,431,103 and $7,980,571, respectively. Amortization expense for the years ended September 30, 2013 and 2012 was $752,727 and $618,629, respectively. Accumulated amortization for equipment under capital lease obligations was $8,081,792 and $7,234,887 at September 30, 2013 and 2012, respectively.

Note 8 – Plum Ridge Care Center

Lease value of Plum Ridge Care Center – In 2001, Klamath County, Oregon deeded the Plum Ridge Care Center to the Authority. The Medical Center entered into a long-term lease agreement for a period of 89 years for the sum of $1 per year. In addition, the Medical Center has the option of purchasing the property at any time for the sum of $1. The Medical Center recognized the fair value of the lease at the time the agreement with the Authority was entered into. The Medical Center is amortizing the lease value over the life of the lease. The lease value of Plum Ridge Care Center at September 30, 2013 and 2012 was $1,516,526 and $1,572,694, respectively, and is included in other assets in the consolidated balance sheet.

Note 8 – Plum Ridge Care Center (continued)

Deferred rental revenue – In 2001, the Medical Center subleased the Plum Ridge Care Center to Plum Ridge Care Community, LLC, an unrelated third party, on equivalent lease terms as to the Medical Center's lease with the Authority, except the Medical Center did not grant the right to purchase the property to Plum Ridge Care Community, LLC. The Medical Center recognized a liability to Plum Ridge Care Community, LLC, for the lease value of the remaining term of the lease. The revenue is being amortized over the lease term. The deferred rental revenue of Plum Ridge Care Center was $2,541,306 and $2,574,744 at September 30, 2013 and 2012, respectively, and is included in other long-term liabilities in the consolidated balance sheet.

Note 9 – Capital Leases

Capital leases as of September 30 are as follows:

	2013	2012
Facility lease with a private party with monthly payments of $36,274 through September 2037 at 8.90%.	$ 4,307,447	$ 4,252,217
Equipment lease-purchase agreement with Phillips Medical Capital, LLC with monthly payments of $17,153 at 2.11% through April 2018.	883,743	-
Equipment lease-purchase agreement with Phillips Medical Capital, LLC with monthly payments of $9,347 at 2.52% through October 2017.	440,655	-
Equipment lease-purchase agreement with Phillips Medical Capital, LLC with monthly payments of $17,668 at 4.79% through August 2015.	387,516	576,030
Equipment lease-purchase agreement with CareFusion Solutions, LLC with monthly payments of $6,857 at 2.64% through May 2017.	287,245	360,894

Note 9 – Capital Leases (continued)

	2013	2012
Equipment lease-purchase agreement with GE Healthcare Financial Services with monthly payments of $10,067 at 10.79% through December 2015.	$ 240,375	$ -
Equipment lease-purchase agreement with Provident Equipment Leasing with monthly payments of $12,729 at 4.30% through April 2015.	226,256	365,989
Total capital lease obligations	6,773,237	5,555,130
Less current portion	(864,087)	(415,162)
Capital lease obligations, net of current portion	$ 5,909,150	$ 5,139,968

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

2014	$ 1,321,100
2015	1,232,200
2016	865,800
2017	807,600
2018	555,100
Thereafter	8,270,500
Total minimum lease payments	13,052,300
Less: Amount representing interest	(6,279,063)
Present value of net minimum lease payments	$ 6,773,237

Note 10 – Long-Term Debt

Long term debt consisted of the following as of September 30:

	2013	2012
Series 2006 Bonds with interest rates from 4% to 5% and mature in varying amounts through 2036, net of premiums of $282,072 and $294,380 at September 30, 2013 and 2012, respectively.	$ 37,982,072	$ 38,769,380
Series 2012 Bonds with interest rates from 3.5% to 5% and mature in varying amounts through 2031, net of premiums of $1,336,938 at September 30, 2013.	17,851,938	-

Note 10 – Long-Term Debt (continued)

