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Check if Schedule O contains a response or note to any line in this Part III ☒

WE ARE DEDICATED TO IMPROVING OUR PATIENTS' HEALTH BY PROVIDING SAFE, HIGH-QUALITY CARE IN A COMPASSIONATE AND COST EFFECTIVE MANNER OUR CORE VALUES (A) OUR PATIENTS ARE THE REASON FOR OUR BEING, AND THEIR NEEDS WILL DRIVE ALL OF OUR ACTIONS (B) WE WILL TREAT EVERYONE (INCLUDING PATIENTS, THEIR FAMILIES, REFERRING OFFICES AND COLLEAGUES) WITH DIGNITY, RESPECT AND COMPASSION (C) WE WILL WORK AS A TEAM, UTILIZING COLLABORATION, ACTIVE PARTICIPATION AND OPEN COMMUNICATION AMONG ALL PHYSICIANS AND STAFF (D) WE WILL CONTINUE TO INNOVATE WAYS TO IMPROVE THE DELIVERY OF EXCELLENT, HIGH VALUE CARE (E) WE WILL MEASURE SUCCESSSES AND FAILURES, AND USE THE RESULTS TO DRIVE FURTHER IMPROVEMENT (F) WE WILL BE A GOOD NEIGHBOR IN THE COMMUNITIES WE SERVE WITH DONATIONS OF TIME, TALENT AND CAPITAL (G) WE WILL BE ETHICAL AND ACCOUNTABLE IN ALL OF OUR DECISIONS AND ACTIONS

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 \$	83,483,361	including grants of \$	120,100)	(Revenue \$ 119,595,411)
		WENATCHEE VALLEY HOSPITAL WAS DEVELOPED AND FORMED AS A MEANS TO FURTHER CONFLUENCE HEALTH THE PURPOSES OF THE HOSPITAL ARE AS FOLLOWS A MAINTAIN THE AVAILABILITY AND ACCESS TO HIGH QUALITY, COST EFFECTIVE HEALTHCARE SERVICES FOR THE NCW COMMUNITY,B IMPROVE COORDINATION OF LIMITED HEALTH CARE RESOURCES AND MAXIMIZE THE EFFICIENCY OF THE HEALTH SYSTEM TO ACHIEVE THE MOST COST EFFECTIVE CARE THAT CAN BE DELIVERED,C PRESERVE NCW COMMUNITY CONTROL OVER IMPORTANT CARE DECISIONS AND ENSURE NCW COMMUNITY INVOLVEMENT IN THE DEVELOPMENT OF THE MEDICAL INFRASTRUCTURE AND OVERSIGHT OF THE NCW COMMUNITY HEALTHCARE DELIVERY SYSTEM,D ENHANCE THE PATIENT-PHYSICIAN RELATIONSHIP AND MAINTAIN THE HIGH QUALITY OF CARE AND BREADTH OF SERVICES THE NCW COMMUNITY CURRENTLY ENJOYS,E IMPROVE TEAMWORK AND INTEGRATION ACROSS THE CONTINUUM OF CARE AND ENSURE THAT PHYSICIANS AND OTHER HEALTHCARE PROVIDERS LEAD CLINICAL DESIGNS AND CLINICAL DECISIONS,F ENSURE THAT PHYSICIANS AND ADMINISTRATIVE LEADERS HAVE A SHARED VISION REGARDING THE NCW COMMUNITY HEALTH CARE DELIVERY SYSTEM,G ENSURE THAT THE NCW COMMUNITY ECONOMY, JOBS, AND BUSINESS PARTNERS ARE PRESERVED AND CAN GROW WITH THE REGION IN A RESPONSIBLE WAY,H DEVELOP A HIGH PERFORMING INTEGRATED HEALTH CARE DELIVERY SYSTEM FOR THE NCW COMMUNITY THAT COULD APPLY FOR AND BE SUCCESSFUL WITH CONTRACTS FROM MEDICARE SO THAT THE NEWLY CREATED HEALTH SYSTEM CAN BE IDENTIFIED AS AN ACCOUNTABLE CARE ORGANIZATION IF SO DESIRED AND POSITION THE HEALTH SYSTEM SO THAT IT COULD CONTRACT FOR THE OVERALL SYSTEM OF CARE AND BE SUCCESSFUL WITH NEWLY DEVELOPED RISK CONTRACTS BEING OFFERED BY COMMERCIAL INSURERS I ESTABLISH, EQUIP, OPERATE AND MAINTAIN BENEVOLENT AND CHARITABLE INSTITUTIONS FOR THE GIVING OF MEDICAL AND SURGICAL CARE TO THE SICK, WOUNDED AND SUFFERING IRRESPECTIVE OF SEX, MARITAL STATUS, DISABILITY, COLOR, RACE, RELIGIOUS BELIEVE, SEXUAL ORIENTATION, ECONOMIC STATUS, OR PECUNIARY CIRCUMSTANCES, ANDJ CARRY ON ANY EDUCATIONAL ACTIVITIES, RELATED TO THE RENDERING OF CARE TO THE SICK AND INJURED OR THE PROMOTION OF HEALTH WHICH, IN THE OPINION OF THE BOARD OF DIRECTORS OF WVH, MAY BE JUSTIFIED BY THE FACILITIES, PERSONNEL, FUNDS, OR OTHER REQUIREMENTS THAT ARE OR CAN BE MADE AVAILABLE IN ACCORDANCE WITH THE LAWS OF THE STATE OF WASHINGTON WENATCHEE VALLEY HOSPITAL OPERATES RURAL HEALTH CLINICS IN TEN COMMUNITIES THROUGHOUT NCW COMMUNITY INCLUDING BREWSTER, CASHMERE, EAST WENATCHEE, MOSES LAKE, OMAK, OROVILLE, ROYAL CITY, TONASKET,WATERVILLE, AND WENATCHEE AS WELL AS OPERATES A 20-BED HOSPITAL FACILITY WHICH SERVES MEDICAL, SURGICAL AND REHABILITATION PATIENTS WENATCHEE VALLEY HOSPITAL HAS ENTERED INTO PROFESSIONAL SERVICE AGREEMENTS WITH A MULTI-SPECIALTY PHYSICIAN GROUP THAT EMPLOYS OR OTHERWISE ENGAGES NEARLY 300 PRIMARY CARE PHYSICIANS, PHYSICIAN SPECIALISTS AND MID-LEVEL PRACTITIONERS TO SERVE THE NEEDS OF PATIENTS WITHIN THE NCW COMMUNITY WENATCHEE VALLEY HOSPITAL 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 ASSOCIATION DOES NOT PURSUE COLLECTION OF AMOUNTS DETERMINED TO QUALIFY AS CHARITY CARE THEY ARE NOT REPORTED AS REVENUE THE HOSPITAL MAINTAINS RECORDS TO IDENTIFY AND MONITOR THE LEVEL OF CHARITY CARE IT PROVIDES THESE RECORDS INCLUDE THE AMOUNT OF CHARGES FORGONE FOR SERVICES AND SUPPLIES FURNISHED UNDER ITS CHARITY CARE POLICY AND THE ESTIMATED COST OF THOSE SERVICES AND SUPPLIES CHARGES FORGONE, BASED ON ESTABLISHED RATES TOTALED 614,421 IN 2013 MANAGEMENT ESTIMATES CHARITY CARE COSTS BY CALCULATING A RATIO OF COST TO GROSS CHARGES, AND THEN MULTIPLYING THAT RATIO BY THE GROSS UNCOMPENSATED CHARGES ASSOCIATED WITH PROVIDING CARE TO CHARITY PATIENTS CHARITY CARE COSTS WERE \$619,421 IN 2013 THE HOSPITAL SERVICED 907 IN-PATIENTS, PROVIDED APPROXIMATELY 2,250 DAYS OF CARE AND HAD 750,836 OUT-PATIENT VISITS				

[illegible][illegible]

4d Other program services (Describe in Schedule O)
(Expenses \$ _____ including grants of \$ _____) (Revenue \$ _____)

4e	Total program service expenses	83,483,361
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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	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d 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 other assistance to or for any foreign organization? 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 other assistance to or for foreign individuals? 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 or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		No
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	286	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	1,167	
2b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		Yes	
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?			No
3b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.			
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			No
4b If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			No
5b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			No
5c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?			No
6b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			
7 Organizations that may receive deductible contributions under section 170(c).			
7a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?			No
7b If "Yes," did the organization notify the donor of the value of the goods or services provided?			
7c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			No
7d If "Yes," indicate the number of Forms 8282 filed during the year.			
7e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			No
7f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			No
7g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			
7h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			
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?			
9 Sponsoring organizations maintaining donor advised funds.			
9a Did the organization make any taxable distributions under section 4966?			
9b Did the organization make a distribution to a donor, donor advisor, or related person?			
10 Section 501(c)(7) organizations. Enter			
10a Initiation fees and capital contributions included on Part VIII, line 12.			
10b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.			
11 Section 501(c)(12) organizations. Enter			
11a Gross income from members or shareholders.			
11b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).			
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?			
12b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.			
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
13a 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.			
13b 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.			
13c Enter the amount of reserves on hand.			
14a Did the organization receive any payments for indoor tanning services during the tax year?			No
14b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.			

