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|--|--|---|
| Form 990  Department of the Treasury Internal Revenue Service | Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation) | OMB No 1545-0047 <div> <div>2011</div> <div>Open to Public Inspection</div> </div> |
| | The organization may have to use a copy of this return to satisfy state reporting requirements | |

| | | | |
|--|--|--|---|
| A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011 | | D Employer identification number 99-0107330 | |
| B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending | C Name of organization Castle Medical Center Doing Business As Number and street (or P O box if mail is not delivered to street address) Room/suite 640 Ulukahiki St City or town, state or country, and ZIP + 4 Kailua, HI 96734 | | E Telephone number (808) 263-5500 |
| | | G Gross receipts \$ 127,861,478 | |
| F Name and address of principal officer Kathryn Raethel 640 Ulukahiki St Kailua, HI 96734 | | H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶ 1071 | |
| I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527 | | | |
| J Website: ▶ http://www.castlemed.com/ | | | |
| K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶ | | L Year of formation 1960 | M State of legal domicile HI |

| | |
|---------------|----------------|
| Part I | Summary |
|---------------|----------------|

| | | | |
|-----------------------------|---|---------------------------|--------------|
| Activities & Governance | 1 Briefly describe the organization's mission or most significant activities The hospital mission is to provide our community with physical, mental, and spiritual healing in a way that reflects God's love for all | | |
| | 2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets | | |
| | 3 Number of voting members of the governing body (Part VI, line 1a) | 3 | 13 |
| | 4 Number of independent voting members of the governing body (Part VI, line 1b) | 4 | 8 |
| | 5 Total number of individuals employed in calendar year 2011 (Part V, line 2a) | 5 | 1,219 |
| | 6 Total number of volunteers (estimate if necessary) | 6 | 295 |
| | 7a Total unrelated business revenue from Part VIII, column (C), line 12 | 7a | 645,679 |
| | 7b Net unrelated business taxable income from Form 990-T, line 34 | 7b | -490,417 |
| Revenue | 8 Contributions and grants (Part VIII, line 1h) | Prior Year | Current Year |
| | 9 Program service revenue (Part VIII, line 2g) | 651,878 | 1,260,432 |
| | 10 Investment income (Part VIII, column (A), lines 3, 4, and 7d) | 115,516,686 | 121,557,468 |
| | 11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 2,898,444 | 1,670,656 |
| | 12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 759,690 | 891,233 |
| | | 119,826,698 | 125,379,789 |
| Expenses | 13 Grants and similar amounts paid (Part IX, column (A), lines 1–3) | | 0 |
| | 14 Benefits paid to or for members (Part IX, column (A), line 4) | | 0 |
| | 15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10) | 65,294,109 | 66,551,751 |
| | 16a Professional fundraising fees (Part IX, column (A), line 11e) | | 0 |
| | b Total fundraising expenses (Part IX, column (D), line 25) <u>327,577</u> | | |
| | 17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e) | 44,893,782 | 48,765,575 |
| | 18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25) | 110,187,891 | 115,317,326 |
| | 19 Revenue less expenses Subtract line 18 from line 12 | 9,638,807 | 10,062,463 |
| Net Assets or Fund Balances | | Beginning of Current Year | End of Year |
| | 20 Total assets (Part X, line 16) | 139,607,747 | 139,015,850 |
| | 21 Total liabilities (Part X, line 26) | 28,232,976 | 17,614,096 |
| | 22 Net assets or fund balances Subtract line 21 from line 20 | 111,374,771 | 121,401,754 |

| | |
|----------------|------------------------|
| Part II | Signature Block |
|----------------|------------------------|

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

| | | |
|---|---|------|
| Sign Here | ***** Signature of officer | |
| | Wendi Barber Treasurer/VP Finance Type or print name and title | |
| Paid Preparer's Use Only | Preparer's signature | Date |
| | Firm's name (or yours if self-employed), address, and ZIP + 4 | |

May the IRS discuss this return with the preparer shown above? (see instructions)

For Paperwork Reduction Act Notice, see the separate instructions.