	2013	2012
Series 2002 Bonds with interest rates from 3.25% to 6.25% and mature in varying amounts through 2031, net of discounts of $137,298 at September 30, 2012.	$ -	$ 11,332,702
Note payable with Washington Federal maturing April 2014, payable in monthly installments of $9,281 and one final payment of $947,783 with a rate of 0.50% below prime (prime as of September 30, 2013 3.25%).	1,014,735	1,093,445
Total long-term debt	56,848,745	51,195,527
Less current portion	(2,174,735)	(1,168,558)
Long-term debt, net of current portion	$ 54,674,010	$ 50,026,969

2012 Bonds

During the year ended September 30, 2013, the Authority issued $17,000,000 in Series 2012 Bonds to defease the remaining 2002 Bonds, to pay or to reimburse the Medical Center for the payment of costs of acquiring, installing, and testing new equipment, to fund a Reserve Fund for the 2012 Bonds, and to pay costs of issuing the 2012 Bonds. The issuance was structured as a legal defeasance. Adequate amounts of the 2012 Bond issuance were used to purchase U.S. Treasury Securities to fully pay the debt service requirements of the 2002 Bonds. The securities have been placed in an escrow account and the Escrow Agent for the account will pay the debt service requirements as they become due. As the debt for the 2002 Series has been legally defeased, the Medical Center is no longer required to report the liability in the consolidated balance sheet.

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

Note 10 – Long-Term Debt (continued)

2006 Bonds

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

2002 Bonds

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

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

The Medical Center must satisfy certain covenants as long as the 2006 Bonds are outstanding. At September 30, 2013, management is not aware of any violation of the covenants.

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

2014	$ 2,174,735
2015	1,696,436
2016	2,031,588
2017	2,146,588
2018	2,236,588
Thereafter	46,562,810
	$ 56,848,745

Note 11 – Temporarily Restricted Net Assets

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

	2013	2012
Capital Campaign	$ 1,359,102	$ 1,371,530
Cancer Endowment Fund	1,504,699	2,132,760
Cancer Discretionary Fund	441,493	628,788
Other Funds	883,566	1,105,454
Total temporarily restricted net assets	$ 4,188,860	$ 5,238,532

Note 12 – Income Taxes

WPS has $15,200,000 available of unused operating loss carry forwards available at September 30, 2013, that may be applied against future taxable income, which expire in years 2024 through 2033.

Utilization of any deferred tax assets for the operating loss carry forwards disclosed above is dependent on future taxable profits. Because WPS has no history of sustained profitability and the asset will not be realized within one year of the balance sheet date, deferred tax assets of $6,500,000, including the unused operating loss carry forwards, have been fully reserved for at September 30, 2013 and 2012. The deferred tax asset, net of reserve, is $0 at September 30, 2013 and 2012.

Note 13 – Commitments and Contingencies

Operating Leases

Lessee Leases
The Medical Center leases equipment and facilities under operating leases. Total rental expense in 2013 and 2012 for all operating leases was approximately $715,000 and $787,100, respectively.

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

2014	$ 803,900
2015	650,500
2016	585,400
2017	543,600
2018	210,800
	$ 2,794,200

Note 13 – Commitments and Contingencies (continued)

Lessor Leases

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

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

	2013	2012
Buildings and improvements	$ 7,234,745	$ 6,856,463
Less accumulated depreciation	(4,088,454)	(3,496,611)
	$ 3,146,291	$ 3,359,852

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

2014	$ 548,969
2015	445,252
2016	407,759
2017	390,126
2018	393,418
Thereafter	1,064,002
	$ 3,249,526

Litigation

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

Note 14 – Related-Party Transactions

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

Atrio Health Plans
CCC owns a one-third interest in Atrio Health Plans, Inc. Atrio Health Plans, Inc. is a for-profit Oregon health care service contractor providing Medicare Advantage Plans to residents primarily of Douglas, Klamath, Marion, Polk, and Washington counties. The Medical Center received $9,643,265 and $8,552,762 in Medicare reimbursement from Atrio Health Plans, Inc. in fiscal year 2013 and 2012, respectively.

Southern Oregon Linen Services
The Medical Center purchased laundry services of $443,750 and $447,710 from Southern Oregon Linen Services in fiscal years 2013 and 2012, respectively.