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 or note to any line 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	15	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	15	
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	Yes
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes
13	Did the organization have a written whistleblower policy?	13	Yes
14	Did the organization have a written document retention and destruction policy?	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official	15a	Yes
b	Other officers or key employees of the organization	15b	Yes
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶WA
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 ▶PETER D RUTHERFORD MD 1201 SOUTH MILLER STREET WENATCHEE,WA 98801 (509)663-8711

Part VII

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

Check if Schedule O contains a response or note to any line 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) KENNETH J MARTIN CHAIR	1 00 2 00	X		X				0	0	0
(2) MARC C HEMINGER VICE CHAIR	1 00 2 00	X		X				0	0	0
(3) MARCUS KUBOSUMI MD SECRETARY	1 00 1 00	X		X				0	0	0
(4) KRISTINE S LOOMIS TREASURER	1 00 2 00	X		X				0	0	0
(5) KAREN JACKSON BOARD OF DIRECTORS	1 00 2 00	X						0	0	0
(6) PHILLIP R JOHNSON BOARD OF DIRECTORS	1 00 2 00	X						0	0	0
(7) FRANK J KUNTZ BOARD OF DIRECTORS	1 00 2 00	X						0	0	0
(8) LAURA MOUNTER BOARD OF DIRECTORS	1 00 2 00	X						0	0	0
(9) DAVID W PARKS BOARD OF DIRECTORS	1 00 2 00	X						0	0	0
(10) ROBERT TRASK BOARD OF DIRECTORS	1 00 2 00	X						0	0	0
(11) THOMAS P CARLSON MD BOARD OF DIRECTORS	1 00 1 00	X						0	0	0
(12) DAVID DANIEL MD BOARD OF DIRECTORS	1 00 1 00	X						0	0	0
(13) MITCHELL A GARRISON MD BOARD OF DIRECTORS	1 00 1 00	X						0	0	0
(14) ROBERT E JUSTUS MD BOARD OF DIRECTORS	1 00 1 00	X						0	0	0
(15) JEFFERY T MONSON MD BOARD OF DIRECTORS	1 00 2 00	X						0	0	0
(16) PETER RUTHERFORD MD CHIEF EXECUTIVE OFFICER	10 00 30 00			X				50,965	524,859	43,143
(17) JOHN B HAMILTON FORMER CHIEF EXECUTIVE OFFICER	10 00 30 00			X				0	394,691	35,655

Part VII

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) JOHN R DOYLE CHIEF FINANCIAL OFFICER	10 00 30 00			X				28,899	270,267	41,363
(19) SHAUN P KOOS CHIEF OPERATIONS OFFICER	10 00 30 00			X				73,223	374,583	43,609
(20) TRACEY A KASNIC CHIEF NURSING OFFICER	10 00 30 00			X				0	266,042	39,552
(21) STEVE JACOBS VP OF FINANCE	10 00 30 00					X		0	268,648	39,219
(22) RICHARD LAWLEY CHRO	10 00 30 00					X		14,105	216,046	33,295
(23) JAY JOHNSON EXECUTIVE VP OUTPATIENT SERVICES	10 00 30 00					X		11,450	214,788	40,669
(24) PETER LOLOS VICE PRESIDENT	10 00 30 00					X		14,798	188,724	32,831
(25) KEVIN GILBERT DIRECTOR OF HOSPITAL OPERATIONS	10 00 30 00					X		0	180,364	33,807
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								193,440	2,899,012	383,143

2Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization0

3Did 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

4For 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

5Did 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

1Complete 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

2Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization0

Part VIII

Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	163,662			
	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		163,662			
Program Service Revenue	2a	PATIENT SERVICE REVENUE	Business Code 624100	119,142,513	119,142,513		
	b	RESEARCH REVENUE	624100	346,313	346,313		
	c	CAFETERIA REVENUE	624100	193,231		193,231	
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		119,682,057			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)				
4		Income from investment of tax-exempt bond proceeds					
5		Royalties					
6a		(i) Real					
		(ii) Personal					
b		Less rental expenses					
c		Rental income or (loss)					
d		Net rental income or (loss)					
7a		(i) Securities					
		(ii) Other					
b		Less cost or other basis and sales expenses					
c		Gain or (loss)					
d		Net gain or (loss)					
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				
a							
b	Less cost of goods sold		b				
c	Net income or (loss) from sales of inventory						
	Miscellaneous Revenue	Business Code					
11a	REBATES AND FEES	624100	106,585	106,585			
b							
c							
d	All other revenue						
e	Total. Add lines 11a-11d		106,585				
12	Total revenue. See Instructions		119,952,304	119,595,411	0	193,231	

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 or note to any line 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.	120,100	120,100		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	153,087	108,264	44,823	
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.	72,382		72,382	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	1,628,838	1,465,954	162,884	
9	Other employee benefits.	2,507,550	2,256,795	250,755	
10	Payroll taxes.	2,167,800	1,951,020	216,780	
11	Fees for services (non-employees):				
a	Management.	14,189,319		14,189,319	
b	Legal.	780		780	
c	Accounting.	66		66	
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).	452,912		452,912	
12	Advertising and promotion.	131,350		131,350	
13	Office expenses.	1,038,817	280,492	758,325	
14	Information technology.	1,514,775	1,136,081	378,694	
15	Royalties.				
16	Occupancy.	3,737,333	2,803,000	934,333	
17	Travel.	319,995		319,995	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	159,190		159,190	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	61,138		61,138	
23	Insurance.	1,454,524	1,090,893	363,631	
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	PATIENT SERVICES	82,069,649	67,707,460	14,362,189	
b	GENERAL SERVICES	5,214,251	3,910,688	1,303,563	
c	TAXES	870,152	652,614	217,538	
d					
e	All other expenses				
25	Total functional expenses. Add lines 1 through 24e.	117,864,008	83,483,361	34,380,647	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 or note to any line in this Part X

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			0	1	8,449,651
	2	Savings and temporary cash investments				2	
	3	Pledges and grants receivable, net			0	3	34,508,751
	4	Accounts receivable, net				4	
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L				5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L				6	
	7	Notes and loans receivable, net				7	
	8	Inventories for sale or use			0	8	4,171,840
	9	Prepaid expenses and deferred charges			0	9	-483,854
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	1,373,090			
	b	Less accumulated depreciation	10b	61,138	0	10c	1,311,952
	11	Investments—publicly traded securities				11	
	12	Investments—other securities See Part IV, line 11				12	
	13	Investments—program-related See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets See Part IV, line 11			0	15	3,900,929
	16	Total assets. Add lines 1 through 15 (must equal line 34)			0	16	51,859,269
Liabilities	17	Accounts payable and accrued expenses			0	17	10,745,615
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities				20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D				21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties				23	
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D			0	25	39,025,358
	26	Total liabilities. Add lines 17 through 25			0	26	49,770,973
	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			0	27	2,088,296
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			0	33	2,088,296
34		Total liabilities and net assets/fund balances			0	34	51,859,269

Part XI

Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI ☐

1	Total revenue (must equal Part VIII, column (A), line 12)	1	119,952,304
2	Total expenses (must equal Part IX, column (A), line 25)	2	117,864,008
3	Revenue less expenses Subtract line 2 from line 1	3	2,088,296
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	0
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	0
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	2,088,296

Part XII

Financial Statements and Reporting

Check if Schedule O contains a response or note to any line 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? 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	2a	No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis	2b	Yes
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	

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.

▶ Information about Schedule A (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization WENATCHEE VALLEY HOSPITAL	Employer identification number 45-5563741
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Part I

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

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

1	☐	A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i).
2	☐	A school described in section 170(b)(1)(A)(ii). (Attach Schedule E)
3	☒	A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
4	☐	A medical research organization operated in conjunction with a hospital described in section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state _____
5	☐	An organization operated for the benefit of a college or university owned or operated by a governmental unit described in section 170(b)(1)(A)(iv). (Complete Part II)
6	☐	A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
7	☐	An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in section 170(b)(1)(A)(vi). (Complete Part II)
8	☐	A community trust described in section 170(b)(1)(A)(vi) (Complete Part II)
9	☐	An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2). (Complete Part III)
10	☐	An organization organized and operated exclusively to test for public safety See section 509(a)(4).
11	☐	An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See section 509(a)(3). Check the box that describes the type of supporting organization and complete lines 11e through 11h a ☐ Type I b ☐ Type II c ☐ Type III - Functionally integrated d ☐ Type III - Non-functionally integrated
e	☐	By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
f	☐	If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
g	☐	Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons? (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? (ii) A family member of a person described in (i) above? (iii) A 35% controlled entity of a person described in (i) or (ii) above?
h	☐	Provide the following information about the supported organization(s)

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

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

Part II

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 6, column (f) divided by line 11, column (f))	14		
15 Public support percentage for 2012 Schedule A, Part II, line 14	15		
16a 33 1/3% support test—2013. 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—2012. 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—2013. 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—2012. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization			▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions			▶

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. 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—2012. 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.** 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

Return Reference	Explanation	
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SCHEDULE D
(Form 990)

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. ▶ Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization WENATCHEE VALLEY HOSPITAL	Employer identification number 45-5563741
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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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

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

4

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

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes ☐ No

6

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

7

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

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

(i)

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

(ii)

Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2013

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

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

b ☐ Scholarly research

c ☐ Preservation for future generations

d ☐ Loan or exchange programs

e ☐ Other
- 4 Provide a description of the organization’s collections and explain how they further the organization’s exempt purpose in Part XIII
- 5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization’s collection?