Part IIIS

Statement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

Caring for our community, sharing God's love

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

If “Yes,” describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

If “Yes,” describe these changes on Schedule O

4

Describe the organization’s program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts 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 \$ 103,619,295 including grants of \$) (Revenue \$ 121,557,468)

Castle Medical Center provides quality medical health care regardless of race, creed, sex, national origin, handicap, age, or ability to pay Although reimbursement for services rendered is critical to the operation and stability of Castle Medical Center, the organization recognizes that not all individuals possess the ability to pay for essential medical services Adventist Health’s vision is to enhance the health of the communities where we live and serve, by engaging our community and our patients in a new definition of a partnership for personal community health In keeping with this commitment to serve all members of the community, the following will be considered when individuals who need health care cannot pay providing free care and/or subsidized careproviding care to persons covered by governmental programs at below costproviding health/wellness activities and community education programsNot only does Castle Medical Center provide low-cost care to individuals covered by government programs and those unable to afford health care, but it also helps patients find and access private and governmental resources for health care benefits Castle Medical Center recognizes below-cost reimbursement as charity and uncompensated care in meeting its mission to the entire community The unreimbursed value of providing care to these patients in 2011 was \$1,592,298 Inpatient services in 2011 were provided to 7,139 patients These services included Babies deliveredSurgeries performedRadiology procedures performedCardiac catheterizations and other proceduresLaboratory tests performedOutpatient services in 2011 were provided to 106,854 patients These services included Emergency room visitsOutpatient surgeries performedRadiology procedures performedCardiac catheterizations and other proceduresLaboratory tests performedMedical clinicsHome Care services in 2011 were provided to 21,717 patients These services included Home health nurses, aidesPhysical, occupational and speech therapistsSocial workersPrivate dutyPediatric Skilled servicesCastle Medical Center recognizes it has an obligation to provide human services above and beyond its role as a healing facility The following community benefits demonstrate the tangible ways in which the organization is fulfilling its mission Teddy Bear Clinics -preschoolers introduced to Emergency Room Services through their “teddy bears”Health Fairs -Community sponsored events including health screenings and educationParish NursingExtensive Health Education ProgramsBlood Drives -participation in sponsoring drives at the HospitalKahiau Program -helping local residents in needWellness on Wheels Van - Available at community projects providing applicable educational material/supplies, Asthma and Cholesterol screeningsFamily & Friends CPR Anytime -CPR training at home for friends/family of high-risk cardiac patientsFoodbank -donations of food items

4b

(Code) (Expenses \$ including grants of \$) (Revenue \$)

4c

(Code) (Expenses \$ including grants of \$) (Revenue \$)

4d

Other program services (Describe in Schedule O)
























(Expenses \$ including grants of \$) (Revenue \$)

4e

Total program service expenses\$ 103,619,295

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)? <i>If "Yes," complete Schedule A.</i>  | 1 | Yes |
| 2 | Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (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? <i>If "Yes," complete Schedule C, Part I.</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? <i>If "Yes," complete Schedule C, Part II.</i>  | 4 | Yes |
| 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? <i>If "Yes," complete Schedule C, Part III.</i>  | 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? <i>If "Yes," complete Schedule D, Part I.</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? <i>If "Yes," complete Schedule D, Part II.</i>  | 7 | No |
| 8 | Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i>  | 8 | No |
| 9 | Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i>  | 9 | No |
| 10 | Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i>  | 10 | Yes |
| 11 | If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable | | |
| a | Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i>  | 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? <i>If "Yes," complete Schedule D, Part VII.</i>  | 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? <i>If "Yes," complete Schedule D, Part VIII.</i>  | 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? <i>If "Yes," complete Schedule D, Part IX.</i>  | 11d | No |
| e | Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i>  | 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)? <i>If "Yes," complete Schedule D, Part X.</i>  | 11f | No |
| 12a | Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i>  | 12a | No |
| b | Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i>  | 12b | Yes |
| 13 | Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i> | 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? <i>If "Yes," complete Schedule F, Part I.</i> | 14b | No |
| 15 | Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? <i>If "Yes," complete Schedule F, Part II and IV.</i> | 15 | No |
| 16 | Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? <i>If "Yes," complete Schedule F, Part III and IV.</i> | 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? <i>If "Yes," complete Schedule G, Part I.</i>  | 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? <i>If "Yes," complete Schedule G, Part II.</i>  | 18 | No |
| 19 | Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>  | 19 | Yes |
| 20a | Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i>  | 20a | Yes |
| b | If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements  | 20b | Yes |

