

# Return of Organization Exempt From Income Tax

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

Department of the Treasury  
Internal Revenue Service

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

**A For the 2002 calendar year, or tax year beginning and ending**

**B Check if applicable**  
 Address change  
 Name change  
 Initial return  
 Final return  
 Amended return  
 Application pending

**C Name of organization**  
**PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**  
 Number and street (or P.O. box if mail is not delivered to street address) Room/suite  
**795 EL CAMINO REAL**  
 City or town State or country ZIP + 4  
**PALO ALTO CA 94301**

**D Employer identification number**  
**94-1156581**

**E Telephone number**  
**(916) 286-6665**

**F Accounting method**  Cash  Accrual  
 Other (specify) ▶

**G Web site** ▶ **www.sutterhealth.org**

**J ORGANIZATION TYPE** (check only one)  501(c)(3) (insert no.)  4947(a)(1) OR  527

**K Check here**  If the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization received a Form 990 Package in the mail, it should file a return without financial data. SOME STATES REQUIRE A COMPLETE RETURN

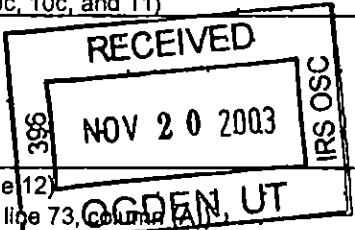
**L Gross receipts** Add lines 6b, 8b, 9b, and 10b to line 12 ▶ **452,429,711**

**H and I are not applicable to section 527 organizations**  
 H(a) Is this a group return for affiliates?  Yes  No  
 H(b) If "Yes," enter number of affiliates ▶  
 H(c) Are all affiliates included?  Yes  No (If "No," attach a list. See instructions.)  
 H(d) Is this a separate return filed by an organization covered by a group ruling?  Yes  No  
 I Enter 4-digit GEN ▶

**M Check**  if the organization is NOT required to attach Sch. B (Form 990, 990-EZ, or 990-PF)

Part I	Revenue, Expenses, and Changes in Net Assets or Fund Balances	(See page 17 of the instructions)
	<b>1 Contributions, gifts, grants, and similar amounts received</b>	
	<b>a Direct public support</b>	1a 3,972,185
	<b>b Indirect public support</b>	1b 1,169,461
	<b>c Government contributions (grants)</b>	1c 2,206,451
	<b>d TOTAL (add lines 1a through 1c) (cash \$ 7,167,297 noncash \$ 180,800)</b>	1d 7,348,097
	<b>2 Program service revenue including government fees and contracts (from Part VII, line 93)</b>	2 431,768,058
	<b>3 Membership dues and assessments</b>	3
	<b>4 Interest on savings and temporary cash investments</b>	4 140,634
	<b>5 Dividends and interest from securities</b>	5 1,616,045
	<b>6 a Gross rents</b>	6a 190,301
	<b>b Less rental expenses</b>	6b 93,409
	<b>c Net rental income or (loss) (subtract line 6b from line 6a)</b>	6c 96,892
	<b>7 Other investment income (describe ▶)</b>	7
	<b>8 a Gross amount from sales of assets other than inventory SEE STATEMENTS LINE 8(A) &amp; 8(B)</b>	(A) Securities (B) Other
	<b>b Less cost or other basis and sales expenses</b>	11,294,744 8a 5,285
	<b>c Gain or (loss) (attach schedule)</b>	11,984,985 8b 5,543
	<b>d Net gain or (loss) (combine line 8c, columns (A) and (B))</b>	-690,241 8c -258
	<b>9 Special events and activities (attach schedule)</b>	8d -690,499
	<b>a Gross revenue (not including \$ of contributions reported on line 1a)</b>	9a
	<b>b Less direct expenses other than fundraising expenses</b>	9b
	<b>c Net income or (loss) from special events (subtract line 9b from line 9a)</b>	9c
	<b>10 a Gross sales of inventory, less returns and allowances</b>	10a
	<b>b Less cost of goods sold</b>	10b
	<b>c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)</b>	10c
	<b>11 Other revenue (from Part VII, line 103)</b>	11 66,547
	<b>12 TOTAL REVENUE (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)</b>	12 440,345,774
	<b>13 Program services (from line 44, column (B))</b>	13 402,164,330
	<b>14 Management and general (from line 44, column (C))</b>	14 20,936,297
	<b>15 Fundraising (from line 44, column (D))</b>	15
	<b>16 Payments to affiliates (attach schedule)</b>	16
	<b>17 TOTAL EXPENSES (add lines 16 and 44, column (A))</b>	17 423,100,627
	<b>18 Excess or (deficit) for the year (subtract line 17 from line 12)</b>	18 17,245,147
	<b>19 Net assets or fund balances at beginning of year (from line 73, column (A))</b>	19 231,790,579
	<b>20 Other changes in net assets or fund balances (attach explanation) SEE STATEMENT LINE 20</b>	20 -836,313
	<b>21 Net assets or fund balances at end of year (combine lines 18, 19, and 20)</b>	21 248,199,413

SCANNED DEC 13 '03 Revenue



**Part II**

**Statement of Functional Expenses**

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See page 21 of the instructions.)

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule) (cash \$ _____ noncash \$ _____)	22			
23	Specific assistance to individuals (attach schedule)	23			
24	Benefits paid to or for members (attach schedule)	24			
25	Compensation of officers, directors, etc	25	804,597	804,597	
26	Other salaries and wages	26	51,142,810	48,083,835	3,058,975
27	Pension plan contributions	27	3,273,076	2,792,321	480,755
28	Other employee benefits	28	12,731,853	12,151,522	580,331
29	Payroll taxes	29	3,901,256	3,792,732	108,524
30	Professional fundraising fees	30			
31	Accounting fees	31	18,185	13,745	4,440
32	Legal fees	32	156,640	12,347	144,293
33	Supplies	33	35,959,060	35,365,103	593,957
34	Telephone	34	2,006,449	1,990,649	15,800
35	Postage and shipping	35	770,835	579,098	191,737
36	Occupancy	36	16,511,932	16,089,458	422,474
37	Equipment rental and maintenance	37	8,523,106	8,371,846	151,260
38	Printing and publications	38	367,801	366,191	1,610
39	Travel	39	499,078	428,347	70,731
40	Conferences, conventions, and meetings	40	174,580	158,934	15,646
41	Interest	41	1,745,806	1,189,581	556,225
42	Depreciation, depletion, etc (attach schedule)	42	15,773,651	14,215,909	1,557,742
43	Other expenses not covered above (itemize) a _____	43a			
	b SEE STATEMENT LINE 43	43b	268,739,912	256,562,712	12,177,200
	c _____	43c			
	d _____	43d			
	e _____	43e			
	f _____	43f			
44	TOTAL FUNCTIONAL EXPENSES (add lines 22 through 43). ORGANIZATIONS COMPLETING COLUMNS (B)-(D), CARRY THESE TOTALS TO LINES 13-15	44	423,100,627	402,164,330	20,936,297

JOINT COSTS Check  if you are following SOP 98-2

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services?  Yes  No

If "Yes," enter (i) the aggregate amount of these joint costs \$ N/A, (ii) the amount allocated to Program services \$ N/A, (iii) the amount allocated to Management and general \$ N/A, and (iv) the amount allocated to Fundraising \$ N/A

**Part III Statement of Program Service Accomplishments** (See page 24 of the instructions)

What is the organization's primary exempt purpose? <input type="checkbox"/> SEE STATEMENT PART III	Program Service Expenses
All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	Required for 501(c)(3) and (4) orgs and 4947(a)(1) trusts, but optional for others.
a SEE STATEMENT PART III	
(Grants and allocations \$ _____)	402,164,330
b	
(Grants and allocations \$ _____)	
c	
(Grants and allocations \$ _____)	
d	
(Grants and allocations \$ _____)	
e Other program services (attach schedule) (Grants and allocations \$ _____)	
f TOTAL OF PROGRAM SERVICE EXPENSES (should equal line 44, column (B), Program services)	402,164,330