☐ Yes ☐ No

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

- 1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes ☐ No
- b If "Yes," explain the arrangement in Part XIII and complete the following table
- c Beginning balance

d Additions during the year

e Distributions during the year

f Ending balance

	Amount
1c	
1d	
1e	
1f	
- 2a Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes ☐ No
- b If "Yes," explain the arrangement in Part XIII Check here if the explanation has been provided in Part XIII

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

a Board designated or quasi-endowment ▶

b Permanent endowment ▶

c Temporarily restricted endowment ▶

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

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

(i) unrelated organizations

(ii) related organizations

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

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

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

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. 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				
b Buildings		247,638		247,638
c Leasehold improvements				
d Equipment		1,114,178	61,138	1,053,040
e Other		11,274		11,274
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) ▶				1,311,952

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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. Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

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

Return Reference	Explanation
PART X, LINE 2	THE HEALTH SYSTEM WILL OPERATE AS EXEMPT FROM FEDERAL INCOME TAX UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE EXCEPT TO THE EXTENT OF UNRELATED BUSINESS TAXABLE INCOME AS DEFINED UNDER IRC SECTIONS 511 THROUGH 515 ANY UNRELATED BUSINESS INCOME GENERATED IS NOT SIGNIFICANT, THEREFORE, NO PROVISION FOR INCOME TAXES HAS BEEN RECORDED THE HEALTH SYSTEM HAS ADOPTED ACCOUNTING FOR UNCERTAIN TAX POSITIONS THE ACCOUNTING STANDARD PRESCRIBES A RECOGNITION THRESHOLD AND MEASUREMENT PROCESS FOR UNCERTAIN TAX POSITIONS AS OF DECEMBER 31, 2013, THE HEALTH SYSTEM HAD NO UNCERTAIN TAX POSITIONS REQUIRING ACCRUAL

[illegible]

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.
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
WENATCHEE VALLEY HOSPITAL

Employer identification number
45-5563741

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 <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☐ 150% ☒ 200% ☐ Other _____ %	3a Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☒ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b Yes	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care		
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4 Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c	
6a	Did the organization prepare a community benefit report during the tax year?	6a Yes	
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)			835,233		835,233	0 710 %
b Medicaid (from Worksheet 3, column a)			1,501,942	1,106,370	395,572	0 340 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			5,030,561	4,569,989	460,572	0 390 %
d Total Financial Assistance and Means-Tested Government Programs			7,367,736	5,676,359	1,691,377	1 440 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)	80	287	559,132		559,132	0 470 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			1,650		1,650	0 %
j Total Other Benefits	80	287	560,782		560,782	0 470 %
k Total . Add lines 7d and 7j	80	287	7,928,518	5,676,359	2,252,159	1 910 %

Part IICommunity Building Activities

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

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

1,103,104

3

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

3

4

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

Section B. Medicare

5

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

5

36,786,188

6

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

6

19,385,229

7

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

7

17,400,959

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 IVManagement 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, primary website address, and state license number

		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
	See Additional Data Table										

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)

WENATCHEE VALLEY HOSPITAL

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A)

1

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a ☒ 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 <u>13</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a ☐ Hospital facility's website (list url) _____		
b ☐ Other website (list url) _____		
c ☒ Available upon request from the hospital facility		
d ☐ 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 as of the end of the tax year)		
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 Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Financial Assistance Policy

Billing and Collections

5 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	
6 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 individual'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 Section C)			
7 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 individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17		No
a ☐ Reporting to credit agency b ☐ Lawsuits c ☐ Liens on residences d ☐ Body attachments e ☐ Other similar actions (describe in Section C)			

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 individuals regarding the individuals' bills
- d

☒

Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Section C)

Policy Relating to Emergency Medical Care

	Yes	No
19	Yes	
Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?		
If "No," indicate why		
a	☐	The hospital facility did not provide care for any emergency medical conditions
b	☐	The hospital facility's policy was not in writing
c	☐	The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
d	☐	Other (describe in Part VI)

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		No
During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care?		
If "Yes," explain in Part VI		
22		No
During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?		
If "Yes," explain in Part VI		

Part V

Facility Information (continued)

Section D. 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? 1

Name and address	Type of Facility (describe)
1 CONFLUENCE HEALTH 1201 SOUTH MILLER STREET WENATCHEE,WA 98801	ADMINISTRATIVE AND SHARED FUNCTIONS FOR THE HEALTH SYSTEM
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

Provide the following information

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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

Form and Line Reference	Explanation
PART I, LINE 6A	CONFLUENCE HEALTH, A RELATED ENTITY, PREPARED THE COMMUNITY BENEFIT REPORT
PART III, LINE 2	NET PATIENT SERVICE REVENUE - THE HOSPITAL HAS AGREEMENTS WITH THIRD-PARTY PAYORS THAT PROVIDE FOR PAYMENTS TO THE HOSPITAL AT AMOUNTS DIFFERENT FROM ITS ESTABLISHED RATES. PAYMENT ARRANGEMENTS INCLUDE PROSPECTIVELY DETERMINED RATES PER DISCHARGE, REIMBURSED COSTS, DISCOUNTED CHARGES, AND PER DIEM PAYMENTS. 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. PATIENT ACCOUNTS RECEIVABLE - FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS (WHICH INCLUDES BOTH PATIENTS WITHOUT INSURANCE AND PATIENTS WITH DEDUCTIBLE AND COPAYMENT BALANCES DUE FOR WHICH THIRD-PARTY COVERAGE EXISTS FOR PART OF THE BILL), THE HOSPITAL RECORDS A SIGNIFICANT PROVISION FOR BAD DEBTS IN THE PERIOD OF SERVICE ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE. THE DIFFERENCE BETWEEN THE STANDARD RATES (OR THE DISCOUNTED RATES IF NEGOTIATED) AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS.

Form and Line Reference	Explanation
PART III, LINE 4	ACCOUNTS RECEIVABLE ARE REDUCED BY AN ALLOWANCE FOR DOUBTFUL ACCOUNTS. IN EVALUATING THE COLLECTIBILITY OF ACCOUNTS RECEIVABLE, THE HEALTH SYSTEM 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 HEALTH SYSTEM ANALYZES CONTRACTUALLY DUE AMOUNTS AND PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR BAD DEBTS, IF NECESSARY (FOR EXAMPLE, FOR EXPECTED UNCOLLECTIBLE DEDUCTIBLES AND COPAYMENTS ON ACCOUNTS FOR WHICH THE THIRD-PARTY PAYOR HAS NOT YET PAID, OR FOR PAYORS WHO ARE KNOWN TO BE HAVING FINANCIAL DIFFICULTIES THAT MAKE THE REALIZATION OF AMOUNTS DUE UNLIKELY) FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS (WHICH INCLUDES BOTH PATIENTS WITHOUT INSURANCE AND PATIENTS WITH DEDUCTIBLE AND COPAYMENT BALANCES DUE FOR WHICH THIRD-PARTY COVERAGE EXISTS FOR PART OF THE BILL), THE HEALTH SYSTEM 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 HEALTH SYSTEM'S ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR SELF-PAY PATIENTS IS 65% OF SELF-PAY ACCOUNTS RECEIVABLE AT DECEMBER 31, 2013. IN ADDITION, THE HEALTH SYSTEM'S SELF-PAY WRITE-OFFS WERE \$10,454,000 FOR THE YEAR ENDED DECEMBER 31, 2013.
PART III, LINE 8	MEDICARE - INPATIENT ACUTE CARE SERVICES RENDERED TO MEDICARE PROGRAM BENEFICIARIES ARE PAID AT PROSPECTIVELY DETERMINED RATES. THESE RATES VARY ACCORDING TO PATIENT CLASSIFICATION SYSTEM THAT IS BASED ON CLINICAL, DIAGNOSTIC, AND OTHER FACTORS.

Form and Line Reference	Explanation
PART III, LINE 9B	IT IS THE POLICY TO WORK WITH THE PATIENT TO OBTAIN PAYMENT IN FULL, SECURE FINANCIAL ASSISTANCE, OR ESTABLISH APPROPRIATE PAYMENT ARRANGEMENTS ON PATIENT BALANCES WITHIN 30 DAYS OF THE INITIAL STATEMENT DATE 1 WHEN POSSIBLE THE SCHEDULER, AND/OR RECEPTIONS, WILL ALERT THE PATIENT OF ANY SELF-PAY DEPOSIT, PRE-PAYMENT OR INSURANCE CO-PAYMENT, WHICH MAY BE REQUESTED AT THE TIME OF SERVICE 2 PAYMENT IN FULL ON ALL SELF-PAY BALANCES IS EXPECTED WITHIN 30 DAYS OF RECEIPT OF THE FIRST STATEMENT A THE RESPONSIBILITY FOR PAYMENT REMAINS WITH THE GUARANTOR THE HOSPITAL DOES NOT BECOME INVOLVED IN DISPUTES THAT OCCUR AS A RESULT OF DIVORCE SETTLEMENTS, CHILD CUSTODY, AND ACCIDENTAL INJURY OR THIRD PARTY LITIGATION 3 WORKING WITH THE GUARANTOR, THE HOSPITAL WILL ESTABLISH PAYMENT ARRANGEMENTS WHEN PAYMENT IN FULL CANNOT BE MADE COLLECTION EFFORTS ARE SUSPENDED WHEN THE GUARANTOR REQUESTS A FINANCIAL ASSISTANCE APPLICATION THIS SUSPENSION IS IN EFFECT FOR 30 CALENDAR DAYS GIVING THE APPROPRIATE PARTY TIME TO COMPLETE THE APPLICATION AND PROVIDE THE REQUIRED DOCUMENTATION COLLECTION EFFORTS REMAIN SUSPENDED UNTIL THE FINAL DETERMINATION OF QUALIFICATION IS COMPLETED 4 ALL TRANSACTIONS ARE REQUIRED TO AGE A MINIMUM OF 120 DAYS, ALLOWING FOR 4 STATEMENTS AND AT LEAST 1 LETTER, BEFORE BEING CONSIDERED FOR TRANSFER TO AN OUTSIDE COLLECTION AGENCY 5 IF AN ACCOUNT HAS A MAIL RETURN STATUS AND ALL STEPS TAKEN TO FIND THE ADDRESS WERE UNSUCCESSFUL THE ACCOUNT MAY BE TURNED TO COLLECTION FOR FURTHER RESEARCH
PART VI, LINE 2	WENATCHEE VALLEY HOSPITAL PARTICIPATED IN A COMMUNITY WIDE NEEDS ASSESSMENT IN COOPERATION WITH COMMUNITY CHOICE, COLUMBIA VALLEY COMMUNITY HEALTH, CHELAN-DOUGLAS PUBLIC HEALTH AND OTHER REGIONAL HOSPITALS