Part IV

Checklist of Required Schedules (continued)

| | | | | |
|-----|--|-----|-----|----|
| 21 | Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> | 21 | | No |
| 22 | Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> | 22 | | No |
| 23 | Did the organization answer "Yes" to Part VII, Section A, questions 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 questions 24b–24d and complete Schedule K. If "No," go to line 25</i> | 24a | | No |
| b | Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? | 24b | | No |
| c | Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? | 24c | | No |
| d | Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? | 24d | | No |
| 25a | Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <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 | Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> | 26 | Yes | |
| 27 | Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <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 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 | Yes | |
| 34 | Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i> | 34 | Yes | |
| 35a | Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)? | 35a | | No |
| b | 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 | | No |
| 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 11 and 19? Note. All Form 990 filers are required to complete Schedule O | 38 | Yes | |

| | | | |
|---|--|------------|-----------|
| Part V Statements Regarding Other IRS Filings and Tax Compliance | | | |
| Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/> | | | |
| | | Yes | No |
| 1a | Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. . | 1a | 131 |
| b | Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable. | 1b | 0 |
| c | Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? | 1c | Yes |
| 2a | Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return. | 2a | 1,219 |
| b | If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions). | 2b | Yes |
| 3a | Did the organization have unrelated business gross income of \$1,000 or more during the year? | 3a | Yes |
| b | If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O. | 3b | Yes |
| 4a | At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)? | 4a | No |
| b | If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. | | |
| 5a | Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? | 5a | No |
| b | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? | 5b | No |
| c | If "Yes" to line 5a or 5b, did the organization file Form 8886-T? | 5c | No |
| 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? | 6a | No |
| b | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? | 6b | No |
| 7 | Organizations that may receive deductible contributions under section 170(c). | | |
| a | Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor? | 7a | Yes |
| b | If "Yes," did the organization notify the donor of the value of the goods or services provided? | 7b | Yes |
| c | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? | 7c | No |
| d | If "Yes," indicate the number of Forms 8282 filed during the year. | 7d | 0 |
| e | Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? | 7e | No |
| f | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? | 7f | No |
| g | If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? | 7g | No |
| h | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? | 7h | No |
| 8 | Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? | 8 | No |
| 9 | Sponsoring organizations maintaining donor advised funds. | | |
| a | Did the organization make any taxable distributions under section 4966? | 9a | No |
| b | Did the organization make a distribution to a donor, donor advisor, or related person? | 9b | No |
| 10 | Section 501(c)(7) organizations. Enter | | |
| a | Initiation fees and capital contributions included on Part VIII, line 12. | 10a | |
| b | Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities. | 10b | |
| 11 | Section 501(c)(12) organizations. Enter | | |
| a | Gross income from members or shareholders. | 11a | |
| b | Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them). | 11b | |
| 12a | Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041? | 12a | No |
| b | If "Yes," enter the amount of tax-exempt interest received or accrued during the year. | 12b | |
| 13 | Section 501(c)(29) qualified nonprofit health insurance issuers. | | |
| a | Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state. | 13a | No |
| b | Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans. | 13b | |
| c | Enter the aggregate amount of reserves on hand. | 13c | |
| 14a | Did the organization receive any payments for indoor tanning services during the tax year? | 14a | No |
| b | If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O. | 14b | No |