**Part IV Balance Sheets** (See page 24 of the instructions)

<b>Note</b>		<b>(A)</b>		<b>(B)</b>		
<i>Where required, attached schedules and amounts within the description column should be for end-of-year amounts only</i>		Beginning of year		End of year		
<b>Assets</b>	<b>45</b> Cash - non-interest-bearing			<b>45</b>		
	<b>46</b> Savings and temporary cash investments		32,923,737	<b>46</b>	63,675,943	
	<b>47 a</b> Accounts receivable	<b>47a</b>	73,754,310			
	<b>b</b> Less allowance for doubtful accounts	<b>47b</b>	36,737,863	39,189,285	<b>47c</b>	37,016,447
	<b>48 a</b> Pledges receivable	<b>48a</b>	5,010,726			
	<b>b</b> Less allowance for doubtful accounts	<b>48b</b>		5,265,440	<b>48c</b>	5,010,726
	<b>49</b> Grants receivable				<b>49</b>	
	<b>50</b> Receivables from officers, directors, trustees, and key employees (attach schedule)				<b>50</b>	
	<b>51 a</b> Other notes and loans receivable (attach schedule)	<b>51a</b>				
	<b>b</b> Less allowance for doubtful accounts	<b>51b</b>			<b>51c</b>	
	<b>52</b> Inventories for sale or use			2,167,532	<b>52</b>	2,502,731
	<b>53</b> Prepaid expenses and deferred charges			2,383,103	<b>53</b>	2,136,100
	<b>54</b> Investments - securities (attach sch) <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV SEE STMT LN 54			44,266,016	<b>54</b>	39,768,284
	<b>55 a</b> Investments - land, buildings, and equipment basis	<b>55a</b>				
	<b>b</b> Less accumulated depreciation (attach schedule)	<b>55b</b>			<b>55c</b>	
<b>56</b> Investments - other (attach schedule) SEE STATEMENT LINE 56			23,003	<b>56</b>	23,003	
<b>57 a</b> Land, buildings, and equipment basis	<b>57a</b>	246,874,870				
<b>b</b> Less accumulated depreciation (attach schedule) SEE STATEMENT LINE 57	<b>57b</b>	75,358,184	167,980,628	<b>57c</b>	171,516,686	
<b>58</b> Other assets (describe <input type="checkbox"/> SEE STATEMENT LINE 58 )			18,217,529	<b>58</b>	15,507,195	
<b>59</b> TOTAL ASSETS (add lines 45 through 58) (must equal line 74)			312,416,273	<b>59</b>	337,157,115	
<b>Liabilities</b>	<b>60</b> Accounts payable and accrued expenses		43,860,346	<b>60</b>	55,823,894	
	<b>61</b> Grants payable			<b>61</b>		
	<b>62</b> Deferred revenue			<b>62</b>		
	<b>63</b> Loans from officers, directors, trustees, and key employees (attach schedule)				<b>63</b>	
	<b>64 a</b> Tax-exempt bond liabilities (attach schedule) SEE STMT LN 64a			22,121,954	<b>64a</b>	21,591,685
	<b>b</b> Mortgages and other notes payable (attach schedule)				<b>64b</b>	
	<b>65</b> Other liabilities (describe <input type="checkbox"/> SEE STATEMENT LINE 65 )			14,643,394	<b>65</b>	11,542,123
<b>66</b> TOTAL LIABILITIES (add lines 60 through 65)			80,625,694	<b>66</b>	88,957,702	
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74</b>					
	<b>67</b> Unrestricted		218,019,843	<b>67</b>	233,691,662	
	<b>68</b> Temporarily restricted		9,332,343	<b>68</b>	10,090,860	
	<b>69</b> Permanently restricted		4,438,393	<b>69</b>	4,416,891	
	<b>Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74</b>					
	<b>70</b> Capital stock, trust principal, or current funds				<b>70</b>	
	<b>71</b> Paid-in or capital surplus, or land, building, and equipment fund				<b>71</b>	
	<b>72</b> Retained earnings, endowment, accumulated income, or other funds				<b>72</b>	
	<b>73</b> TOTAL NET ASSETS OR FUND BALANCES (add lines 67 through 69 OR lines 70 through 72, column (A) MUST equal line 19, column (B) MUST equal line 21)			231,790,579	<b>73</b>	248,199,413
	<b>74</b> TOTAL LIABILITIES AND NET ASSETS / FUND BALANCES (add lines 66 and 73)			312,416,273	<b>74</b>	337,157,115

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.



Part VI Other Information (See page 27 of the instructions)		Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity	76	X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes	77	X
78 a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a	X
b	If "Yes," has it filed a tax return on FORM 990-T for this year?	78b	X
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79	X
80 a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a	X
b	If "Yes," enter the name of the organization: <u>SEE STATEMENT LINE 80</u>		
	_____ and check whether it is <input type="checkbox"/> exempt OR <input type="checkbox"/> nonexempt		
81 a	Enter direct or indirect political expenditures. See line 81 instructions	81a	NONE
b	Did the organization file FORM 1120-POL for this year?	81b	N/A
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a	X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III)	82b	
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	X
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b	N/A
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a	X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b	N/A
85	501(c)(4), (5), or (6) organizations		
a	Were substantially all dues nondeductible by members?	85a	N/A
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, DO NOT complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year	85b	N/A
c	Dues, assessments, and similar amounts from members	85c	N/A
d	Section 162(e) lobbying and political expenditures	85d	N/A
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85e	N/A
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f	N/A
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85g	N/A
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h	N/A
86	501(c)(7) orgs. Enter		
a	Initiation fees and capital contributions included on line 12	86a	N/A
b	Gross receipts, included on line 12, for public use of club facilities	86b	N/A
87	501(c)(12) orgs. Enter		
a	Gross income from members or shareholders	87a	N/A
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	87b	N/A
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX	88	X
89 a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under section 4911: <u>NONE</u> , section 4912: <u>NONE</u> , section 4955: <u>NONE</u>		
b	501(c)(3) and 501(c)(4) orgs. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction	89b	X
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958		N/A
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization		N/A
90 a	List the states with which a copy of this return is filed: <u>CALIFORNIA</u>		
b	Number of employees employed in the pay period that includes March 12, 2002 (See instructions)	90b	1,170
91	The books are in care of: <u>GARY B COLVIN</u> Telephone no: <u>(650) 853-6006</u> Located at: <u>795 EL CAMINO REAL, PALO ALTO, CA</u> ZIP + 4: <u>94301</u>		
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of FORM 1041 - Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year	92	N/A

**Part VII Analysis of Income-Producing Activities** (See page 31 of the instructions)

Note: Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue					
a PATIENT SERVICE REVENUE					431,768,058
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	140,634	
96 Dividends and interest from securities			14	1,616,045	
97 Net rental income or (loss) from real estate					
a debt-financed property					
b not debt-financed property			16	96,892	
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory			18	-690,499	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue					
a					
b UBI - OPTICAL RETAIL STORES	446130	66,547			
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		66,547		1,163,072	431,768,058
105 TOTAL (add line 104, columns (B), (D), and (E))					432,997,677

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I

**Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes** (See page 32 of the instructions)

Line No	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
93	SEE STATEMENT PART III

**Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities** (See page 32 of the instructions)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A				

**Part X Information Regarding Transfers Associated with Personal Benefit Contracts** (See page 33 of the instructions)

(a) Did the organization, during the year, receive any funds, directly or indirectly, from a personal benefit contract?

(b) Did the organization, during the year, pay premiums, directly or indirectly, for a personal benefit contract?