Note 15 – Functional Expenses

The Medical Center provides general health care services to residents within its geographic location. Expenses related to providing these services for the Medical Center as of September 30 are as follows:

	2013	2012
Health care services	$ 141,141,447	$ 129,544,692
General and administrative	26,822,211	25,771,187
Total	$ 167,963,658	$ 155,315,879

Note 16 – Retirement Plans

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

401(a) – Money Purchase Pension Plan
The Medical Center has established a defined contribution retirement plan for all employees who have at least one year of service, are age twenty-one or older, and have completed 1,000 hours of service in the plan year. The Medical Center is required to contribute 5% of an employee's eligible compensation to the plan each plan year. The Medical Center accrued $2,607,007 and $2,459,330 to the plan on behalf of employees for fiscal years ended September 30, 2013 and 2012, respectively.

Note 16 – Retirement Plans (continued)

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

409(a) – Retirement Plan
WPS established the West Physician Services Nonqualified Retirement Plan, for the purposes of providing nonqualified retirement benefits to a select group of its employees. The Medical Center is required to contribute 15% of an employee's compensation to the plan each plan year. In addition, the plan permits eligible employees to defer a portion of their compensation. The participant balances are distributable in cash after retirement or termination of employment. The Medical Center contributed $337,657 and $348,711 to the plan on behalf of employees for fiscal years ended September 30, 2013 and 2012, respectively.

457(b) – Deferred Compensation Plan
The Medical Center established the Sky Lakes Medical Center 457(b) Plan. The Plan is a 457(b) qualified deferred compensation plan that permits eligible employees to defer a portion of their compensation. The participant balances are distributable in cash after retirement, unforeseeable emergencies, or termination of employment. Employer contributions to the plan totaled $56,544 and $46,256 for the years ended September 30, 2013 and 2012, respectively.

Note 17– Discontinued Operations

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

As of September 30, 2013, PHP was fully liquidated and had no remaining assets or liabilities. At September 30, 2012, assets and liabilities were immaterial.

Note 18 – Health Care Reform

In March 2010, President Obama signed the Health Care Reform Legislation into law. The new law will result in sweeping changes across the health care industry. The primary goal of this comprehensive legislation is to extend health care coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. The Medical Center is unable to predict the full impact of the Health Care Reform Legislation at this time due to the law's complexity and current lack of implementing regulations and or interpretive guidance.

On March 23, 2010, the Patient Protection and Affordable Care Act ("PPACA") was signed into law. On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 was signed, amending the PPACA (collectively the "Affordable Care Act"). The Affordable Care Act addresses a broad range of topics affecting the health care industry, including a significant expansion of healthcare coverage. The coverage expansion is accomplished primarily through incentives to individuals to obtain and employers to provide healthcare coverage and an expansion in Medicaid eligibility. The Affordable Care Act also includes incentives for medical research and the use of electronic health records, changes designed to curb fraud, waste and abuse, and creates new agencies and demonstration projects to promote the innovation and efficiency in the healthcare delivery system. Some provisions of the healthcare reform legislation were effective immediately; others will be phased in through 2014. Further legislative policies are required for several provisions that will be effective in future years. The effect of the changes that will be required in future years are not determinable at this time.

SUPPLEMENTARY INFORMATION

SKY LAKES MEDICAL CENTER AND AFFILIATES
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2013

ASSETS

	Sky Lakes Medical Center	Sky Lakes Medical Center Foundation	Preferred Health Plan	Klamath Medical Business Center	Total	Eliminating Entries	Consolidated
CURRENT ASSETS							
Cash and cash equivalents	$ 15,086,199	$ 168,939	$ -	$ 101,626	$ 15,356,764	$ -	$ 15,356,764
Certificates of deposit	19,721,494	-	-	-	19,721,494	-	19,721,494
Patient accounts receivable, net	22,197,801	-	-	-	22,197,801	(28,300)	22,169,501
Other receivables	7,150,030	-	-	-	7,150,030	(2,481,313)	4,668,717
Risk pool withhold receivable	1,883,658	-	-	-	1,883,658	-	1,883,658
Supplies inventories	1,814,623	-	-	-	1,814,623	-	1,814,623
Prepaid expenses	2,416,059	-	-	-	2,416,059	-	2,416,059
Promises to give, current portion	-	1,357,374	-	-	1,357,374	-	1,357,374
Total current assets	70,269,864	1,526,313	-	101,626	71,897,803	(2,509,613)	69,388,190
ASSETS LIMITED AS TO USE	9,485,540	-	-	-	9,485,540	-	9,485,540
PROPERTY AND EQUIPMENT, net	93,346,294	-	-	938,248	94,284,542	-	94,284,542
OTHER ASSETS							
Deferred financing costs, net of amortization	1,776,101	-	-	-	1,776,101	-	1,776,101
Promises to give, net of current portion	-	571,327	-	-	571,327	-	571,327
Investments	42,972,179	15,524,640	-	-	58,496,819	(495,072)	58,001,747
Other	1,526,526	-	-	-	1,526,526	729,659	2,256,185
Total other assets	46,274,806	16,095,967	-	-	62,370,773	234,587	62,605,360
Total assets	$ 219,376,504	$ 17,622,280	$ -	$ 1,039,874	$ 238,038,658	$ (2,275,026)	$ 235,763,632