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.
Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

| | | | |
|----|---|-----|-----|
| | | Yes | No |
| 1a | Enter the number of voting members of the governing body at the end of the tax year | | |
| 1a | 13 | | |
| b | Enter the number of voting members included in line 1a, above, who are independent | 1b | 8 |
| 2 | Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? | 2 | No |
| 3 | Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? | 3 | No |
| 4 | Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? | 4 | No |
| 5 | Did the organization become aware during the year of a significant diversion of the organization's assets? | 5 | No |
| 6 | Did the organization have members or stockholders? | 6 | Yes |
| 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 | Yes |
| 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 | No |
| 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 the Form 990 | | |
| 12a | Did the organization have a written conflict of interest policy? If "No," go to line 13 | 12a | Yes |
| b | Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? | 12b | Yes |
| c | Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done | 12c | Yes |
| 13 | Did the organization have a written whistleblower policy? | 13 | Yes |
| 14 | Did the organization have a written document retention and destruction policy? | 14 | Yes |
| 15 | Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? | | |
| a | The organization's CEO, Executive Director, or top management official | 15a | Yes |
| b | Other officers or key employees of the organization | 15b | Yes |
| | If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions) | | |
| 16a | Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? | 16a | Yes |
| b | If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? | 16b | Yes |

Section C. Disclosure

| | |
|----|---|
| 17 | List the States with which a copy of this Form 990 is required to be filed |
| 18 | Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request |
| 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. See Additional Data Table. |
| 20 | State the name, physical address, and telephone number of the person who possesses the books and records of the organization. Wendi Barber 640 Ulukahiki St Kailua, HI 96734 (808) 263-5500 |

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

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

Form **990** (2011)

Part VII

| | | | | |
|-----------|--|-----------|-----------|---------|
| 1b | Sub-Total | | | |
| c | Total from continuation sheets to Part VII, Section A | | | |
| d | Total (add lines 1b and 1c) | 1,140,986 | 7,026,008 | 956,082 |

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 107

| | | | | |
|----------|---|----------|-----|----|
| 3 | Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> | 3 | | No |
| 4 | For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i> | 4 | Yes | |
| 5 | Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i> | 5 | | No |

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

| (A) Name and business address | (B) Description of services | (C) Compensation |
|--|--------------------------------|---------------------|
| Tonldson Katz Fonseca Moore & Heatherngt 700 Bishop St 15th Fl Honolulu, HI 968134187 | Legal | 161,471 |
| Studer Group 913 Gulf Breeze Pky Ste 6 Gulf Breeze, FL 32561 | Consulting | 225,790 |
| Arthur Mori & Associates Inc 1314 S King St Ste 955 Honolulu, HI 96814 | Architect | 250,238 |
| Anesthesia Relief PO Box 647 Captain Cook, HI 967040647 | Anesthesia | 698,674 |
| Inpatient Medicine Services PO Box 22562 Honolulu, HI 968232562 | Inpatient MD | 779,313 |
| 2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization 5 | | |