Note: If "Yes" to (b), file Form 8870 AND Form 4720 (see instructions)

Under penalties of perjury, I declare that I have examined this return and believe it is true, correct, and complete. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Please Sign Here: *Sharon Kuts*  
Signature of officer

*Sharon Kuts UP FINANCIAL*  
Type or print name and title

Paid Preparer's Use Only: *Luis M. C...*  
Preparer's signature

Firm's name (or yours if self-employed), address and ZIP + 4: ERNST & YOUNG LLP  
555 CAPITOL MALL, SUITE 650

**SCHEDULE A**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Organization Exempt Under Section 501(c)(3)**

(Except Private Foundation) and Section 501(e), 501(f), 501(k),  
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

**Supplementary Information - (See separate instructions )**

**MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

OMB No 1545-0047

**2002**

Name of the organization <b>PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH &amp; EDUCATION</b>	Employer identification number <b>94-1156581</b>
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**Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees**  
(See page 1 of the instructions List each one If there are none, enter "None ")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
SEE STATEMENT SCHEDULE A PART I				
Total number of other employees paid over \$50,000	357			

**Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services**  
(See page 2 of the instructions List each one (whether individuals or firms) If there are none, enter "None ")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
SEE STATEMENT SCHEDULE A PART II		
Total number of others receiving over \$50,000 for professional services	69	

<b>Part III</b>	<b>Statements About Activities</b> (See page 2 of the instructions )		Yes	No
1	During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities \$ <u>360</u> (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B ) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities	1	X	
2	During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions )			
a	Sale, exchange, or leasing of property? SEE STATEMENT SCHEDULE A PART III	2a	X	
b	Lending of money or other extension of credit?	2b		X
c	Furnishing of goods, services, or facilities? SEE STATEMENT SCHEDULE A PART III	2c	X	
d	Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? SEE FORM 990 PART V	2d	X	
e	Transfer of any part of its income or assets?	2e		X
3	Does the organization make grants for scholarships, fellowships, student loans, etc ? SEE STMT SCH A PART III	3	X	
4	Do you have a section 403(b) annuity plan for your employees?	4		X
<b>Note</b> Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs "qualify" to receive payments				

<b>Part IV</b>	<b>Reason for Non-Private Foundation Status</b> (See pages 3 through 5 of the instructions )
The organization is not a private foundation because it is (Please check only ONE applicable box )	
5	<input type="checkbox"/> A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)
6	<input type="checkbox"/> A school Section 170(b)(1)(A)(ii) (Also complete Part V )
7	<input checked="" type="checkbox"/> A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
8	<input type="checkbox"/> A Federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)
9	<input type="checkbox"/> A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) ENTER THE HOSPITAL'S NAME, CITY, AND STATE _____
10	<input type="checkbox"/> An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the SUPPORT SCHEDULE in Part IV-A )
11 a	<input type="checkbox"/> An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi) (Also complete the SUPPORT SCHEDULE in Part IV-A )
11 b	<input type="checkbox"/> A community trust Section 170(b)(1)(A)(vi) (Also complete the SUPPORT SCHEDULE in Part IV-A )
12	<input type="checkbox"/> 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 charitable, etc , 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) (Also complete the SUPPORT SCHEDULE in Part IV-A )
13	<input type="checkbox"/> An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above, or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3) )
Provide the following information about the supported organizations (See page 5 of the instructions )	
(a) Name(s) of supported organization(s)	(b) Line number from above
14	<input type="checkbox"/> An organization organized and operated to test for public safety Section 509(a)(4) (See page 5 of the instructions )

**Part IV-A Support Schedule** (Complete only if you checked a box on line 10, 11, or 12) USE CASH METHOD OF ACCOUNTING

**Note** You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting N/A

Calendar year (or fiscal year beginning in)	(a) 2001	(b) 2000	(c) 1999	(d) 1998	(e) Total
<b>15</b> Gifts, grants, and contributions received (Do not include unusual grants. See line 28.)					
<b>16</b> Membership fees received					
<b>17</b> Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose					
<b>18</b> Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975					
<b>19</b> Net income from unrelated business activities not included in line 18					
<b>20</b> Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
<b>21</b> The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge.					
<b>22</b> Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets.					
<b>23</b> Total of lines 15 through 22					
<b>24</b> Line 23 minus line 17					
<b>25</b> Enter 1% of line 23					

<b>26</b> ORGANIZATIONS DESCRIBED ON LINES 10 OR 11 <b>a</b> Enter 2% of amount in column (e), line 24	<b>26a</b>
<b>b</b> Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1998 through 2001 exceeded the amount shown in line 26a. DO NOT FILE THIS LIST WITH YOUR RETURN. Enter the total of all these excess amounts.	<b>26b</b>
<b>c</b> Total support for section 509(a)(1) test. Enter line 24, column (e).	<b>26c</b>
<b>d</b> Add: Amounts from column (e) for lines 18 _____ 19 _____ 22 _____ 26b _____	<b>26d</b>
<b>e</b> Public support (line 26c minus line 26d total)	<b>26e</b>
<b>f</b> PUBLIC SUPPORT PERCENTAGE (LINE 26E (NUMERATOR) DIVIDED BY LINE 26C (DENOMINATOR))	<b>26f</b>

<b>27</b> ORGANIZATIONS DESCRIBED ON LINE 12 <b>a</b> For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." DO NOT FILE THIS LIST WITH YOUR RETURN. Enter the sum of such amounts for each year:  (2001) _____ (2000) _____ (1999) _____ (1998) _____	
<b>b</b> For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the LARGER of (1) the amount on line 25 for the year or (2) \$5,000 (Include in the list organizations described in lines 5 through 11, as well as individuals.) DO NOT FILE THIS LIST WITH YOUR RETURN. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year:  (2001) _____ (2000) _____ (1999) _____ (1998) _____	
<b>c</b> Add: Amounts from column (e) for lines 15 _____ 16 _____ 17 _____ 20 _____ 21 _____	<b>27c</b>
<b>d</b> Add: Line 27a total _____ and line 27b total _____	<b>27d</b>
<b>e</b> Public support (line 27c total minus line 27d total)	<b>27e</b>
<b>f</b> Total support for section 509(a)(2) test. Enter amount from line 23, column (e) <b>27f</b>	<b>27f</b>
<b>g</b> PUBLIC SUPPORT PERCENTAGE (LINE 27E (NUMERATOR) DIVIDED BY LINE 27F (DENOMINATOR))	<b>27g</b>
<b>h</b> INVESTMENT INCOME PERCENTAGE (LINE 18, COLUMN (E) (NUMERATOR) DIVIDED BY LINE 27F (DENOMINATOR))	<b>27h</b>

**28** UNUSUAL GRANTS For an organization described in line 10, 11, or 12 that received any unusual grants during 2001, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. DO NOT FILE THIS LIST WITH YOUR RETURN. Do not include these grants in line 15.

**Part V Private School Questionnaire** (See page 7 of the instructions )  
**(To be completed ONLY by schools that checked the box on line 6 in Part IV)**

N/A

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe, if "No," please explain (If you need more space, attach a separate statement )		
_____			
_____			
_____			
32	Does the organization maintain the following		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
d	Copies of all material used by the organization or on its behalf to solicit contributions?		
If you answered "No" to any of the above, please explain (If you need more space, attach a separate statement )			
_____			
_____			
33	Does the organization discriminate by race in any way with respect to		
a	Students' rights or privileges?		
b	Admissions policies?		
c	Employment of faculty or administrative staff?		
d	Scholarships or other financial assistance?		
e	Educational policies?		
f	Use of facilities?		
g	Athletic programs?		
h	Other extracurricular activities?		
If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement )			
_____			
_____			
34 a	Does the organization receive any financial aid or assistance from a governmental agency?		
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement		
35	Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No," attach an explanation		

**Part VI-A Lobbying Expenditures by Electing Public Charities** (See page 9 of the instructions )

(To be completed ONLY by an eligible organization that filed Form 5768)

N/A

Check **a**  if the organization belongs to an affiliated group Check **b**  if you checked "a" and "limited control" provisions apply

**Limits on Lobbying Expenditures**

(The term "expenditures" means amounts paid or incurred )

		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
<b>36</b>	Total lobbying expenditures to influence public opinion (grassroots lobbying)	<b>36</b>	
<b>37</b>	Total lobbying expenditures to influence a legislative body (direct lobbying)	<b>37</b>	
<b>38</b>	Total lobbying expenditures (add lines 36 and 37)	<b>38</b>	
<b>39</b>	Other exempt purpose expenditures	<b>39</b>	
<b>40</b>	Total exempt purpose expenditures (add lines 38 and 39)	<b>40</b>	
<b>41</b>	Lobbying nontaxable amount Enter the amount from the following table - <b>If the amount on line 40 is -</b> Not over \$500,000 Over \$500,000 but not over \$1,000,000 Over \$1,000,000 but not over \$1,500,000 Over \$1,500,000 but not over \$17,000,000 Over \$17,000,000	<b>The lobbying nontaxable amount is -</b> 20% of the amount on line 40 \$100,000 plus 15% of the excess over \$500,000 \$175,000 plus 10% of the excess over \$1,000,000 \$225,000 plus 5% of the excess over \$1,500,000 \$1,000,000	<b>41</b>
<b>42</b>	Grassroots nontaxable amount (enter 25% of line 41)	<b>42</b>	
<b>43</b>	Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36	<b>43</b>	
<b>44</b>	Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38	<b>44</b>	