SKY LAKES MEDICAL CENTER AND AFFILIATES
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2013

LIABILITIES AND NET ASSETS

	Sky Lakes Medical Center	Sky Lakes Medical Center Foundation	Preferred Health Plan	Klamath Medical Business Center	Total	Eliminating Entries	Consolidated
CURRENT LIABILITIES							
Accounts payable	$ 5,515,742	$ -	$ -	$ -	$ 5,515,742	$ -	$ 5,515,742
Accrued payroll	4,725,054	-	-	-	4,725,054	-	4,725,054
Accrued compensated absences	3,637,586	-	-	-	3,637,586	-	3,637,586
Accrued interest payable	245,508	-	-	-	245,508	-	245,508
Other accrued expenses	9,623,739	745,271	-	-	10,369,010	(1,833,762)	8,535,248
Estimated third-party payor settlements	3,717,310	-	-	-	3,717,310	-	3,717,310
Current portion of capital lease obligations	864,087	-	-	-	864,087	-	864,087
Current portion of long-term debt	2,174,735	-	-	-	2,174,735	-	2,174,735
Total current liabilities	30,503,761	745,271	-	-	31,249,032	(1,833,762)	29,415,270
LONG-TERM LIABILITIES							
Capital lease obligations, net of current portion	5,909,150	-	-	-	5,909,150	-	5,909,150
Long-term debt, net of current portion	54,674,010	-	-	-	54,674,010	-	54,674,010
Other long-term liabilities	5,400,654	-	-	-	5,400,654	-	5,400,654
Total long-term liabilities	65,983,814	-	-	-	65,983,814	-	65,983,814
Total liabilities	96,487,575	745,271	-	-	97,232,846	(1,833,762)	95,399,084
NET ASSETS							
Unrestricted - Sky Lakes Medical Center	122,888,929	12,688,149	-	1,039,874	136,616,952	(961,201)	135,655,751
Unrestricted - Non-Controlling Interest	-	-	-	-	-	519,937	519,937
Temporarily restricted	-	4,188,860	-	-	4,188,860	-	4,188,860
Total net assets	122,888,929	16,877,009	-	1,039,874	140,805,812	(441,264)	140,364,548
Total liabilities and net assets	$ 219,376,504	$ 17,622,280	$ -	$ 1,039,874	$ 238,038,658	$ (2,275,026)	$ 235,763,632