Form and Line Reference	Explanation
PART VI, LINE 3	COMMUNICATIONS TO THE PUBLIC THE HOSPITAL'S COMPASSIONATE CARE POLICY SHALL BE MADE PUBLICLY AVAILABLE AS FOLLOWS 1 A NOTICE ADVISING PATIENTS THAT THE HOSPITAL PROVIDES COMPASSIONATE CARE SHALL BE POSTED IN KEY PUBLIC AREAS OF THE FACILITY 2 THE HOSPITAL WILL DISTRIBUTE A WRITTEN NOTICE ABOUT THE AVAILABILITY OF COMPASSIONATE CARE TO ALL PATIENTS AT THE TIME OF NEW PATIENT REGISTRATION THROUGH THE EMERGENCY DEPARTMENT AND DURING ADMISSIONS THIS INFORMATION WILL ALSO BE AVAILABLE ON THE WEBSITE, WITH EACH BILLING STATEMENT, AND IN ANY COLLECTION LETTERS SENT BY THE HOSPITAL 3 THE WRITTEN NOTICE SHALL BE AVAILABLE IN ANY LANGUAGE SPOKEN BY MORE THAN TEN PERCENT OF THE POPULATION IN THE HOSPITAL'S SERVICE AREA, AND INTERPRETED FOR OTHER NON-ENGLISH SPEAKING OR LIMITED-ENGLISH SPEAKING PATIENTS AND FOR OTHER PATIENTS WHO CANNOT UNDERSTAND THE WRITING AND/OR EXPLANATION THE HOSPITAL'S SERVICE AREA IS DEFINED AS, CHELAN, DOUGLAS, OKANOGAN AND GRANT COUNTIES THE HOSPITAL FINDS THAT THE FOLLOWING NO-ENGLISH TRANSLATION(S) OF THE NOTICE SHALL BE MADE AVAILABLE SPANISH 4 THE HOSPITAL WILL REFER ALL COMPASSIONATE CARE INQUIRIES TO THE FINANCIAL ASSISTANCE DEPARTMENT OR WHEN POSSIBLE DIRECTLY TO THE COMPASSIONATE CARE COORDINATOR SO THAT ALL CONCERNS CAN BE ADDRESSED IN A TIMELY MANNER 5 WRITTEN NOTICE ABOUT THE HOSPITAL'S COMPASSIONATE CARE POLICY SHALL BE MADE AVAILABLE TO ANY PERSON WHO REQUESTS THE INFORMATION, EITHER BY MAIL, BY TELEPHONE OR IN PERSON THE HOSPITAL'S COMPASSIONATE CARE SLIDING SCALE DISCOUNT TABLE SHALL ALSO BE MADE AVAILABLE UPON REQUEST
PART VI, LINE 4	THE HOSPITAL OPERATES A 20-BED HOSPITAL ALONG WITH 10 MULTISPECIALTY OUTPATIENT CLINICS DELIVERING A FULL RANGE OF HEALTH CARE SERVICES IN WENATCHEE, WASHINGTON AND THE NORTH CENTRAL WASHINGTON AREA THE HOSPITAL IS A NOT-FOR-PROFIT INSTITUTION GOVERNED BY A BOARD OF DIRECTORS, PROVIDING GENERAL INPATIENT AND REHAB SERVICES AS WELL AS ALLERGY, AUDIOLOGY, BEHAVIORAL MEDICINE, BREAST & CERVICAL HEALTH, BREAST IMAGING, CANCER CARE, CARDIOLOGY, CARDIOTHORACIC SURGERY, DERMATOLOGY, EAR, NOSE & THROAT, ENDOCRINOLOGY, FAMILY MEDICINE, GASTROENTEROLOGY, GERIATRICS, HOSPITAL SERVICES, INFECTIOUS DISEASE, INTERNAL MEDICINE, NEPHROLOGY, NEUROLOGY, NEUROSURGERY, NUTRITION, OCCUPATIONAL MEDICINE, OCCUPATIONAL THERAPY, ONCOLOGY & HEMATOLOGY, OPHTHALMOLOGY, OPTOMETRY, ORTHOPEDICS & ORTHOPEDIC SURGERY, PAIN MANAGEMENT, PALLIATIVE CARE, PEDIATRICS, PHYSIATRY, PHYSICAL THERAPY, PODIATRY, PULMONARY MEDICINE, RADIATION ONCOLOGY, RADIOLOGY/IMAGING, RESEARCH, RHEUMATOLOGY, ROBOTIC SURGERY, SLEEP CENTER, SPEECH LANGUAGE PATHOLOGY, SPINAL CLINIC & SURGERY, UROLOGY, VASCULAR SURGERY, WOMEN'S HEALTH AND WOUND CARE WENATCHEE, WASHINGTON IS APPROXIMATELY 150 MILES EAST OF SEATTLE, WASHINGTON AND 170 MILES WEST OF SPOKANE, WASHINGTON CHELAN AND DOUGLAS COUNTIES COMPRISE THE HOSPITAL'S PRIMARY SERVICE AREA WHILE GRANT AND OKANOGAN COUNTIES REPRESENT SECONDARY SERVICE AREAS APPROXIMATELY 96% OF THE HOSPITAL'S PATIENT VISITS ARE FROM THE PRIMARY AND SECONDARY SERVICE AREAS THE SERVICE AREAS POPULATION IS HEAVILY WEIGHTED IN THE 65+ AGE COHORT AS WELL AS MEDICARE/MEDICAID ELIGIBLE, WHICH REPRESENTS APPROXIMATELY 51% OF THE HOSPITAL'S PATIENTS IN ADDITION, THE HOSPITAL HAS A HIGH CONCENTRATION OF FARM AND AGRICULTURE RELATED EMPLOYERS/EMPLOYEES

Form and Line Reference	Explanation
PART VI, LINE 6	CONFLUENCE HEALTH WAS FORMED IN 2012 AS A HEALTH SYSTEM THAT REPRESENTS AN AFFILIATION BETWEEN THE HOSPITAL, WENATCHEE VALLEY MEDICAL CENTER (A FOR-PROFIT ORGANIZATION) AND CENTRAL WASHINGTON HOSPITAL EFFECTIVE JANUARY 1, 2013, THE HOSPITAL AFFILIATED WITH CONFLUENCE HEALTH AND CONFLUENCE HEALTH BECAME THE SOLE MEMBER OF THE HOSPITAL THE BOARD OF DIRECTORS OF CONFLUENCE HEALTH CONSISTS OF 9 COMMUNITY MEMBERS AND 6 PHYSICIANS OF WENATCHEE VALLEY MEDICAL CENTER THE MISSION STATEMENT OF CONFLUENCE HEALTH IS WE ARE DEDICATED TO IMPROVING OUR PATIENTS HEALTH BY PROVIDING SAFE, HIGH-QUALITY CARE IN A COMPASSIONATE AND COST-EFFECTIVE MANNER
PART VI, LINE 7, REPORTS FILED WITH STATES	WA

OMB No 1545-0047

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

▶ Information about Schedule I (Form 990) and its instructions is at www.irs.gov/form990.

Open to Public Inspection

Employer identification number
45-5563741

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.

2	Enter total number of section 501(c)(3) and government organizations listed in the line 1 table		<u>1</u>
3	Enter total number of other organizations listed in the line 1 table		

Part III

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

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

Part IV

Supplemental Information. Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
PART I, LINE 2	SEPARATE DEPARTMENTS MANAGE THE GRANTS AND ACTIVITY THE POLICY WAS DEVELOPED IN 2014 TO ADDRESS OVERALL COST PRINCIPLES AND SPECIFIC GRANT POLICIES AS WELL

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, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

▶ Information about Schedule J (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
WENATCHEE VALLEY HOSPITAL

Employer identification number
45-5563741

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all 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 directors, trustees, officers, including 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? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.	4c	No
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a	The organization?	5a	No
b	Any related organization? If "Yes," to line 5a or 5b, describe in Part III.	5b	No
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?	6a	No
b	Any related organization? If "Yes," to line 6a or 6b, describe in Part III.	6b	No
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III.	7	No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III.	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9	

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

Part III **Supplemental Information**

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.