**Caution** If there is an amount on either line 43 or line 44, you must file Form 4720

**4-Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below  
See the instructions for lines 45 through 50 on page 11 of the instructions )

Calendar year (or fiscal year beginning in)	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2002	(b) 2001	(c) 2000	(d) 1999	(e) Total
<b>45</b> Lobbying nontaxable amount					
<b>46</b> Lobbying ceiling amount (150% of line 45(e))					
<b>47</b> Total lobbying expenditures					
<b>48</b> Grassroots nontaxable amount					
<b>49</b> Grassroots ceiling amount (150% of line 48(e))					
<b>50</b> Grassroots lobbying expenditures					

**Part VI-B Lobbying Activity by Nonelecting Public Charities**

(For reporting only by organizations that did not complete Part VI-A) (See page 11 of the instructions )

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of

- a Volunteers
- b Paid staff or management (Include compensation in expenses reported on lines c through h )
- c Media advertisements
- d Mailings to members, legislators, or the public
- e Publications, or published or broadcast statements
- f Grants to other organizations for lobbying purposes SEE STATEMENT SCH A PART VI-B
- g Direct contact with legislators, their staffs, government officials, or a legislative body
- h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i Total lobbying expenditures (Add lines c through h )

Yes	No	Amount
	X	
	X	
	X	
	X	
	X	
X		360
	X	
	X	
		360

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities



**PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**

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STATEMENT LINE 8 (A)

GAINS/(LOSS) ON SALE OF SECURITIES

<u>Description</u>	<u>Date Acquired</u>	<u>Date Sold</u>	<u>Cost Basis</u>	<u>Proceeds</u>	<u>Gain/(Loss)</u>
TCW	Various	Various	1,908,633	1,631,912	(276,721)
ROX	Various	Various	5,653,612	5,247,003	(406,609)
Vanguard	Various	Various	3,877,570	3,870,224	(7,346)
Miscellaneous Securities	Various	Various	544,428	545,605	1,177
Long-Term Capital Loss From K-1	Various	Various	742	0	(742)
		Totals	<u>11,984,985</u>	<u>11,294,744</u>	<u>(690,241)</u>

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STATEMENT LINE 8b

GAINS/(LOSS) ON SALE OF OTHER ASSETS

Proceeds		5,285
Less		
Cost of Assets	29,100	
Accumulated Depreciation	<u>(23,557)</u>	
Net Book Value		5,543
Net Gain/(Loss)		<u><u>(258)</u></u>

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STATEMENT LINE 20  
CHANGES IN NET ASSETS OR FUND BALANCES

<u>Description</u>	<u>Amount</u>
Change in Unrealized Gain/(Loss) on Investments	1,306,870
Equity Transfers (Net)	(160,529)
K-1 Interest Income Not Recorded on Books	(77)
K-1 Long-Term Capital Loss Not Recorded on Books	742
Prior Period Adjustment	(1,985,448)
Reclassification of Endowment Funds	2,129
Total	<u>(836,313)</u>

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STATEMENT LINE 43 - OTHER EXPENSES

<u>Description</u>	<u>Total</u>	<u>Program Service</u>	<u>Management &amp; General</u>	<u>Fundraising</u>
Purchased Services	18,534,561	17,577,169	957,392	
System Allocation Fees	4,391,324	3,646,017	745,307	
Medical Group Compensation	92,340,150	92,340,150		
Insurance	292,911		292,911	
Dues & Subscriptions	89,441	27,496	61,945	
Professional Fees	1,646,200	629,342	1,016,858	
Capitated Purchased Services	8,843,655	8,843,655		
PSA Expenses	59,204,514	59,204,514		
Employee Lease Expenses	37,995,053	35,925,929	2,069,124	
Bad Debt Expense	3,234,963	819,286	2,415,677	
I/S Software Maintenance	465,921	465,385	536	
I/S Statement Processing	362,071	362,071		
Property Taxes	152,461	152,461		
Courier Expenses	226,782	217,699	9,083	
Advertising & Recruiting	117,251	117,251		
Bank Charges	129,377	129,377		
Derjjan Management Fees	17,883,254	16,484,859	1,398,395	
Managed Care Purchased Services	5,037,415	5,037,415		
Utilities	458,047	458,047		
Amortization	878,556		878,556	
Community Relations	21,880		21,880	
Management Services	1,086,580		1,086,580	
Miscellaneous	15,347,545	14,124,589	1,222,956	
Totals	<u>268,739,912</u>	<u>256,562,712</u>	<u>12,177,200</u>	

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STATEMENT PART III  
STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS

THE PALO ALTO MEDICAL FOUNDATION

The Palo Alto Medical Foundation for Health Care, Research and Education (PAMF) is a not for profit organization that is a pioneer in both multi-specialty group practice of medicine and outpatient medicine. It is nationally known for its innovations in treatment methods and technology and is a leader in health education.

The Foundation has three Health Care divisions: The Palo Alto Division, The Camino Division and the Santa Cruz Division. The Palo Alto Division, staffed by 246 physicians of the Palo Alto Clinic, has provided a full range of care for Peninsula residents since it was founded in 1930. In 2000, the Camino Medical Group, with 179 practicing physicians, affiliated with PAMF and became the Camino Division of the Palo Alto Medical Foundation. In 2003, the Santa Cruz Medical Clinic, with 85 practicing physicians, the Visiting Nurses Association (VNA) and the Sutter Maternity and Surgery Center became the Santa Cruz Division of the Palo Alto Medical Foundation.

For more than a quarter century, the Foundation has provided a range of health-education and health-promotion classes and programs for the entire community, in addition to numerous specific programs for patients and continuing professional education programs for physicians, nurses, administration and others. The health-education programs have been extended from the Palo Alto area into both the Santa Clara and Santa Cruz communities with the addition of these two new healthcare divisions.

The (PAMF) Research Institute has a staff of internationally known scientists who are conducting basic research in the areas of cardiovascular biology, immunology and infectious diseases and health services research.

In 1993, PAMF affiliated with Sutter Health, a not for profit health care system covering Northern California, the second largest health care provider network in Northern California. Sutter Health has physicians and care centers in more than 100 Northern California communities from the Oregon Border to the central San Joaquin Valley, and from the Pacific Ocean to the Sierra Nevada.

Palo Alto Health Care Division

The Palo Alto Health Care Division provides a large multi-specialty outpatient clinic, including an outpatient surgery center at its main campus in Palo Alto. Four additional satellite clinics serve the populations of Fremont, Redwood Shores, Los Altos and Portola Valley. The professional staff is supported by the latest in technological equipment for both diagnosis and treatment, enabling the Clinic to function as a

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STATEMENT PART III  
STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS

"hospital without beds " Because of its advanced capability, Clinic physicians and staff have been able to minimize hospitalization of patients The emphasis on outpatient medicine has reduced the overall cost of medical care significantly, while maintaining a high quality of care for patients The Palo Alto Division received a three-year accreditation from the Institute of Medical Quality (IMA) in 2001

Camino Health Care Division

The Camino Health Care Division provides multi-specialty outpatient services at its main campus facility in Sunnyvale and from nine additional satellite clinics throughout Santa Clara County In 2002 Camino was presented with an excellence award for outstanding performance in its Quality Scorecard from Blue Cross A new skilled nursing facilities team was developed to improve quality of care for patients in nursing homes Community education and monthly support groups and lectures are offered in the Camino service area in conjunction with the Education Division of PAMF

Santa Cruz Health Care Division

The Santa Cruz Health Care Division provides a full range of medical care and specialties to the public at its offices throughout Santa Cruz County. It is operated for the purpose of engaging in projects and programs to improve the health of the community In addition to the outpatient services, the Santa Cruz Division operates the Sutter Maternity and Surgery Center for inpatient services Community education and monthly support groups and lectures are offered in the Santa Cruz service area in conjunction with the Education Division of PAMF

Research Institute

The Research Institute works on basic scientific questions of worldwide importance in areas such as cardiovascular biology, immunology and infectious diseases, and health services research, as well as clinical trials Many areas of research have resulted in both immediate and long-term patient benefits The foundation's research programs are nationally known Funding is from the National Institutes of Health and other grants, and from individual gifts from donors

Education Division

The Education Division develops and provides health and wellness programs and health information to patients and the community through various formats and media including the PAMF Web site ([www.pamf.org](http://www.pamf.org)) the Camino web site and the Santa Cruz web site We provide financial support to community organizations and projects with a health care emphasis and in-kind assistance with medical equipment, printing, health fairs and programs administered through our Education Division Education programs we offer focus on wellness, prenatal/postpartum and disease management, and we offer need-based scholarships for our educational classes We offer free community lectures, health resource centers and support groups. Additionally, we collaborate with area

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schools and agencies on programs, projects, workshops and lectures, and serve on several community boards PAMF also has been a major co-sponsor of "The Health Library" at the Stanford Shopping Center

In 1999, PAMF received the "Tall Tree Award" from the local community for decades of public service

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STATEMENT PART III  
STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS

**SUTTER HEALTH'S COMMUNITY BENEFIT PROGRAM**

The entity filing this Form 990 is a tax-exempt affiliate of Sutter Health. The fundamental mission of Sutter Health and its affiliates is to enhance the health and well-being of the people in the communities we serve through compassion and excellence. This broad vision of health care motivates us to do more than care for patients--our charge is improving the health of our communities. Sutter's affiliated physician organizations, hospitals, home care and other programs provide many services to those in need of care, regardless of their ability to pay. More than half of those served by Sutter are Medicare and Medi-Cal patients.