Part VIII

Statement of Revenue

| | | | | (A) Total revenue | (B) Related or exempt function revenue | (C) Unrelated business revenue | (D) Revenue excluded from tax under sections 512, 513, or 514 | |
|---|--|--|---------------|----------------------|--|---|---|--|
| Contributions, gifts, grants and other similar amounts | 1a | Federated campaigns . . . | 1a | | | | | |
| | b | Membership dues | 1b | | | | | |
| | c | Fundraising events | 1c | | | | | |
| | d | Related organizations | 1d | | | | | |
| | e | Government grants (contributions) | 1e | | | | | |
| | f | All other contributions, gifts, grants, and similar amounts not included above | 1f | 1,260,432 | | | | |
| | g | Noncash contributions included in lines 1a-1f \$ _____ | | | | | | |
| | h | Total. Add lines 1a-1f | | | 1,260,432 | | | |
| Program Service Revenue | | | Business Code | | | | | |
| | 2a | Other Revenue | 900099 | 291,770 | 280,507 | 11,263 | | |
| | b | Child Care | 624410 | 527,421 | | 494,141 | 33,280 | |
| | c | Dietary | 900099 | 935,530 | | | 935,530 | |
| | d | Rental Income | 531190 | 2,777,471 | 2,777,471 | | | |
| | e | Patient Svcs | 623000 | 116,848,088 | 116,848,088 | | | |
| | f | All other program service revenue | | 177,188 | 67,120 | | 110,068 | |
| | g | Total. Add lines 2a-2f | | | 121,557,468 | | | |
| Other Revenue | 3 | Investment income (including dividends, interest and other similar amounts) | | | 1,848,187 | | 1,848,187 | |
| | 4 | Income from investment of tax-exempt bond proceeds . . | | 0 | | | | |
| | 5 | Royalties | | 0 | | | | |
| | 6a | (i) Real | | (ii) Personal | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | b | Less rental expenses | | | | | | |
| | c | Rental income or (loss) | | | | | | |
| | d | Net rental income or (loss) | | 0 | | | | |
| | 7a | (i) Securities | | (ii) Other | | | | |
| | | | | | | | | |
| | | | | 177,531 | | | | |
| | | | | -177,531 | | | | |
| | d | Net gain or (loss) | | -177,531 | | | -177,531 | |
| | 8a | Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 | | | | | | |
| | a | | | | | | | |
| | b | Less direct expenses | | | | | | |
| | c | Net income or (loss) from fundraising events . . | | 0 | | | | |
| | 9a | Gross income from gaming activities See Part IV, line 19 | | | | | | |
| | a | | | 44,160 | | | | |
| | b | Less direct expenses | | 44,845 | | | | |
| | c | Net income or (loss) from gaming activities . . | | -685 | | | -685 | |
| 10a | Gross sales of inventory, less returns and allowances | | | | | | | |
| a | | | 2,957,657 | | | | | |
| b | Less cost of goods sold | | 2,259,313 | | | | | |
| c | Net income or (loss) from sales of inventory . . | | 698,344 | 698,344 | | | | |
| Miscellaneous Revenue | | Business Code | | | | | | |
| 11a | Managed Care | 561000 | 49,200 | | 49,200 | | | |
| b | Energy Rebates | 900099 | 53,299 | 53,299 | | | | |
| c | CPC | 812930 | 91,075 | | 91,075 | | | |
| d | All other revenue | | | | | | | |
| e | Total. Add lines 11a-11d | | | 193,574 | | | | |
| 12 | Total revenue. See Instructions | | | 125,379,789 | 120,724,829 | 645,679 | 2,748,849 | |

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) but are not required to complete columns (B), (C), and (D)
Check if Schedule O contains a response to any question in this Part IX

| Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII. | | (A) Total expenses | (B) Program service expenses | (C) Management and general expenses | (D) Fundraising expenses |
|--|---|-----------------------|---------------------------------|--|-----------------------------|
| 1 | Grants and other assistance to governments and organizations in the United States See Part IV, line 21 | 0 | | | |
| 2 | Grants and other assistance to individuals in the United States See Part IV, line 22 | 0 | | | |
| 3 | Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16 | 0 | | | |
| 4 | Benefits paid to or for members | 0 | | | |
| 5 | Compensation of current officers, directors, trustees, and key employees | 234,836 | | 234,836 | |
| 6 | Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) | 0 | | | |
| 7 | Other salaries and wages | 53,110,969 | 49,317,499 | 3,590,349 | 203,121 |
| 8 | Pension plan contributions (include section 401(k) and section 403(b) employer contributions) | 1,563,361 | 1,436,007 | 119,935 | 7,419 |
| 9 | Other employee benefits | 7,662,012 | 6,703,170 | 934,233 | 24,609 |
| 10 | Payroll taxes | 3,980,573 | 3,703,597 | 263,114 | 13,862 |
| 11 | Fees for services (non-employees) | | | | |
| a | Management | 0 | | | |
| b | Legal | 230,716 | | 230,716 | |
| c | Accounting | 529,081 | | 529,081 | |
| d | Lobbying | 0 | | | |
| e | Professional fundraising See Part IV, line 17 | 0 | | | |
| f | Investment management fees | 0 | | | |
| g | Other | 5,129,555 | 4,069,732 | 1,058,466 | 1,357 |
| 12 | Advertising and promotion | 366,101 | | 366,101 | |
| 13 | Office expenses | 2,020,806 | 1,507,854 | 493,244 | 19,708 |
| 14 | Information technology | 3,098,653 | 3,021,207 | 73,724 | 3,722 |
| 15 | Royalties | 0 | | | |
| 16 | Occupancy | 3,824,643 | 3,812,664 | 11,979 | |
| 17 | Travel | 280,632 | 197,174 | 75,851 | 7,607 |
| 18 | Payments of travel or entertainment expenses for any federal, state, or local public officials | 0 | | | |
| 19 | Conferences, conventions, and meetings | 99,529 | 67,142 | 30,632 | 1,755 |
| 20 | Interest | 384,187 | 99,665 | 284,522 | |
| 21 | Payments to affiliates | 0 | | | |
| 22 | Depreciation, depletion, and amortization | 4,501,308 | 4,454,551 | 45,864 | 893 |
| 23 | Insurance | 575,030 | 575,030 | | |
| 24 | Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O) | | | | |
| a | Income Tax Expense | 76,204 | 50,495 | 25,709 | |
| b | Other | 690,399 | 415,839 | 274,425 | 135 |
| c | Rental/Lease Costs-Equip | 723,336 | 686,239 | 35,044 | 2,053 |
| d | Purchased Services | 8,023,394 | 5,289,429 | 2,692,629 | 41,336 |
| e | Pt Care Supplies | 18,212,001 | 18,212,001 | | |
| f | All other expenses | 0 | | | |
| 25 | Total functional expenses. Add lines 1 through 24f | 115,317,326 | 103,619,295 | 11,370,454 | 327,577 |
| 26 | Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation | | | | |

Part X

Balance Sheet

| | | | | | (A) | | (B) |
|-----------------------------|---|---|-----|-------------|-------------------|-----|-------------|
| | | | | | Beginning of year | | End of year |
| Assets | 1 | Cash—non-interest-bearing | | | 294,467 | 1 | 125,426 |
| | 2 | Savings and temporary cash investments | | | 64,370,129 | 2 | 49,581,951 |
| | 3 | Pledges and grants receivable, net | | | 350,742 | 3 | 462,765 |
| | 4 | Accounts receivable, net | | | 14,397,835 | 4 | 15,938,456 |
| | 5 | Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L | | | | 5 | 0 |
| | 6 | Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L | | | | 6 | 0 |
| | 7 | Notes and loans receivable, net | | | 162,392 | 7 | 154,961 |
| | 8 | Inventories for sale or use | | | 1,666,035 | 8 | 1,771,524 |
| | 9 | Prepaid expenses and deferred charges | | | 599,774 | 9 | 1,474,888 |
| | 10a | Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D | 10a | 135,326,055 | | | |
| | b | Less: accumulated depreciation | 10b | 79,756,516 | 44,537,593 | 10c | 55,569,539 |
| | 11 | Investments—publicly traded securities | | | 11,416,389 | 11 | 11,143,704 |
| | 12 | Investments—other securities. See Part IV, line 11 | | | | 12 | 0 |
| | 13 | Investments—program-related. See Part IV, line 11 | | | 1,034,500 | 13 | 1,146,375 |
| | 14 | Intangible assets | | | | 14 | 0 |
| | 15 | Other assets. See Part IV, line 11 | | | 777,891 | 15 | 1,646,261 |
| | 16 | Total assets. Add lines 1 through 15 (must equal line 34) | | | 139,607,747 | 16 | 139,015,850 |
| Liabilities | 17 | Accounts payable and accrued expenses | | | 7,196,838 | 17 | 9,281,004 |
| | 18 | Grants payable | | | | 18 | |
| | 19 | Deferred revenue | | | -74,369 | 19 | 156,597 |
| | 20 | Tax-exempt bond liabilities | | | | 20 | |
| | 21 | Escrow or custodial account liability. Complete Part IV of Schedule D | | | | 21 | |
| | 22 | 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 | | | 11,490,962 | 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 | | | 9,619,545 | 25 | 8,176,495 |
| | 26 | Total liabilities. Add lines 17 through 25 | | | 28,232,976 | 26 | 17,614,096 |
| Net Assets or Fund Balances | Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34. | | | | | | |
| | 27 | Unrestricted net assets | | | 106,398,134 | 27 | 115,980,015 |
| | 28 | Temporarily restricted net assets | | | 4,330,996 | 28 | 4,776,098 |
| | 29 | Permanently restricted net assets | | | 645,641 | 29 | 645,641 |
| | Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34. | | | | | | |
| | 30 | Capital stock or trust principal, or current funds | | | | 30 | |
| | 31 | Paid-in or capital surplus, or land, building or equipment fund | | | | 31 | |
| | 32 | Retained earnings, endowment, accumulated income, or other funds | | | | 32 | |
| | 33 | Total net assets or fund balances | | | 111,374,771 | 33 | 121,401,754 |
| | 34 | Total liabilities and net assets/fund balances | | | 139,607,747 | 34 | 139,015,850 |