Return Reference	Explanation
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Additional Data

Software ID:
Software Version:
EIN: 45-5563741
Name: WENATCHEE VALLEY HOSPITAL

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
PETER RUTHERFORD MD CHIEF EXECUTIVE OFFICER	(i)	965	50,000	0	0	0	50,965	0
	(ii)	524,859	0	0	29,325	13,818	568,002	0
JOHN B HAMILTON FORMER CHIEF EXECUTIVE OFFICER	(i)	0	0	0	0	0	0	0
	(ii)	394,691	0	0	25,500	10,155	430,346	0
JOHN R DOYLE CHIEF FINANCIAL OFFICER	(i)	8,899	20,000	0	0	0	28,899	0
	(ii)	270,267	0	0	25,500	15,863	311,630	0
SHAUN P KOOS CHIEF OPERATIONS OFFICER	(i)	19,903	53,320	0	0	0	73,223	0
	(ii)	374,583	0	0	29,325	14,284	418,192	0
TRACEY A KASNIC CHIEF NURSING OFFICER	(i)	0	0	0	0	0	0	0
	(ii)	266,042	0	0	25,500	14,052	305,594	0
STEVE JACOBS VP OF FINANCE	(i)	0	0	0	0	0	0	0
	(ii)	268,648	0	0	29,325	9,894	307,867	0
RICHARD LAWLEY CHRO	(i)	9,105	5,000	0	0	0	14,105	0
	(ii)	216,046	0	0	17,761	15,534	249,341	0
JAY JOHNSON EXECUTIVE VP OUTPATIENT SERVICES	(i)	11,450	0	0	0	0	11,450	0
	(ii)	214,788	0	0	26,973	13,696	255,457	0
PETER LOLOS VICE PRESIDENT	(i)	9,798	5,000	0	0	0	14,798	0
	(ii)	188,724	0	0	23,889	8,942	221,555	0
KEVIN GILBERT DIRECTOR OF HOSPITAL OPERATIONS	(i)	0	0	0	0	0	0	0
	(ii)	180,364	0	0	22,888	10,919	214,171	0

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.****▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at
www.irs.gov/form990.**

OMB No 1545-0047

2013**Open to Public
Inspection**Name of the organization
WENATCHEE VALLEY HOSPITAL**Employer identification number**

45-5563741

990 Schedule O, Supplemental Information

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11	
FORM 990, PART VI, SECTION B, LINE 12C	BOARD MEMBER, EXECUTIVE TEAM MEMBERS, AND DIRECTORS ARE REQUIRED TO REVIEW THE CURRENT CONFLICT OF INTEREST POLICY AND COMPLETE AN ANNUAL QUESTIONNAIRE. THE NOMINATING COMMITTEE OF THE BOARD REVIEWS QUESTIONNAIRES OF EXISTING AND NEW MEMBERS FOR POTENTIAL CONFLICTS OF INTEREST. ANY POTENTIAL CONFLICTS OF INTEREST ARE RESOLVED BY THE NOMINATING COMMITTEE. THE EXECUTIVE TEAM REVIEWS QUESTIONNAIRES SUBMITTED BY THE EXECUTIVE TEAM MEMBERS AND DIRECTORS FOR POTENTIAL CONFLICTS OF INTEREST. POTENTIAL CONFLICTS OF INTEREST ARE RESOLVED BY THE EXECUTIVE TEAM IN COLLABORATION WITH THE CORPORATE COMPLIANCE OFFICER.
FORM 990, PART VI, SECTION B, LINE 15	IN 2013, THE COMPENSATION COMMITTEE OF THE GOVERNING BOARD REVIEWS INDEPENDENT SALARY SURVEY INFORMATION AND RECOMMENDS A SALARY AND/OR A SALARY INCREASE FOR THE CEO TO THE GOVERNING BOARD. THE OTHER OFFICERS RECEIVE AN ANNUAL PERCENT INCREASE WHICH NON-CONTRACTUAL EMPLOYEES RECEIVE UNLESS THE CEO AWARDS A DIFFERENT PERCENTAGE. THE AMOUNT IS, TYPICALLY, BASED ON CURRENT CPI, MARKET AND SALARY SURVEY INFORMATION.
FORM 990, PART VI, SECTION C, LINE 18	WENATCHEE VALLEY HOSPITAL'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND AUDITED FINANCIAL STATEMENTS ARE AVAILABLE UPON REQUEST.
FORM 990, PART VI, SECTION C, LINE 19	WENATCHEE VALLEY HOSPITAL'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND AUDITED FINANCIAL STATEMENTS ARE AVAILABLE UPON REQUEST.
FORM 990, PART XII, LINE 2C	NO CHANGE FROM PRIOR YEAR.

SCHEDULE R
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
WENATCHEE VALLEY HOSPITAL

Employer identification number
45-5563741

Part I

Identification of Disregarded Entities

Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

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

Part II

Identification of Related Tax-Exempt Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) CENTRAL WASHINGTON HEALTH SERVICES ASSOCIATION PO BOX 1887 WENATCHEE, WA 98807 91-0171250	HOSPITAL	WA	501(C)(3)	LINE 3	CONFLUENCE HEALTH		No
(2) CONFLUENCE HEALTH 617 WASHINGTON STREET WENATCHEE, WA 98801 45-4789950	HEALTH SYSTEM	WA	501(C)(3)	LINE 11B, III	N/A		No

Part III

Identification of Related Organizations Taxable as a Partnership

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

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

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V

Transactions With Related Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

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

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity

b Gift, grant, or capital contribution to related organization(s)

c Gift, grant, or capital contribution from related organization(s)

d Loans or loan guarantees to or for related organization(s)

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

No

1b

Yes

1c

No

1d

Yes

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

No

1m

Yes

1n

No

1o

No

1p

Yes

1q

No

1r

No

1s

No

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) CONFLUENCE HEALTH	B	95,224	CASH VALUE
(2) CENTRAL WASHINGTON HOSPITAL	D	13,159,190	CASH VALUE
(3) CONFLUENCE HEALTH	M	14,189,319	CASH VALUE
(4) CONFLUENCE HEALTH	P	11,905,528	CASH VALUE

Schedule R (Form 990) 2013

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

[illegible]

Part VII

Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation
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CONFLUENCE HEALTH SYSTEM
REPORT OF INDEPENDENT AUDITORS
YEAR ENDED DECEMBER 31, 2013

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

Confluence Health System

December 31, 2013

MOSS ADAMS LLP

CHICAGO, ILLINOIS

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Confluence Health System

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Confluence Health System (the Health System), which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of operations, changes in net assets - release from restrictions, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Health System, as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Health System's consolidated financial statements. The information on pages 24 through 26 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information on pages 24 through 26 has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying information on pages 24 through 26 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Moss Adams LLP

Everett, Washington
June 18, 2014

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CONFLUENCE HEALTH SYSTEM
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 30,118,880
Receivables	
Patient accounts, net of allowance for doubtful accounts of \$7,847,000	68,280,821
Estimated third-party payor settlements	1,426,668
Other	6,349,922
Medical supplies	10,446,897
Prepaid expenses	5,389,725
Assets limited as to use that are required for current liabilities	<u>4,803,709</u>

Total current assets	<u>126,816,622</u>
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ASSETS LIMITED AS TO USE

By board for malpractice costs	2,729,000
By board for workers' compensation deposit	1,736,000
By board for capital improvements and other purposes	63,914,847
Held by trustee under Series 2009 Revenue Bond financing indenture agreement, net of amounts required for current liabilities	<u>9,357,737</u>

77,737,584

TEMPORARILY RESTRICTED RECEIVABLE	<u>3,569,446</u>
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PROPERTY AND EQUIPMENT, net	<u>159,948,157</u>
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OTHER ASSETS

Deferred financing costs	3,681,060
Other	<u>6,162,781</u>

9,843,841

Total assets	<u><u>\$ 377,915,650</u></u>
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CONFLUENCE HEALTH SYSTEM
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2013

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 14,635,355
Accrued liabilities	
Payroll and related liabilities	11,943,268
Paid leave	6,233,044
Interest	3,771,678
Other	6,207,791
Due to affiliates	23,866,168
Current portion of long-term debt	<u>1,824,516</u>

Total current liabilities	<u>68,481,820</u>
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ESTIMATED MEDICAL MALPRACTICE COSTS	3,175,237
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NOTE PAYABLE TO AFFILIATES	2,000,000
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LONG-TERM DEBT, net of current portion	<u>110,597,744</u>
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Total liabilities	<u>184,254,801</u>
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NET ASSETS

Unrestricted	190,091,403
Temporarily restricted	<u>3,569,446</u>

Total net assets	<u>193,660,849</u>
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Total liabilities and net assets	<u><u>\$ 377,915,650</u></u>
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CONFLUENCE HEALTH SYSTEM
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2013

UNRESTRICTED REVENUE AND OTHER SUPPORT

Net patient service revenue (net of contractual allowances and discounts)	\$ 357,938,977
Provision for bad debts	<u>(10,453,536)</u>

Net patient service revenue less provision for bad debts 347,485,441

Management services revenue	12,044,472
Other revenue	<u>5,285,152</u>

Total revenue and other support 364,815,065

EXPENSES

Professional care of patients	213,485,933
General services	34,797,227
Financial and administrative services	69,982,801
Other employee benefits	10,697,476
Medical malpractice costs	2,212,395
Depreciation and amortization	14,742,452
Interest	<u>7,593,638</u>