As one of the leading not-for-profit health care providers in California, Sutter is committed to the precept that the community benefits derived from not-for-profit hospitals and health systems are important assets for the citizens of California. We take our role as stewards of these assets very seriously and are held accountable by the numerous communities Sutter affiliates serve.

One measure of accountability is fulfilling unmet needs in the community. Through our affiliates, Sutter provides a wide range of vital services to meet unmet patient and community needs. The range of services is as heterogeneous as the communities we serve in California. Community benefit and improving the health of our communities is at the core of our mission, our values, our vision and our strategic planning principles.

In 2002, the Sutter Health system expenditures for community benefit totaled \$466 million, or 10.06% of the system's net patient service revenues. This investment represents contributions of unpaid services to our communities including, community health services, charity care, medical research, education, and the unpaid costs of public programs. Sutter Health and its affiliates demonstrate leadership as not-for-profit, charitable institutions through.

- Delivering low-volume, high-cost specialty services such as trauma, neonatal care, transplantation, and AIDS care.
- Providing the most appropriate care in the most appropriate setting through our community-based clinics, primary care clinics, school-based free clinics, and through home health care services to AIDS patients and the indigent.
- Controlling health care costs by focusing on disease prevention and health promotion. We create community wide programs targeting specific areas, such as immunization, health education, frail and at-risk elderly, adolescent health services and outreach to the homeless.

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STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS

- Funding public health services for the poor or medically indigent We fund local government budget shortfalls for needed health services like mental health and primary care services And we support public-private partnerships to improve housing, education and other social services that affect health status

Sutter Health and its affiliates are committed to the community needs assessment process and community planning to improve health status Sutter Health affiliates that are required by Senate Bill 697 to conduct community needs assessments submit their reports and plans to address community needs to the California Office of Statewide Health Planning and Development (OSHPD) Copies of these community benefit plans can be obtained from OSHPD

Sutter Health and its affiliates can clearly demonstrate the community benefit we provide to our communities It is an impressive beginning and a first step towards improving the health of the communities we serve

**PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**

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STATEMENT LINE 54

INVESTMENTS - SECURITIES

<u>Description</u>	<u>Ending Balance</u>
U S Government and Agency Securities	14,194,420
Corporate Debt Securities	14,878,664
Marketable Equity Securities	10,695,200
Total	<u>39,768,284</u>

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STATEMENT LINE 56

INVESTMENTS - OTHER

<u>Description</u>	<u>Ending Balance</u>
Investment in Sequoia Technology Partners	23,003
Total	<u>23,003</u>

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STATEMENT LINE 57

LAND, BUILDINGS AND EQUIPMENT

Description	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Land, Buildings, & Equipment	227,579,229	19,781,950	(44,564)	(441,745)	246,874,870
Accumulated Depreciation	(59,598,601)	(15,789,116) *	26,238	3,295	(75,358,184)
	<u>167,980,628</u>	<u>3,992,834</u>	<u>(18,326)</u>	<u>(438,450)</u>	<u>171,516,686</u>

\* Depreciation expense includes \$15,465 of expense that is associated with rental income, therefore, the amount of depreciation that is allocated to Part II Functional Expenses is \$15,773,651

Depreciation is computed by using the straight-line method over the estimated useful life of the assets, which range from 3 to 40 years for buildings and improvements and leasehold improvements, and from 3 to 20 years for equipment. Amortization of equipment under capital leases is included in depreciation expense.

Additional detail is available upon request.

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STATEMENT LINE 58  
OTHER ASSETS

<u>Description</u>	<u>Ending Balance</u>
Goodwill	6,766,598
Unamortized Financing Costs	458,259
Intercompany Receivables	110,121
Other Receivables	7,153,413
Other Assets	1,018,804
Total	<u>15,507,195</u>

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STATEMENT LINE 64a  
TAX EXEMPT BOND LIABILITIES

<u>Description</u>	
Lender.	California State Community Development Authority
Interest Rate	6.23%
Maturity Date	8/12/2023
Issue Date	7/15/1993
Repayment Terms	Semi-annual Interest & Principal
Original Amount	114,590,000
Balance Due	21,591,685
Purpose of Issue	Construction & Renovation
Form 8038 Issued	Yes
Project Completion Date	2001
Unexpended Bond Proceeds	0
Total	<u>21,591,685</u>

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STATEMENT LINE 65

OTHER LIABILITIES

<u>Description</u>	<u>Ending Balance</u>
Insurance Liabilities	17,233
Other Liabilities	11,524,890
Total	<u>11,542,123</u>

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STATEMENT PART IV  
RECONCILIATION PER RETURN AND AUDITED FINANCIAL STATEMENTS

REVENUE - PART IV-A

Line b(4) - Other Revenue Decrease

Reclass Loss on Sale of Assets	258
Reclass Rental Expense	93,409
Reclass Investment Income from Fund Balance	107,511
K-1 Long-Term Capital Loss not Recorded on Books	742
Net Assets Released from Restriction	3,929,162
Total Revenue Decrease	<u>4,131,082</u>

Line d(2) - Other Revenue Increase

Reclass Contributions from Fund Balance	6,209,646
K-1 Interest Income Not Recorded on Books	77
Total Revenue Increase	<u>6,209,723</u>

EXPENSES - PART IV-B

Line b(4) - Other Expense Decrease

Reclass Rental Expense	93,409
Reclass Loss on Sale of Assets	258
Total Expense Decrease	<u>93,667</u>

**PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**  
 EIN 94-1156581  
 FORM 990  
 FOR THE YEAR ENDED DECEMBER 31, 2002

**STATEMENT PART V**  
**OFFICERS, DIRECTORS, TRUSTEES AND KEY EMPLOYEES**

<u>Name/Address</u>	<u>Title &amp; Avg Hrs per Week</u>	<u>Compensation</u>	<u>Contributions to Employee Benefit Plan</u>		<u>Expense Account</u>
			<u>Pension &amp; Other Benefit</u>	<u>Non-Vested Def Comp</u>	
Arnold Aigen, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Calvin D Brenneman, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Jeffrey H Brown, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
C. Terrigal Burn, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Allen D Cooper, MD 795 El Camino Real Palo Alto, CA 94301	Vice President of Research Trustee 40 Hours	226,937	19,392	0	0
Lawrence deGhetaldi, MD 795 El Camino Real Palo Alto, CA 94301	CEO-SCMF # Trustee 40 Hours	0	0	0	0
Stephen Dohrmann 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	1,496	0	0	0
David Druker, MD 795 El Camino Real Palo Alto, CA 94301	CEO # Trustee 40 Hours	2,000	0	0	0

**PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**  
 EIN 94-1156581  
 FORM 990  
 FOR THE YEAR ENDED. DECEMBER 31, 2002