Part XI Reconciliation of Net Assets

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

| | | | |
|----------|---|----------|-------------|
| 1 | Total revenue (must equal Part VIII, column (A), line 12) | 1 | 125,379,789 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 115,317,326 |
| 3 | Revenue less expenses Subtract line 2 from line 1 | 3 | 10,062,463 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) | 4 | 111,374,771 |
| 5 | Other changes in net assets or fund balances (explain in Schedule O) | 5 | -35,480 |
| 6 | Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B)) | 6 | 121,401,754 |

Part XII Financial Statements and Reporting

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

| | | Yes | No |
|-----------|--|-----|----|
| 1 | Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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? | | No |
| b | Were the organization's financial statements audited by an independent accountant? | Yes | |
| c | If "Yes," to 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 | Yes | |
| d | If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis | | |
| 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? | | No |
| b | If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits | | No |

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

| | |
|---|--|
| Name of the organization Castle Medical Center | Employer identification number 99-0107330 |
|---|--|

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 **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 Se**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 - Other

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 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 support? |
|---------------------------------------|-------------|---|---|----|--|----|---|----|-----------------------------|
| | | | Yes | No | Yes | No | Yes | No | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| Total | | | | | | | | | |

Part II

Support Schedule for Organizations Described in IRC 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) 2007 | (b) 2008 | (c) 2009 | (d) 2010 | (e) 2011 | (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) 2007 | (b) 2008 | (c) 2009 | (d) 2010 | (e) 2011 | (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 (Explain in Part IV) Do not include gain or loss from the sale of capital assets | | | | | | |
| 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 | | | | | | <input type="checkbox"/> |

| Section C. Computation of Public Support Percentage | | | |
|---|--|----|--|
| 14 | Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f)) | 14 | |
| 15 | Public Support Percentage for 2010 Schedule A, Part II, line 14 | 15 | |
| 16a | 33 1/3% support test—2011. 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—2010. If the organization did not check the 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—2011. 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—2010. 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 IIIPart III

Support Schedule for Organizations Described in IRC 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) 2007 | (b) 2008 | (c) 2009 | (d) 2010 | (e) 2011 | (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) 2007 | (b) 2008 | (c) 2009 | (d) 2010 | (e) 2011 | (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 2011 (line 8 column (f) divided by line 13 column (f)) | 15 | |
| 16 Public support percentage from 2010 Schedule A, Part III, line 15 | 16 | |

| Section D. Computation of Investment Income Percentage | | |
|--|----|--|
| 17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f)) | 17 | |
| 18 Investment income percentage from 2010 Schedule A, Part III, line 17 | 18 | |
| 19a 33 1/3% support tests—2011. 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—2010. 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.** Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

| |
|------------------------------|
| Facts And Circumstances Test |
| |

| |
|-------------|
| Explanation |
| |
| |
| |
| |

Additional Data

Software ID: 11000144

Software Version: 2011v1.2

EIN: 99-0107330

Name: Castle Medical Center

Form 990, Special Condition Description:

| |
|-------------------------------|
| Special Condition Description |
|-------------------------------|