Total expenses 353,511,922

INCOME FROM OPERATIONS 11,303,143

OTHER INCOME

Investment income	1,067,292
Other	<u>409,354</u>

1,476,646

EXCESS OF REVENUE OVER EXPENSES 12,779,789

TRANSFER OF NET ASSETS FROM CENTRAL WASHINGTON HOSPITAL (CWH) 170,965,233

NET UNREALIZED GAIN ON INVESTMENTS 6,346,381

CHANGE IN UNRESTRICTED NET ASSETS \$ 190,091,403

CONFLUENCE HEALTH SYSTEM
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS - RELEASE FROM
RESTRICTIONS
YEAR ENDED DECEMBER 31, 2013

UNRESTRICTED NET ASSETS	
Excess of revenue over expenses	\$ 12,779,789
Transfer of net assets from CWH	170,965,233
Net unrealized gain on investments	<u>6,346,381</u>
Change in unrestricted net assets	<u>190,091,403</u>
TEMPORARILY RESTRICTED NET ASSETS	
Transfer of net assets from CWH	3,587,248
Other temporarily restricted net assets changes	<u>(17,802)</u>
Change in temporarily restricted net assets	<u>3,569,446</u>
INCREASE IN NET ASSETS	193,660,849
NET ASSETS, beginning of year	<u>-</u>
NET ASSETS, end of year	<u><u>\$ 193,660,849</u></u>

CONFLUENCE HEALTH SYSTEM
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in unrestricted net assets	\$ 190,091,403
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	15,143,540
Amortization	143,418
Loss on disposal of equipment	8,954
Provision for bad debts	10,453,536
Provision for estimated medical malpractice costs	(1,126,763)
Transfer of net assets from CWH	(170,965,233)
Unrealized gain on investments	(6,346,381)
Increase (decrease) in cash due to changes in assets and liabilities	
Patient accounts receivable	(50,078,776)
Estimated third-party payor settlements	(719,834)
Other receivables	(4,305,281)
Medical supplies	(907,746)
Prepaid expenses	417,546
Other assets	(206,091)
Due from affiliates	17,757,227
Accounts payable	9,727,909
Accrued liabilities	7,862,132
Net cash from operating activities	<u>16,949,560</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(9,813,954)
Proceeds from sale of assets limited as to use	2,552,428
Purchase of assets limited as to use	<u>(2,979,833)</u>
Net cash from investing activities	<u>(10,241,359)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Cash transferred from CWH at inception	23,150,196
Proceeds from issuance of debt	2,000,000
Principal payments on long-term debt	<u>(1,739,517)</u>
Net cash from financing activities	<u>23,410,679</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 30,118,880

CASH AND CASH EQUIVALENTS, beginning of year -

CASH AND CASH EQUIVALENTS, end of year \$ 30,118,880

CONFLUENCE HEALTH SYSTEM
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

The Health System paid interest of \$7,795,953 during the year ended December 31, 2013.

As part of the affiliation as described in Note 1, during 2013 Wenatchee Valley Medical Center (WVMC) transferred the following assets and liabilities, which are included in "Due from affiliates," to the Health System:

Cash	\$ 11,870
Inventory	3,649,209
Other receivables	295,173
Hospital license	3,900,929
Prepaid assets	2,708,293
Other payroll liabilities	<u>(1,017,775)</u>
Net liability to WVMC upon transfer	<u><u>\$ 9,547,699</u></u>

CONFLUENCE HEALTH SYSTEM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Organization

Confluence Health was formed in 2012 as a health system that represents an affiliation between Central Washington Health Services Association, dba Central Washington Hospital (the Association) (a not-for-profit organization) and Wenatchee Valley Medical Center (a for-profit organization). Effective January 1, 2013, the Association affiliated with Confluence Health, and Confluence Health became the sole member of the Association. The Board of Directors of Confluence Health consists of 9 community members and 6 physicians of Wenatchee Valley Medical Center (WVMC).

Confluence Health provides the administrative and shared functions for the health system. It plans to be a separate 501(c)(3) organization. Confluence Health has submitted the application to the IRS for 501(c)(3) not-for-profit tax exempt status. Confluence Health began operations on January 1, 2013, and now employs approximately 600 employees.

The mission statement of Confluence Health is:

We are dedicated to improving our patient's health by providing safe, high-quality care in a compassionate and cost-effective manner.

The affiliation was completed in 2013, at which time WVMC transferred its remaining nonphysician employees and its operations to Wenatchee Valley Hospital (a not-for-profit organization). Confluence Health is the sole member of Wenatchee Valley Hospital. The three affiliated entities, Central Washington Hospital, Wenatchee Valley Hospital, and Confluence Health, are referred to collectively as Confluence Health. The three entities have contracted with WVMC for physician services.

Principles of consolidation - The consolidated financial statements include the accounts of Central Washington Hospital, Wenatchee Valley Hospital, and Confluence Health. All intercompany amounts have been eliminated in consolidation.

Note 2 - Summary of Significant Accounting Policies

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

Cash and cash equivalents - Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

CONFLUENCE HEALTH SYSTEM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (continued)

Patient accounts receivable - Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Health System 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 Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Health System 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 Health System's allowance for doubtful accounts for self-pay patients is 65% of self-pay accounts receivable at December 31, 2013. In addition, the Health System's self-pay write-offs were \$10,454,000 for the year ended December 31, 2013.

Medical supplies - Medical supplies, composed primarily of medical and surgical inventories, are stated at the lower of replacement or market.

Assets limited as to use - Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the board of trustees for future capital improvements, over which the board retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of the Health System have been reclassified in the consolidated balance sheet at December 31, 2013.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated 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.

Property and equipment - Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method, which ranges from 3 to 40 years. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

CONFLUENCE HEALTH SYSTEM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (continued)

Gifts of long-lived assets such as property and equipment are reported as unrestricted donations, 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 temporarily or permanently restricted donations. 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 - Costs of bond financing related to bond issuance are amortized using the effective interest method over the 30-year life of the bonds.

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.

Federal income tax - The Health System is formed as three separate 501(c)(3) organizations and has submitted application to the IRS for not-for-profit tax exempt status for Confluence Health and Wenatchee Valley Hospital.

The Health System will operate as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515. Any unrelated business income generated is not significant; therefore, no provision for income taxes has been recorded. The Health System has adopted accounting for uncertain tax positions. The accounting standard prescribes a recognition threshold and measurement process for uncertain tax positions. As of December 31, 2013, the Health System had no uncertain tax positions requiring accrual.

Net patient service revenue - The Health System has agreements with third-party payors that provide for payments to the Association at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. 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 Health System 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 Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Contributions received - Contributions received, including property or investments, are recorded as unrestricted, temporarily restricted, or permanently restricted support and net assets depending on the existence and/or nature of any donor restrictions.

CONFLUENCE HEALTH SYSTEM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (continued)

Net assets - Net assets of the Health System and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations but can be designated by the Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from donor restrictions. Temporarily restricted net assets include assets restricted for a construction project. The associated receivable due from Central Washington Hospital Foundation was \$3,569,446 for the year ended December 31, 2013, and is expected to be received within five years.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Health System. Donors of these assets may permit the Health System to use all or part of the income earned on any related investments for general or specific purposes. The Health System has no permanently restricted assets.

Donor-restricted gifts - Unconditional promises to give cash and other assets to the Health System 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 statements of operations and changes in net assets - release from restrictions as assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Excess of revenue over expenses - The consolidated statement of operations includes excess of revenue over expenses. Changes in unrestricted net assets that are excluded from excess of revenue 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, contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purpose of acquiring such assets), management services, and other similar items.

Donated services - A substantial number of volunteers donate significant amounts of their time for the Health System's program activities. These donated hours are a necessary part of the Health System's activities because its services could not be sustained without such support and because these activities enhance the financial assets of the Health System. No dollar amounts have been reflected in the accompanying statements for these services because the services do not require specialized skills.

CONFLUENCE HEALTH SYSTEM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (continued)

Subsequent events - Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The Health System recognizes in the consolidated 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 consolidated financial statements. The Health System's consolidated 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 Health System has evaluated subsequent events through June 18, 2014, which is the date the consolidated financial statements are issued, and concluded that there were no events or transactions that need to be disclosed.

Note 3 - Net Patient Service Revenue

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Beginning April 1, 2001, Central Washington Hospital qualifies for disproportionate share payments from Medicare. The disproportionate share payment rate is added on to the prospective rate paid on Medicare inpatients. Central Washington Hospital is eligible for a higher disproportionate share payment rate estimated at 13.39% in 2012. Central Washington Hospital met the criteria for this additional payment as a result of the high number of low-income patients served exceeding the eligibility threshold of qualified patient days as a percentage of total patient days. The majority of outpatient services are reimbursed on a prospective payment system or fee schedule. Central Washington Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through 2012, with exception to the 2011 cost report. Central Washington Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. Net revenue billed under the Medicare program totaled approximately \$138,605,000 in 2013.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Health System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Health System and audits thereof by the Medicaid fiscal intermediary. Net revenue billed under the Medicaid program totaled approximately \$23,288,000 for 2013.

The Health System has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Health System under these agreements varies from established charges.

CONFLUENCE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - Net Patient Service Revenue (continued)

The Health System recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Health System recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Health System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Health System records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources is as follows.