**STATEMENT PART V**  
**OFFICERS, DIRECTORS, TRUSTEES AND KEY EMPLOYEES**

<u>Name/Address</u>	<u>Title &amp; Avg Hrs per Week</u>	<u>Compensation</u>	<u>Contributions to Employee Benefit Plan</u>		<u>Expense Account</u>
			<u>Pension &amp; Other Benefit</u>	<u>Non-Vested Def Comp</u>	
Richard Elkus, Jr 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	1,587	0	0	0
Kevin Fong 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Patrick Fry 795 El Camino Real Palo Alto, CA 94301	Trustee # 1 Hour	0	0	0	0
Jeff Gerard 795 El Camino Real Palo Alto, CA 94301	CFO # 40 Hours Part Year	0	0	0	0
Christine Griger, MD 795 El Camuno Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Glen Groves 795 El Camino Real Palo Alto, CA 94301	CFO -SCMF # 40 Hours	0	0	0	0
Vinita Gupta 795 El Camuno Real Palo Alto, CA 94301	3rd Vice Chair Trustee 1 Hour	0	0	0	0
Salvador O Gutierrez 795 El Camuno Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0

**PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**

EIN 94-1156581

FORM 990

FOR THE YEAR ENDED DECEMBER 31, 2002

## STATEMENT PART V

## OFFICERS, DIRECTORS, TRUSTEES AND KEY EMPLOYEES

<u>Name/Address</u>	<u>Title &amp; Avg Hrs per Week</u>	<u>Compensation</u>	<u>Contributions to Employee Benefit Plan</u>		<u>Expense Account</u>
			<u>Pension &amp; Other Benefit</u>	<u>Non-Vested Def Comp</u>	
William W Halford, Jr 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
R Cary Hill, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
David E Hooper, MD 795 El Camino Real Palo Alto, CA 94301	Vice President of Clinical Services Trustee 40 Hours	0	0	0	0
Sarah Howard 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Anne Jigger 795 El Camino Real Palo Alto, CA 94301	Vice President of Philanthropy 40 Hours	151,385	19,489	0	0
Van R Johnson 795 El Camino Real Palo Alto, CA 94301	Trustee # 1 Hour	0	0	0	0
John Jorgenson 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
David Jury 795 El Camino Real Palo Alto, CA 94301	Director of Support Services Secretary 40 Hours	193,910	22,893	0	0

**PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**

EIN 94-1156581

FORM 990

FOR THE YEAR ENDED DECEMBER 31, 2002

## STATEMENT PART V

## OFFICERS, DIRECTORS, TRUSTEES AND KEY EMPLOYEES

<u>Name/Address</u>	<u>Title &amp; Avg Hrs per Week</u>	<u>Compensation</u>	<u>Contributions to Employee Benefit Plan</u>		<u>Expense Account</u>
			<u>Pension &amp; Other Benefit</u>	<u>Non-Vested Def Comp</u>	
Christine Kontgas 795 El Camino Real Palo Alto, CA 94301	Director of Research Treasurer 40 Hours	117,711	12,645	0	0
Sharon Kutis 795 El Camino Real Palo Alto, CA 94301	CFO # 40 Hours Part Year	0	0	0	0
Torben Kristensen, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Janet Lederer 795 El Camino Real Palo Alto, CA 94301	Vice President of Education 40 Hours	109,571	14,239	0	0
Philp R Lee, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Richard Levy 795 El Camino Real Palo Alto, CA 94301	1st Vice Chair Trustee 1 Hour	0	0	0	0
Charles A Lynch 795 El Camino Real Palo Alto, CA 94301	Chair Trustee 1 Hour	0	0	0	0
Francis A Marzoni, Jr, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0

**PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**

EIN 94-1156581

FORM 990

FOR THE YEAR ENDED DECEMBER 31, 2002

STATEMENT PART V

OFFICERS, DIRECTORS, TRUSTEES AND KEY EMPLOYEES

<u>Name/Address</u>	<u>Title &amp; Avg Hrs per Week</u>	<u>Compensation</u>	<u>Contributions to Employee Benefit Plan</u>		<u>Expense Account</u>
			<u>Pension &amp; Other Benefit</u>	<u>Non-Vested Def Comp</u>	
Duncan L Matteson 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Sue Mihalko, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Lawrence G Mohr 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Stuart G Moldaw 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Criss Morikawa, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Mervin G Morris 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Nancy S Mueller 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Margaret I Raffin 795 El Camino Real Palo Alto, CA 94301	2nd Vice Chair Trustee 1 Hour	0	0	0	0

**PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**  
 EIN 94-1156581  
 FORM 990  
 FOR THE YEAR ENDED DECEMBER 31, 2002

STATEMENT PART V  
 OFFICERS, DIRECTORS, TRUSTEES AND KEY EMPLOYEES

<u>Name/Address</u>	<u>Title &amp; Avg Hrs per Week</u>	<u>Compensation</u>	<u>Contributions to Employee Benefit Plan</u>		<u>Expense Account</u>
			<u>Pension &amp; Other Benefit</u>	<u>Non-Vested Def Comp</u>	
C Stewart Ritchie, III, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Steven Rubinstein, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Chauncey Schmidt 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Richard Slavin, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Susan D Smith, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Catherine R Spieker 795 El Camino Real Palo Alto, CA 94301	5th Vice Chair Trustee 1 Hour	0	0	0	0
Seth Strichartz, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0
Elizabeth Vilardo, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0

**PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**  
 EIN 94-1156581  
 FORM 990  
 FOR THE YEAR ENDED DECEMBER 31, 2002

STATEMENT PART V  
 OFFICERS, DIRECTORS, TRUSTEES AND KEY EMPLOYEES

<u>Name/Address</u>	<u>Title &amp; Avg Hrs per Week</u>	<u>Compensation</u>	<u>Contributions to Employee Benefit Plan</u>		<u>Expense Account</u>
			<u>Pension &amp; Other Benefit</u>	<u>Non-Vested Def Comp</u>	
David White, MD 795 El Camino Real Palo Alto, CA 94301	Trustee 1 Hour	0	0	0	0

# For compensation information paid by a related party see Statement Line 75

PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE RESEARCH AND EDUCATION  
 EIN 94-1156581  
 FOR THE YEAR END DECEMBER 31 2002  
 STATEMENT LINE 75  
 OFFICERS DIRECTORS TRUSTEES AND KEY EMPLOYEES PAID BY RELATED ENTITIES

Name	Entity Paying Compensation	Organization Titles	Compensation	Deferred Comp Vesting in 2002	Contributions to Employee Benefit Plan		Expense Account
					Pension & Other Benefits	Non-Vested Def. Comp	
Lawrence deGhetaldi	Sutter Health	CEO & Trustee Sutter Santa Cruz CEO & Trustee Sutter Maternity & Surgery Center of Santa Cruz CEO Santa Cruz Medical Foundation Trustee Palo Alto Medical Foundation	226 416	0	18 525	10 500 ##	3 418
David Druker, MD	Sutter Health	CEO Peninsula Coastal Area CEO & Trustee Palo Alto Medical Foundation Director Mills-Peninsula Health Services Trustee Sutter Maternity & Surgery Center of Santa Cruz Chair & Trustee Sutter Santa Cruz	524 087	31 136 #	23 120	35 200 ##	3 297
Patrick Fry	Sutter Health	Executive VP & COO Sutter Health Trustee Alta Bates Health System Director California Pacific Medical Center Director Marin Community Health Director Marin Home Care Director Marin General Hospital Director Novato Community Hospital Trustee Sutter Medical Center of Santa Rosa Trustee Palo Alto Medical Foundation Trustee Sutter Maternity & Surgery Center of Santa Cruz Trustee Sutter Santa Cruz Trustee Sutter Solano Medical Center Trustee Sutter Delta Medical Center Director Mills-Peninsula Health Services Director St. Luke's Hospital Trustee Physician Foundation at California Pacific Medical Center Trustee Sutter Medical Foundation Trustee Sutter Health Sacramento Sierra Region	659 198	58 099 #	24 526	62 700 ##	3 785
Jeff Gerard	Sutter Health	CFO Palo Alto Medical Foundation Secretary/Treasurer & Trustee Sutter Santa Cruz	244 103	0	14 484	10 500 ##	198
Glen Groves	Sutter Health	CFO Santa Cruz Medical Foundation CFO Sutter Maternity & Surgery Center of Santa Cruz CFO Sutter Santa Cruz	180 461	0	18 835	6 100	176
Van Johnson	Sutter Health	CEO & Director Sutter Health Trustee Palo Alto Medical Foundation Director Sutter Insurance Services Corporation Regent Samuel Merritt College	978 752	80 496 #	26 600	93 300 ## ###	23 857
Sharon Kutis	Sutter Health	CFO Palo Alto Medical Foundation	205 694	0	16 583	7 800 ##	208

# Vested deferred compensation represents the amount vesting in 2002. The principal contributions by Sutter Health into an investment account were previously reported as non-vested deferred compensation.