SKY LAKES MEDICAL CENTER AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Sky Lakes Medical Center	Sky Lakes Medical Center Foundation	Preferred Health Plan	Klamath Medical Business Center	Total	Eliminating Entries	Consolidated
REVENUES							
Patient service revenue, net contractual adjustments	$ 184,477,133	$ -	$ -	$ -	$ 184,477,133	$ -	$ 184,477,133
Provision for bad debts	(14,128,143)	-	-	-	(14,128,143)	-	(14,128,143)
Net patient service revenue	170,348,990	-	-	-	170,348,990	-	170,348,990
Contributions	-	1,493	-	-	1,493	-	1,493
Other revenue	7,786,332	-	-	298,407	8,084,739	(3,515,220)	4,569,519
Net assets released from restrictions	-	1,975,448	-	-	1,975,448	-	1,975,448
Total revenues	178,135,322	1,976,941	-	298,407	180,410,670	(3,515,220)	176,895,450
EXPENSES							
Salaries and benefits	82,754,969	146,641	-	-	82,901,610	-	82,901,610
Supplies	15,363,808	-	-	-	15,363,808	(53,608)	15,310,200
Drugs	9,830,969	-	-	-	9,830,969	-	9,830,969
Depreciation and amortization	9,144,723	-	-	39,107	9,183,830	-	9,183,830
Physician fees	6,997,393	-	-	-	6,997,393	-	6,997,393
Professional fees	1,395,857	-	-	8,297	1,404,154	(32,519)	1,371,635
Purchased services	14,755,945	-	-	4,135	14,760,080	(329,430)	14,430,650
Building and maintenance	8,145,347	-	-	102,478	8,247,825	(12,361)	8,235,464
Provider tax	7,522,652	-	-	-	7,522,652	-	7,522,652
Interest expense	2,938,198	-	-	295	2,938,493	-	2,938,493
Insurance	2,119,654	-	-	-	2,119,654	-	2,119,654
Rentals and lease expense	1,986,113	-	-	-	1,986,113	(876,503)	1,109,610
Minor equipment	518,381	-	-	-	518,381	4,046	522,427
Other	3,219,700	2,354,216	-	1,141	5,575,057	(85,986)	5,489,071
Total expenses	166,693,709	2,500,857	-	155,453	169,350,019	(1,386,361)	167,963,658
OPERATING INCOME (LOSS)	11,441,613	(523,916)	-	142,954	11,060,651	(2,128,859)	8,931,792
OTHER INCOME (EXPENSE)							
Investment income	3,163,707	1,389,679	-	-	4,553,386	(79,919)	4,473,467
Other non-operating income (expense)	(591,316)	20	-	-	(591,296)	2,173,327	1,582,031
Total other income	2,572,391	1,389,699	-	-	3,962,090	2,093,408	6,055,498
EXCESS OF REVENUES OVER EXPENSES	$ 14,014,004	$ 865,783	$ -	$ 142,954	$ 15,022,741	$ (35,451)	$ 14,987,290

SKY LAKES MEDICAL CENTER AND AFFILIATES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Sky Lakes Medical Center	Sky Lakes Medical Center Foundation	Preferred Health Plan	Klamath Medical Business Center	Total	Eliminating Entries	Consolidated
UNRESTRICTED NET ASSETS							
Excess of revenues over expenses	$ 14,014,004	$ 865,783	$ -	$ 142,954	$ 15,022,741	$ (35,451)	$ 14,987,290
Distributions and other	-	-	-	(207,954)	(207,954)	103,977	(103,977)
Net change in unrealized gains and losses on other-than-trading securities	497,111	349,378	-	-	846,489	(2,160)	844,329
Increase (decrease) in unrestricted net assets before discontinued operations	14,511,115	1,215,161	-	(65,000)	15,661,276	66,366	15,727,642
Loss from discontinued operations	-	-	(96,270)	-	(96,270)	-	(96,270)
Gain (loss) from liquidation	140,400	-	(140,400)	-	-	-	-
Increase (decrease) in unrestricted net assets	14,651,515	1,215,161	(236,670)	(65,000)	15,565,006	66,366	15,631,372
TEMPORARILY RESTRICTED NET ASSETS							
Contributions	-	511,283	-	-	511,283	-	511,283
Investment income	-	387,548	-	-	387,548	-	387,548
Other revenue	-	26,945	-	-	26,945	-	26,945
Net assets released from restrictions	-	(1,975,448)	-	-	(1,975,448)	-	(1,975,448)
Decrease in temporarily restricted net assets	-	(1,049,672)	-	-	(1,049,672)	-	(1,049,672)
CHANGE IN NET ASSETS	14,651,515	165,489	(236,670)	(65,000)	14,515,334	66,366	14,581,700
NET ASSETS, beginning of year	108,237,414	16,711,520	(3,012,517)	1,104,874	123,041,291	2,741,557	125,782,848
CONTRIBUTED CAPITAL	-	-	3,249,187	-	3,249,187	(3,249,187)	-
NET ASSETS, end of year	$ 122,888,929	$ 16,877,009	$ -	$ 1,039,874	$ 140,805,812	$ (441,264)	$ 140,364,548