	Third-Party Payors	Self-Pay	Total All Payors
	<u> </u>	<u> </u>	<u> </u>
Patient service revenue (net of contractual allowances and discounts) for the year ended December 31, 2013	<u>\$ 340,758,134</u>	<u>\$ 17,180,843</u>	<u>\$ 357,938,977</u>

Note 4 - Charity Care

The Health System maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy and the estimated cost of those services and supplies. The following information measures the level of charity care provided for the year ended December 31, 2013:

Charges forgone, based on established rates	<u>\$ 10,277,366</u>
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Management estimates charity care costs by calculating a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to charity patients. Charity care costs were \$4,859,260 for the year ended December 31, 2013.

CONFLUENCE HEALTH SYSTEM **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** ---

Note 5 - Assets Limited as to Use

The composition of assets limited as to use at December 31, 2013, is set forth in the following table. Investments are stated at fair value.

By board designated for malpractice costs	
Pooled funds and mutual funds	\$ 2,729,000
By board for workers' compensation deposit	
Cash and cash equivalents and treasury notes	\$ 1,736,000
By board for capital improvements and other purposes, net of amounts required for current liabilities	
Cash and cash equivalents	\$ 12,053,302
Pooled funds and mutual funds	51,861,545
	<u>\$ 63,914,847</u>
Under indenture agreement held by trustee	
Cash and cash equivalents	\$ 4,803,709
Guaranteed investment contracts	9,357,737
	14,161,446
Less current portion of indenture agreement held by trustee required for current liabilities	<u>4,803,709</u>
Noncurrent portion	<u>\$ 9,357,737</u>

Investment income and gains for assets limited as to use, cash equivalents, and other investments are composed of the following for the year ending December 31, 2013:

Investment income	
Interest and dividend income	\$ 45,190
Investment fees	(72,399)
Realized net gain on sales of securities	1,094,501
	<u>\$ 1,067,292</u>

CONFLUENCE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 - Property and Equipment

A summary of property and equipment at December 31, 2013, follows:

Land and land improvements	\$ 13,272,976
Buildings and building improvements	115,022,707
Fixed equipment	74,473,722
Major movable and minor equipment	<u>94,256,154</u>
	297,025,559
Less accumulated depreciation and amortization	<u>144,239,823</u>
	152,785,736
Construction in progress	<u>7,162,421</u>
	<u><u>\$ 159,948,157</u></u>

Note 7 - Long-Term Debt

A summary of long-term debt at December 31, 2013, follows:

Series 2009 - Washington Health Care Facilities Authority Revenue Bonds, due through July 1, 2039, in principal payments ranging from \$1,725,000 to \$8,745,000 annually and interest ranging from 5% to 7%.	\$ 112,190,000
Utility Local Improvement District No. 2 - loan payable due in 2028, payable in 20 annual installments of principal with interest. The interest rate is fixed at 2.9%.	<u>232,260</u>
	112,422,260
Less current portion	<u>1,824,516</u>
	<u><u>\$ 110,597,744</u></u>

In July 2009, Central Washington Hospital advance refunded the Series 2001 Revenue Bonds with the proceeds of the Series 2009 Revenue Bonds by depositing in escrow accounts amounts that, with interest, were sufficient to meet principal, interest, and premium payments on the advance refunded debt. As a result of the refinancing, the Series 2001 Revenue Bonds have been legally satisfied. Therefore, neither the advance refunded debt nor the related trust funds are reflected in the accompanying consolidated balance sheet.

CONFLUENCE HEALTH SYSTEM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 - Long-Term Debt (continued)

The Washington Health Care Facilities Authority (the Authority) issued special-obligation Series 2009 Revenue Bonds and loaned the proceeds to Central Washington Hospital. The Series 2009 Revenue Bonds are payable solely from payments made by Central Washington Hospital and are collateralized by an interest in Central Washington Hospital's gross receivables, gross receipts, equipment, a deed of trust in certain property, and funds held by the trustee under the bond indenture agreement (Note 5).

The Bond Loan and Security Agreement and the Trust Indenture contain restrictive covenants that require, among other matters, that the Association maintain minimum debt service coverage, excess margin, and cushion ratios. The Association is in compliance with these financial covenants at December 31, 2013.

Principal maturities of long-term debt are as follows:

2014	\$ 1,825,000
2015	1,915,000
2016	2,030,000
2017	2,140,000
2018	2,275,000
Thereafter	<u>102,237,260</u>
	<u><u>\$ 112,422,260</u></u>

A summary of interest cost on borrowed funds held by the trustee under the Series 2009 Revenue Bond indentures during the year ended December 31, 2013, follows:

Interest expense	<u><u>\$ 7,593,638</u></u>
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Note 8 - Estimated Medical Malpractice Costs

Confluence Health is insured through a contract with an insurance company that provides coverage on a claims-made basis. In general, the Health System is self-insured for hospital medical malpractice insurance claims up to \$1,000,000 per incident with \$3,000,000 in aggregate. In addition, the Health System maintains excess malpractice insurance coverage on a claims-made basis up to \$25,000,000 per incident and in aggregate on both hospital and insured physician claims.

The Health System recognizes expenses associated with unasserted medical malpractice claims in the period in which the incidents are expected to have occurred rather than when a claim is asserted. Expenses associated with these incidents are estimated and based on actuarial assumptions of current settlement costs. In calculating the 2013 estimated malpractice liability, the Health System's actuaries used an undiscounted 90% confidence level for determining the present value of future claims.

CONFLUENCE HEALTH SYSTEM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 - Retirement Plan

The Health System has a defined contribution retirement plan for qualified employees. The Health System contributes an amount equal to a specified percentage of the employees' effective compensation as defined by the plan. The plan is a safe harbor plan where the Health System contributes a specified percentage of the employees' effective contribution based on the contribution made by the employee. Employees are eligible to participate in the plan after one year of continuous service. Plan benefits are fully vested to employees upon entry into the plan. The Health System may also make a discretionary contribution to the plan. There is a six-year vesting schedule for the discretionary contributions to the plan. The Health System made a discretionary contribution in 2013. Central Washington Hospital also has a defined contribution retirement plan for qualified employees who are part of a collective bargaining unit. Central Washington Hospital contributes an amount equal to a specified percentage of the employees' effective compensation as defined by the plan. Overall retirement plan costs charged to operations were approximately \$8,520,000. It is the Health System's policy to fund retirement plan costs accrued.

Note 10 - Self-Insured Plans

Liabilities related to self-insured plans in the amount of \$2,207,196 at December 31, 2013, were included in the accrued liabilities on the consolidated balance sheet.

Health - The Health System has a self-funded employee health care plan. The plan is funded from the Health System's unrestricted cash and cash equivalents. Confluence Health has stop-loss coverage through an insurance company that provides coverage for employee claims in excess of \$300,000 for individual claims. Payments by the Health System for health insurance expense were approximately \$13,219,000.

Workers' compensation - Central Washington Hospital has a self-insured workers' compensation plan for its employees. The Association pays its share of actual injury claims, maintenance of reserves, administrative expenses, and reimbursement premiums. Costs of the Association for workers' compensation expense were approximately \$1,006,000.

Unemployment - Central Washington Hospital has a self-insured unemployment plan for its employees. The Association pays its share of actual unemployment claims and administrative expenses. Payments by the Association for unemployment expense were approximately \$151,000.

CONFLUENCE HEALTH SYSTEM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 - Concentrations of Credit Risk

The Health System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2013, was as follows:

Medicare	40%
Medicaid	12%
Other payors	24%
Premiera	12%
Commercial	12%
	100%

Note 12 - Commitments and Contingencies

Operating leases - The Health System leases various equipment and facilities under operating leases. These operating leases are not long-term commitments. Total rental expense in 2013 for all operating leases was \$2,183,671.

Future minimum commitments are as follows for the years ended December 31:

2014	\$	656,331
2015		329,968
2016		237,679
2017		31,635
2018		15,133
Thereafter		718,827
	\$	1,989,573

Regulation and litigation - The Health System 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 Health System's future financial position or results from operations.

CONFLUENCE HEALTH SYSTEM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 - Central Washington Hospital Foundation

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

Central Washington Hospital Foundation (the Foundation) is a separate not-for-profit corporation whose articles of incorporation identify Central Washington Hospital as the Foundation's primary beneficiary.

The Foundation is authorized by Central Washington Hospital to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts, timing, and use of its distributions.

Summarized financial information as of and for the year ended December 31, 2013, relating to the Foundation is as follows:

Assets, primarily cash and investments	<u>\$ 12,868,000</u>
Payable to Central Washington Hospital	\$ 3,568,000
Other liabilities	<u>859,000</u>
	<u>4,427,000</u>
Net assets	<u>8,441,000</u>
	<u>\$ 12,868,000</u>
Increase in net assets	<u>\$ 1,399,000</u>

CONFLUENCE HEALTH SYSTEM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 - Fair Value of Assets

The Health System adopted fair value accounting, which establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value accounting also establishes a hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets.

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

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheet, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Available-for-sale securities - Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, the fair values are estimated by using pricing models, quoted prices of securities with identical characteristics, or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities would be classified within Level 3 of the hierarchy.

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2013	Fair Value			
Cash and cash equivalents	\$ 18,593,011	\$ 18,593,011	\$ -	\$ -
Mutual funds				
Large Blend	8,437,881	8,437,881	-	-
Large Value	10,724,415	10,724,415	-	-
Mid Cap Growth	4,050,985	4,050,985	-	-
Foreign Large Value	3,343,154	3,343,154	-	-
Foreign Large Blend	3,559,748	3,559,748	-	-
Fixed income				
Bond funds	22,830,363	22,830,363	-	-
Certificates of deposit	1,644,000	-	1,644,000	-
Guaranteed investment contracts	9,357,736	-	9,357,736	-
	<u>\$ 82,541,293</u>	<u>\$ 71,539,557</u>	<u>\$ 11,001,736</u>	<u>\$ -</u>

CONFLUENCE HEALTH SYSTEM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 - Fair Value of Assets (continued)

Total gains are included in the consolidated statement of operations in investment income and unrealized gain on investments.