## This amount has been set aside for the employee until he/she is legally entitled to the amount. Once the employee has met all vesting requirements the amount is included as vested deferred compensation.

### Employee is also entitled to benefits pursuant to a Supplemental Employee Retirement Plan ("SERP"). With respect to the year 2002, employer has set aside \$240,000 to fund the SERP. The benefits payable in accordance with the SERP are subject to a substantial risk of forfeiture by the employee.

The compensation reported above represents the total compensation of the named individual in return for all services provided to Sutter Health and its related organizations. The identity of the entity that actually provided compensation is listed under the 'Related Entity' column.

**PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**

EIN 94-1156581

FORM 990

FOR THE YEAR ENDED DECEMBER 31, 2002

## STATEMENT LINE 80

The following legal entities were part of Sutter Health during the year

<u>Legal Entity Name</u>	<u>501 Designation</u>	<u>Tax Status</u>
Adolescent Treatment Centers, Inc	501(c)(3)	Nonprofit
Alta Bates Health System	501(c)(3)	Nonprofit
Alta Bates Medical Resources, Inc	N/A	For Profit
Alta Bates Summit Medical Center Foundation	501(c)(3)	Nonprofit
Alta Bates Summit Medical Center	501(c)(3)	Nonprofit
Berkeley Long-Term Care Company	501(c)(3)	Nonprofit
California Aeromedical Rescue & Evacuation, Inc	501(c)(3)	Nonprofit
California Pacific Medical Center	501(c)(3)	Nonprofit
California Pacific Medical Center Foundation	501(c)(3)	Nonprofit
Central Valley Memorial Partners In Care, Inc	N/A	For Profit
East Bay Health Services, Inc	N/A	For Profit
Eden Medical Center	501(c)(3)	Nonprofit
Health Ventures, Inc	N/A	For Profit
Marin Community Health	501(c)(3)	Nonprofit
Marin Community Health Foundation	501(c)(3)	Nonprofit
Marin General Hospital	501(c)(3)	Nonprofit
Marin Home Care, Inc	501(c)(3)	Nonprofit
Memorial Hospital Los Banos	501(c)(3)	Nonprofit
Memorial Hospitals Association	501(c)(3)	Nonprofit
Mills-Peninsula Health Services	501(c)(3)	Nonprofit
Mills-Peninsula Hospital Foundation	501(c)(3)	Nonprofit
Mills-Peninsula Senior Focus	501(c)(3)	Nonprofit
Novato Community Hospital	501(c)(3)	Nonprofit
Omni Healthcare, Inc	N/A	For Profit
Palo Alto Medical Foundation for Health Care, Research & Education	501(c)(3)	Nonprofit
Physician Foundation at California Pacific Medical Center	501(c)(3)	Nonprofit
Samuel Merritt College	501(c)(3)	Nonprofit
St Luke's Health Care Center	501(c)(3)	Nonprofit
St Luke's Hospital	501(c)(3)	Nonprofit
St Luke's Hospital Foundation	501(c)(3)	Nonprofit
Summit Medical Center	501(c)(3)	Nonprofit
Sutter Amador Hospital	501(c)(3)	Nonprofit
Sutter Ambulatory Care Corporation	501(c)(3)	Nonprofit
Sutter Auburn Faith Hospital Foundation	501(c)(3)	Nonprofit
Sutter Coast Hospital	501(c)(3)	Nonprofit

**PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**

EIN 94-1156581

FORM 990

FOR THE YEAR ENDED DECEMBER 31, 2002

## STATEMENT LINE 80

The following legal entities were part of Sutter Health during the year

<u>Legal Entity Name</u>	501 <u>Designation</u>	<u>Tax Status</u>
Sutter Connect	N/A	For Profit
Sutter Davis Hospital Foundation and Community Board	501(c)(3)	Nonprofit
Sutter Delta Medical Center	501(c)(3)	Nonprofit
Sutter Gould Medical Foundation	501(c)(3)	Nonprofit
Sutter Health	501(c)(3)	Nonprofit
Sutter Health East Bay	501(c)(3)	Nonprofit
Sutter Health Pacific	501(c)(3)	Nonprofit
Sutter Health Sacramento Sierra Region	501(c)(3)	Nonprofit
Sutter Hospitals Foundation	501(c)(3)	Nonprofit
Sutter Insurance Services Corporation	501(c)(3)	Nonprofit
Sutter Lakeside Community Services	501(c)(3)	Nonprofit
Sutter Lakeside Hospital	501(c)(3)	Nonprofit
Sutter Maternity & Surgery Center of Santa Cruz	501(c)(3)	Nonprofit
Sutter Medical Center of Santa Rosa	501(c)(3)	Nonprofit
Sutter Medical Foundation	501(c)(3)	Nonprofit
Sutter Merced Medical Center	501(c)(3)	Nonprofit
Sutter North Medical Foundation	501(c)(3)	Nonprofit
Sutter Preferred Health Plan Services, Inc	N/A	For Profit
Sutter Santa Cruz	501(c)(3)	Nonprofit
Sutter Solano Medical Center	501(c)(3)	Nonprofit
Sutter Solano Medical Center Foundation	501(c)(3)	Nonprofit
Sutter Tracy Community Hospital	501(c)(3)	Nonprofit
Sutter Visiting Nurse Association and Hospice	501(c)(3)	Nonprofit
The Brotherton Fund	501(c)(3)	Nonprofit
Timberlake Corporation	N/A	For Profit
Tracy Community Memorial Hospital Foundation	501(c)(3)	Nonprofit
Unified Management Services Organization	N/A	For Profit
Visiting Nurse Association and Hospice Foundation	501(c)(3)	Nonprofit

**PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**

EIN 94-1156581

FORM 990

FOR THE YEAR ENDED DECEMBER 31, 2002

## STATEMENT SCHEDULE A PART I

## FIVE HIGHEST PAID EMPLOYEES OTHER THAN

## OFFICERS, DIRECTORS, TRUSTEES AND KEY EMPLOYEES

<u>Name/Address/Title</u>	<u>Average Hrs per Week</u>	<u>Compensation</u>	<u>Contributions to Employee Benefit Plan</u>		<u>Expense Account</u>
			<u>Pension &amp; Other Benefit</u>	<u>Non-Vested Def Comp</u>	
Paul C Tang Chief Medical Information Officer 795 El Camino Real Palo Alto, CA 94301	40 Hours	303,658	24,716	0	0
Jack S Remington, MD Senior Staff Scientist 795 El Camino Real Palo Alto, CA 94301	40 Hours	214,200	22,627	0	0
Mahnaz B Choobineth Chief Information Officer 795 El Camino Real Palo Alto, CA 94301	40 Hours	196,568	19,139	0	0
Katherine Korbholz VP - Ancillary Operations 795 El Camino Real Palo Alto, CA 94301	40 Hours	185,705	21,002	0	0
William C Brown Controller 795 El Camino Real Palo Alto, CA 94301	40 Hours	181,586	22,073	0	0

**PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**  
EIN 94-1156581  
FORM 990  
FOR THE YEAR ENDED DECEMBER 31, 2002

STATEMENT SCHEDULE A PART II  
COMPENSATION OF FIVE HIGHEST PAID INDEPENDENT CONTRACTORS

<u>Name/ Address</u>	<u>Type of Service</u>	<u>Compensation</u>
Camino Medical Group 301 Old San Francisco Road Sunnyvale, CA 94086	Medical, Professional, & Employee Services	94,075,000
Palo Alto Medical Clinic Partnership 795 El Camino Real Palo Alto, CA 94301	Medical Services	63,776,260
Santz Cruz Medical Clinic 2025 Soquel Avenue Santa Cruz, CA 95062	Medical Services	22,685,764
Stanford Medical Center Dept 44774 PO Box 44000 San Francisco, CA 94144	Medical Services	3,778,748
Donald Belt, Ph D 920 Sunnyslope Hollister, CA	Medical Services	662,874

**PALO ALTO FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**

EIN 94-1156581

FORM 990

FOR THE YEAR ENDED DECEMBER 31, 2002

**STATEMENT SCHEDULE A PART III  
STATEMENTS ABOUT ACTIVITIES**

**LINE 2a & 2c**

During 2002, Palo Alto Medical Clinic Partnership (PAMC) provided physician services to Palo Alto Medical Foundation via an arms-length agreement. Certain officers and/or trustees of Palo Alto Medical Foundation are also members of PAMC as listed below:

<u>Name</u>	<u>Position</u>
Calvin D. Brenneman, MD	Owner/Partner, Board Member
C Terrigal Burn, MD	Owner/Partner, Board Member
David Druker, MD	Owner/Partner
David E Hooper, MD	Owner/Partner, Board Member
Francis A Marzoni, Jr, MD	Owner/Partner, Board Member
Sue Mihalko, MD	Owner/Partner, Board Member
Susan D. Smith, MD	Owner/Partner, Board Member
David N White, MD	Owner/Partner, Board Member

During 2002, Camino Medical Group (CMG) provided physician services to Palo Alto Medical Foundation (PAMF) via an arms-length agreement. PAMF also pays CMG for the use of employees, equipment, and buildings. Certain officers and/or trustees of Palo Alto Medical Foundation are also shareholders of CMG and hold the following positions:

<u>Name</u>	<u>Position</u>
Arnold Aigen, MD	Shareholder & Board Member
Jeffrey H Brown, MD	Shareholder & Board Member
R Cary Hill, MD	Shareholder & Board Member
Criss Morikawa, MD	Shareholder & Board Member
Steven Rubinstein, MD	Shareholder & Board Member
Richard Slavin, MD	Shareholder & Board Member (CEO)
Seth Strichartz, MD	Shareholder & Board Member
Elizabeth Vilaro, MD	Shareholder & Board Member
Torben Kristensen, MD	Shareholder & Board Member (Secretary)

C Stewart Ritchie, III, MD, Trustee for Palo Alto Medical Foundation, is also a CEO and majority shareholder for Guckenheimer, Inc. During 2002, Guckenheimer provided employee cafeteria services to PAMF via an arms-length agreement.

Richard Levy, Trustee for Palo Alto Medical Foundation, is also the CEO and a Board Member of Varian Medical Systems. During 2002 PAMF leased equipment from Varian via an arms-length agreement.

**PALO ALTO FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**

EIN 94-1156581

FORM 990

FOR THE YEAR ENDED DECEMBER 31, 2002

**STATEMENT SCHEDULE A PART III**

**STATEMENTS ABOUT ACTIVITIES**

Larry deGhetaldi, MD, and Christine Griger, MD, are Trustees for Palo Alto Medical Foundation. They are also General Partners of Santa Cruz Medical Clinic. During 2002, Santa Cruz Medical Clinic provided physician services to the Santa Cruz Medical Foundation via an arms-length agreement.

Duncan Matteson, a Trustee for Palo Alto Medical Foundation (PAMF), is Chairman of the Board of Mid-Peninsula Bank, which handles some of the financial needs of PAMF.

Line 3

Palo Alto Medical Foundation awards the David Krupp Fellowship, which is issued through Foothill College. Applicants are chosen based on interview for summer employment under the supervision of a research institute scientist.

**PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH & EDUCATION**

EIN 94-1156581

FORM 990

FOR THE YEAR ENDED DECEMBER 31, 2002

STATEMENT SCHEDULE A PART VI-B

LOBBYING ACTIVITY BY NONELECTING PUBLIC CHARITIES

LINE f

Palo Alto Medical Foundation for Healthcare, Research & Education maintains a membership in the Association of Independent Research Institutes. The dues paid were \$2,400, of which \$360 was used for lobbying purposes.

**PALO ALTO MEDICAL FOUNDATION FOR HEALTH CARE, RESEARCH & EDUCATION**

EIN 94-1156581

FORM 990

FOR THE YEAR ENDED DECEMBER 31, 2002

STATEMENT SCHEDULE B PART II

NONCASH PROPERTY

<b>No. from Part I</b>	<b>Description of noncash property given</b>	<b>FMV</b>	<b>Date Received</b>
9	Stock/Property	45,525	12/26/02
15	Stock/Property	9,072	12/26/02
20	Stock/Property	12,123	01/11/02
28	Stock/Property	4,822	12/27/02
34	Stock/Property	5,004	12/26/02
44	Stock/Property	4,963	01/30/02
52	Stock/Property	17,070	12/24/02
63	Stock/Property	2,421	12/12/02
70	Stock/Property	20,854	10/24/02
90	Stock/Property	9,998	12/12/02
94	Stock/Property	20,634	01/18/02
98	Stock/Property	7,000	Various
99	Stock/Property	38,099	Various

\* If you are filing for an ADDITIONAL (NOT AUTOMATIC) 3-MONTH EXTENSION, COMPLETE ONLY PART II and check this box 
NOTE ONLY COMPLETE PART II IF YOU HAVE ALREADY BEEN GRANTED AN AUTOMATIC 3-MONTH EXTENSION ON A PREVIOUSLY FILED FORM 8868

\* If you are filing for an AUTOMATIC 3-MONTH EXTENSION, COMPLETE ONLY PART I (on page 1)

**PART II** ADDITIONAL (NOT AUTOMATIC) 3-MONTH EXTENSION OF TIME - MUST FILE ORIGINAL AND ONE COPY

TYPE OR PRINT Name of Exempt Organization PALO ALTO MEDICAL FOUNDATION FOR HEALTHCARE, RESEARCH, AND EDUCATION EMPLOYER IDENTIFICATION NUMBER 94-1156581
Number, street, and room or suite no If a P O box, see instructions 795 EL CAMINO REAL For IRS use only
City, town or post office, state, and ZIP code For a foreign address, see instructions PALO ALTO, CALIFORNIA 94301

CHECK TYPE OF RETURN TO BE FILED (File a separate application for each return)

Form 990  Form 990-EZ  Form 990-T (sec 401(a) or 408(a) trust)  Form 1041-A  Form 5227  Form 8870
 Form 990-BL  Form 990-PF  Form 990-T (trust other than above)  Form 4720  Form 6069

STOP DO NOT COMPLETE PART II IF YOU WERE NOT ALREADY GRANTED AN AUTOMATIC 3-MONTH EXTENSION ON A PREVIOUSLY FILED FORM 8868

\* If the organization does NOT have an office or place of business in the United States, check this box 
\* If this is for a GROUP RETURN, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_ If this is for the WHOLE group, check this box  If it is for PART of the group, check this box  and attach a list with the names and EINs of all members the extension is for

4 I request an additional 3-month extension of time until 11/17/2003
5 For calendar year 2002, or other tax year beginning \_\_\_\_\_ and ending \_\_\_\_\_
6 If this tax year is for less than 12 months, check reason  Initial return  Final return  Change in accounting period
7 State in detail why you need the extension ADDITIONAL TIME IS NEEDED TO GATHER THE NECESSARY INFORMATION TO FILE A COMPLETE AND ACCURATE RETURN

8 a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits See instructions \$ 0
b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868 \$ 0
c BALANCE DUE Subtract line 8b from line 8a Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System) See instructions \$ NONE

SIGNATURE AND VERIFICATION

Under penalties of perjury I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief it is true correct, and complete and that I am authorized to prepare this form

Signature Lisa M. Cummings Title CPA REPRESENTATIVE Date 8-4-03

NOTICE TO APPLICANT-TO BE COMPLETED BY THE IRS

We HAVE approved this application Please attach this form to the organization's return
 We HAVE NOT approved this application However, we have granted a 10-day grace period from the later of the date shown below or the due date of the organization's return (including any prior extensions) This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return Please attach this form to the organization's return
 We HAVE NOT approved this application After considering the reasons stated in item 7, we cannot grant your request for an extension of time to file We are not granting a 10-day grace period
 We CANNOT CONSIDER this application because it was filed after the due date of the return for which an extension was requested
 Other

EXTENSION APPROVED

Director \_\_\_\_\_ By \_\_\_\_\_ Date AUG 18 2003

ALTERNATE MAILING ADDRESS - Enter the address if you want the copy of this application for an additional 15-day extension returned to an address different than the one entered above SUBMISSION PROCESSING, OGDEN

NAME ERNST & YOUNG LLP ATTN LISA CUMMINGS
TYPE OR PRINT NUMBER AND STREET (INCLUDE SUITE, ROOM, OR APT NO ) OR A P O BOX NUMBER 555 CAPITOL MALL, SUITE 650
CITY OR TOWN, PROVINCE OR STATE, AND COUNTRY (INCLUDING POSTAL OR ZIP CODE) SACRAMENTO, CA 95814