SKY LAKES MEDICAL CENTER AND AFFILIATES – OBLIGATED GROUP
COMBINING BALANCE SHEET
SEPTEMBER 30, 2013

ASSETS

	Sky Lakes Medical Center	Sky Lakes Medical Center Foundation	Total	Eliminating Entries	Total Obligated Group
CURRENT ASSETS					
Cash and cash equivalents	$ 15,086,199	$ 168,939	$ 15,255,138	$ -	$ 15,255,138
Certificates of deposit	19,721,494	-	19,721,494	-	19,721,494
Patient accounts receivable, net	22,197,801	-	22,197,801	(28,300)	22,169,501
Other receivables	7,150,030	-	7,150,030	(2,481,313)	4,668,717
Risk pool withhold receivable	1,883,658	-	1,883,658	-	1,883,658
Supplies inventories	1,814,623	-	1,814,623	-	1,814,623
Prepaid expenses	2,416,059	-	2,416,059	-	2,416,059
Promises to give, current portion	-	1,357,374	1,357,374	-	1,357,374
Total current assets	70,269,864	1,526,313	71,796,177	(2,509,613)	69,286,564
ASSETS LIMITED AS TO USE	9,485,540	-	9,485,540	-	9,485,540
PROPERTY AND EQUIPMENT, net	93,346,294	-	93,346,294	-	93,346,294
OTHER ASSETS					
Deferred financing costs, net of amortization	1,776,101	-	1,776,101	-	1,776,101
Promises to give, net of current portion	-	571,327	571,327	-	571,327
Investments	42,972,179	15,524,640	58,496,819	(78,067)	58,418,752
Other	1,526,526	-	1,526,526	729,659	2,256,185
Total other assets	46,274,806	16,095,967	62,370,773	651,592	63,022,365
Total assets	$ 219,376,504	$ 17,622,280	$ 236,998,784	$ (1,858,021)	$ 235,140,763

SKY LAKES MEDICAL CENTER AND AFFILIATES – OBLIGATED GROUP
COMBINING BALANCE SHEET
SEPTEMBER 30, 2013

LIABILITIES AND NET ASSETS

	Sky Lakes Medical Center	Sky Lakes Medical Center Foundation	Total	Eliminating Entries	Total Obligated Group
CURRENT LIABILITIES					
Accounts payable	$ 5,515,742	$ -	$ 5,515,742	$ -	$ 5,515,742
Accrued payroll	4,725,054	-	4,725,054	-	4,725,054
Accrued compensated absences	3,637,586	-	3,637,586	-	3,637,586
Accrued interest payable	245,508	-	245,508	-	245,508
Other accrued expenses	9,623,739	745,271	10,369,010	(1,833,762)	8,535,248
Estimated third-party payor settlements	3,717,310	-	3,717,310	-	3,717,310
Current portion of capital lease obligations	864,087	-	864,087	-	864,087
Current portion of long-term debt	2,174,735	-	2,174,735	-	2,174,735
Total current liabilities	30,503,761	745,271	31,249,032	(1,833,762)	29,415,270
LONG-TERM LIABILITIES					
Capital lease obligations, net of current portion	5,909,150	-	5,909,150	-	5,909,150
Long-term debt, net of current portion	54,674,010	-	54,674,010	-	54,674,010
Other long-term liabilities	5,400,654	-	5,400,654	-	5,400,654
Total long-term liabilities	65,983,814	-	65,983,814	-	65,983,814
Total liabilities	96,487,575	745,271	97,232,846	(1,833,762)	95,399,084
NET ASSETS					
Unrestricted	122,888,929	12,688,149	135,577,078	(24,259)	135,552,819
Temporarily restricted	-	4,188,860	4,188,860	-	4,188,860
Total net assets	122,888,929	16,877,009	139,765,938	(24,259)	139,741,679
Total liabilities and net assets	$ 219,376,504	$ 17,622,280	$ 236,998,784	$ (1,858,021)	$ 235,140,763