Note 15 - Fair Value of Financial Instruments

The following methods and assumptions were used by the Health System in estimating the fair value of its financial instruments.

Cash and cash equivalents - The Association maintains its cash and cash equivalent accounts, which at times may exceed federally insured limits, at financial institutions. The carrying amount reported in the consolidated balance sheet for cash and cash equivalents approximates its fair value.

Assets limited as to use - These assets consist primarily of cash and short-term investments and interest receivable. The carrying amount reported in the consolidated balance sheet is fair value.

Accounts payable and accrued expenses - The carrying amount reported in the consolidated balance sheet for accounts payable and accrued expenses approximates its fair value.

Estimated third-party payor settlements - The carrying amount reported in the consolidated balance sheet for estimated third-party payor settlements approximates its fair value.

Long-term debt - Fair values of Central Washington Hospital's revenue bonds are based on current traded value. The fair value of Central Washington Hospital's remaining long-term debt is estimated using discounted cash flow analyses, based on Central Washington Hospital's current incremental borrowing rates for similar types of borrowing arrangements. These instruments are categorized as Level 2 in the fair value hierarchy (Note 14).

The carrying amounts and fair values of the Association's financial instruments, excluding instruments that have carrying amounts that approximate fair value, as of December 31, 2013, are as follows:

	Carrying Amount	Fair Value
Long-term debt	<u>\$ 112,422,260</u>	<u>\$ 118,653,873</u>

CONFLUENCE HEALTH SYSTEM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 - Affiliation Transactions

Professional services - As part of the affiliation described in Note 1 between Confluence Health, Wenatchee Valley Medical Center, and Central Washington Hospital, the Health System reimbursed Wenatchee Valley Medical Center for professional services rendered. Expenses incurred under this arrangement totaled \$38,059,737 for the year ended December 31, 2013. The amount due to WVMC for these services was \$23,866,168 at December 31, 2013.

Note payable to affiliate - Wenatchee Valley Medical Center and Confluence Health entered into a note payable for a maximum amount of \$30,000,000. The note bears interest at the prime rate plus 2% (3.25% at December 31, 2013). The terms of the note payable provide for quarterly interest and principal payments due in 19 installments of \$500,000. The aggregate balance is due in July 2021. The amount outstanding as due, including accrued interest to Wenatchee Valley Medical Center under this agreement, is \$2,000,000 at December 31, 2013.

Management services - The employees of Confluence Health provide administrative services to Wenatchee Valley Medical Center. In connection with services provided, WVMC reimbursed Confluence Health in the amount of \$12,044,472 for the year ended December 31, 2013.

SUPPLEMENTARY CONSOLIDATING INFORMATION

CONFLUENCE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2013

	ASSETS				
	Central Washington Hospital	Confluence Health	Wenatchee Valley Hospital	Eliminations	Confluence Health System
CURRENT ASSETS					
Cash and cash equivalents	\$ 16,170,456	\$ 5,498,773	\$ 8,449,651	\$ -	\$ 30,118,880
Receivables					
Patient accounts, net of allowance for doubtful accounts	38,701,956	-	29,578,865	-	68,280,821
Estimated third-party payor settlements	1,426,668	-	-	-	1,426,668
Other	3,754,359	3,979,740	4,929,886	(6,314,063)	6,349,922
Medical supplies	6,270,510	4,547	4,171,840	-	10,446,897
Prepaid expenses	4,238,239	2,512,774	(483,854)	(877,434)	5,389,725
Assets limited as to use that are required for current liabilities	4,803,709	-	-	-	4,803,709
Total current assets	<u>75,365,897</u>	<u>11,995,834</u>	<u>46,646,388</u>	<u>(7,191,497)</u>	<u>126,816,622</u>
ASSETS LIMITED AS TO USE					
By board for malpractice costs	2,729,000	-	-	-	2,729,000
By board for workers' compensation deposit	1,736,000	-	-	-	1,736,000
By board for capital improvements and other purposes	63,914,847	-	-	-	63,914,847
Held by trustee under Series 2009 Revenue Bond financing indenture agreement, net of amounts required for current liabilities	9,357,737	-	-	-	9,357,737
	<u>77,737,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,737,584</u>
TEMPORARILY RESTRICTED RECEIVABLE	<u>3,569,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,569,446</u>
PROPERTY AND EQUIPMENT, net	<u>155,556,007</u>	<u>3,080,198</u>	<u>1,311,952</u>	<u>-</u>	<u>159,948,157</u>
OTHER ASSETS					
Deferred financing costs	3,681,060	-	-	-	3,681,060
Note payable from affiliate	13,159,190	-	-	(13,159,190)	-
Other	2,261,852	-	3,900,929	-	6,162,781
	<u>19,102,102</u>	<u>-</u>	<u>3,900,929</u>	<u>(13,159,190)</u>	<u>9,843,841</u>
Total assets	<u>\$ 331,331,036</u>	<u>\$ 15,076,032</u>	<u>\$ 51,859,269</u>	<u>\$ (20,350,687)</u>	<u>\$ 377,915,650</u>

CONFLUENCE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET (continued)
DECEMBER 31, 2013

LIABILITIES AND NET ASSETS

	Central Washington Hospital	Confluence Health	Wenatchee Valley Hospital	Eliminations	Confluence Health System
CURRENT LIABILITIES					
Accounts payable	\$ 9,308,134	\$ 8,037,913	\$ 2,053,239	\$ (4,763,931)	\$ 14,635,355
Accrued liabilities					
Payroll and related liabilities	8,098,088	2,652,807	1,637,769	(445,396)	11,943,268
Paid leave	3,902,168	1,425,568	905,308	-	6,233,044
Interest	3,771,678	-	-	-	3,771,678
Other	501,322	1,985,577	5,703,062	(1,982,170)	6,207,791
Due to affiliates	-	-	23,866,168	-	23,866,168
Current portion of long-term debt	1,824,516	-	-	-	1,824,516
Total current liabilities	27,405,906	14,101,865	34,165,546	(7,191,497)	68,481,820
ESTIMATED MEDICAL MALPRACTICE COSTS	2,729,000	-	446,237	-	3,175,237
NOTE PAYABLE TO AFFILIATES	-	-	15,159,190	(13,159,190)	2,000,000
LONG-TERM DEBT, net of current portion	110,597,744	-	-	-	110,597,744
Total liabilities	140,732,650	14,101,865	49,770,973	(20,350,687)	184,254,801
NET ASSETS					
Unrestricted	187,028,940	974,167	2,088,296	-	190,091,403
Temporarily restricted	3,569,446	-	-	-	3,569,446
Total net assets	190,598,386	974,167	2,088,296	-	193,660,849
Total liabilities and net assets	\$ 331,331,036	\$ 15,076,032	\$ 51,859,269	\$ (20,350,687)	\$ 377,915,650

CONFLUENCE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2013

	Central Washington Hospital	Confluence Health	Wenatchee Valley Hospital	Eliminations	Confluence Health System
UNRESTRICTED REVENUE AND OTHER SUPPORT					
Net patient service revenue (net of contractual allowances and discounts)	\$ 237,693,360	\$ -	\$ 120,245,617	\$ -	\$ 357,938,977
Provision for bad debts	(9,350,432)	-	(1,103,104)	-	(10,453,536)
Net patient service revenue less provision for bad debts	228,342,928	-	119,142,513	-	347,485,441
Management services revenue	-	50,301,621	-	(38,257,149)	12,044,472
Other revenue	4,191,023	390,923	703,206	-	5,285,152
Total revenue and other support	232,533,951	50,692,544	119,845,719	(38,257,149)	364,815,065
EXPENSES					
Professional care of patients	143,206,973	45,659	70,233,301	-	213,485,933
General services	10,466,054	5,380,325	18,950,848	-	34,797,227
Financial and administrative services	43,416,425	41,902,055	22,921,470	(38,257,149)	69,982,801
Other employee benefits	3,787,407	2,323,862	4,586,207	-	10,697,476
Medical malpractice costs	1,194,065	66,476	951,854	-	2,212,395
Depreciation and amortization	14,681,314	-	61,138	-	14,742,452
Interest	7,593,638	-	159,190	(159,190)	7,593,638
Total expenses	224,345,876	49,718,377	117,864,008	(38,416,339)	353,511,922
INCOME FROM OPERATIONS	8,188,075	974,167	1,981,711	159,190	11,303,143
OTHER INCOME					
Investment income	1,226,482	-	-	(159,190)	1,067,292
Other	302,769	-	106,585	-	409,354
	1,529,251	-	106,585	(159,190)	1,476,646
EXCESS OF REVENUE OVER EXPENSES	9,717,326	974,167	2,088,296	-	12,779,789
TRANSFER OF NET ASSETS FROM CWH	-	-	-	170,965,233	170,965,233
UNREALIZED GAIN ON INVESTMENTS	6,346,381	-	-	-	6,346,381
CHANGE IN UNRESTRICTED NET ASSETS	\$ 16,063,707	\$ 974,167	\$ 2,088,296	\$ 170,965,233	\$ 190,091,403