SKY LAKES MEDICAL CENTER AND AFFILIATES – OBLIGATED GROUP
COMBINING STATEMENT OF OPERATIONS
SEPTEMBER 30, 2013

	Sky Lakes Medical Center	Sky Lakes Medical Center Foundation	Total	Eliminating Entries	Total Obligated Group
REVENUES					
Patient service revenue, net contractual adjustments	$ 184,477,133	$ -	$ 184,477,133	$ -	$ 184,477,133
Provision for bad debts	(14,128,143)	-	(14,128,143)	-	(14,128,143)
Net patient service revenue	170,348,990	-	170,348,990	-	170,348,990
Contributions	-	1,493	1,493	-	1,493
Other revenue	7,786,332	-	7,786,332	(3,515,220)	4,271,112
Net assets released from restrictions	-	1,975,448	1,975,448	-	1,975,448
Total revenues	178,135,322	1,976,941	180,112,263	(3,515,220)	176,597,043
EXPENSES					
Salaries and benefits	82,754,969	146,641	82,901,610	-	82,901,610
Supplies	15,363,808	-	15,363,808	(53,608)	15,310,200
Drugs	9,830,969	-	9,830,969	-	9,830,969
Depreciation and amortization	9,144,723	-	9,144,723	-	9,144,723
Physician fees	6,997,393	-	6,997,393	-	6,997,393
Professional fees	1,395,857	-	1,395,857	(32,519)	1,363,338
Purchased services	14,755,945	-	14,755,945	(329,430)	14,426,515
Building and maintenance	8,145,347	-	8,145,347	(12,361)	8,132,986
Provider tax	7,522,652	-	7,522,652	-	7,522,652
Interest expense	2,938,198	-	2,938,198	-	2,938,198
Insurance	2,119,654	-	2,119,654	-	2,119,654
Rentals and lease expense	1,986,113	-	1,986,113	(876,503)	1,109,610
Minor equipment	518,381	-	518,381	4,046	522,427
Other	3,219,700	2,354,216	5,573,916	(85,986)	5,487,930
Total expenses	166,693,709	2,500,857	169,194,566	(1,386,361)	167,808,205
OPERATING INCOME (LOSS)	11,441,613	(523,916)	10,917,697	(2,128,859)	8,788,838
OTHER INCOME (EXPENSE)					
Investment income	3,163,707	1,389,679	4,553,386	(8,442)	4,544,944
Other non-operating income (expense)	(591,316)	20	(591,296)	2,179,694	1,588,398
Total other income	2,572,391	1,389,699	3,962,090	2,171,252	6,133,342
EXCESS OF REVENUE OVER EXPENSES	$ 14,014,004	$ 865,783	$ 14,879,787	$ 42,393	$ 14,922,180

SKY LAKES MEDICAL CENTER AND AFFILIATES – OBLIGATED GROUP
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Sky Lakes Medical Center	Sky Lakes Medical Center Foundation	Total	Eliminating Entries	Total Obligated Group
UNRESTRICTED NET ASSETS					
Excess of revenues over expenses	$ 14,014,004	$ 865,783	$ 14,879,787	$ 42,393	$ 14,922,180
Distributions and other	-	-	-	-	-
Net change in unrealized gains and losses on other-than-trading securities	497,111	349,378	846,489	(2,160)	844,329
Gain (loss) from liquidation	140,400	-	140,400	-	140,400
Increase in unrestricted net assets	14,651,515	1,215,161	15,866,676	40,233	15,906,909
TEMPORARILY RESTRICTED NET ASSETS					
Contributions	-	511,283	511,283	-	511,283
Investment income	-	387,548	387,548	-	387,548
Other revenue	-	26,945	26,945	-	26,945
Net assets released from restrictions		(1,975,448)	(1,975,448)	-	(1,975,448)
Decrease in temporarily restricted net assets net assets	-	(1,049,672)	(1,049,672)	-	(1,049,672)
CHANGE IN NET ASSETS	14,651,515	165,489	14,817,004	40,233	14,857,237
NET ASSETS, beginning of year	108,237,414	16,711,520	124,948,934	(64,492)	124,884,442
NET ASSETS, end of year	$ 122,888,929	$ 16,877,009	$ 139,765,938	$ (24,259)	$ 139,741,679