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

| (A) Name and Title | (B) Average hours per week | (C) Position (check all that apply) | | | | | | (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 | | | |
| Helmuth Jones Director | 1 00 | X | | | | | | 0 | 350 | 0 |
| Scott Reiner V Chair/Asst Sec | 50 00 | X | | X | | | | 0 | 907,841 | 160,287 |
| Larry Dodds V Chair/Sec | 50 00 | X | | X | | | | 0 | 685,344 | 96,060 |
| Robert Carmen Chairman | 50 00 | X | | X | | | | 0 | 1,749,297 | 39,804 |
| Max Torkelsen Director | 1 00 | X | | | | | | 0 | 2,381 | 0 |
| Wes Rippey MD Director | 1 00 | X | | | | | | 0 | 98,503 | 0 |
| Al Reimche Director | 1 00 | X | | | | | | 0 | 1,637 | 0 |
| Meredith Jobe Esq Director | 1 00 | X | | | | | | 0 | 54,617 | 0 |
| Steven C Herber MD Director | 1 00 | X | | | | | | 0 | 219,911 | 41,678 |
| Ricardo Graham Director | 1 00 | X | | | | | | 0 | 2,652 | 0 |
| Christine E Friestad Esq Director | 1 00 | X | | | | | | 0 | 2,927 | 0 |
| Ruthita Fike Director | 1 00 | X | | | | | | 0 | 635 | 0 |
| Lynn Creitz Director | 1 00 | X | | | | | | 0 | 3,123 | 0 |
| Larry Caviness Director | 1 00 | X | | | | | | 0 | 2,666 | 0 |
| Robert Bradshaw DDS Director | 1 00 | X | | | | | | 0 | 4,652 | 0 |
| Larry Innocent Director | 1 00 | X | | | | | | 0 | 350 | 0 |
| Bill Wing Asst Sec | 50 00 | | | X | | | | 0 | 321,581 | 89,967 |
| Wendi Barber Treas/VP Finan | 50 00 | | | X | | | | 82,085 | 68,583 | 15,016 |
| Kathryn Raethel Pres/VP Pt Care | 50 00 | | | X | | | | 0 | 252,237 | 61,369 |
| Dale Northrop Treas/VP Fin | 50 00 | | | X | | | | 0 | 184,115 | 41,128 |
| Kevin Roberts President/CEO | 50 00 | | | X | | | | 0 | 512,841 | 92,795 |
| Rodney Wehtje Asst Treas | 50 00 | | | X | | | | 0 | 506,336 | 95,494 |
| Douglas Rebok Asst Sec | 50 00 | | | X | | | | 0 | 857,414 | 147,299 |
| Alan Cheung VP Medical Affairs | 12 00 | | | | X | | | 234,836 | 0 | 0 |
| Travis Clegg VP Operations | 50 00 | | | | X | | | 0 | 120,841 | 13,353 |

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

| (A) Name and Title | (B) Average hours per week | (C) Position (check all that apply) | | | | | | (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 | | | |
| John Monge VP Operations | 50 00 | | | | X | | | 0 | 465,174 | 24,495 |
| Michael Hopper RN | 40 00 | | | | | X | | 178,393 | 0 | 6,860 |
| Maria Holmes Dir Pharmacy | 40 00 | | | | | X | | 170,938 | 0 | 5,973 |
| Prudence Anich Nuclear Med Tech | 40 00 | | | | | X | | 161,638 | 0 | 8,154 |
| David Solomon Charge Nurse | 40 00 | | | | | X | | 160,659 | 0 | 8,298 |
| Susanne Terrac-Gee RN | 40 00 | | | | | X | | 152,437 | 0 | 8,052 |

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below.

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

| | |
|---|--|
| Name of the organization Castle Medical Center | Employer identification number 99-0107330 |
|---|--|

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

| | | |
|---|--|------|
| 1 | Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV | |
| 2 | Political expenditures | ▶ \$ |
| 3 | Volunteer hours | |

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

| | | |
|----|---|---|
| 1 | Enter the amount of any excise tax incurred by the organization under section 4955 | ▶ \$ |
| 2 | Enter the amount of any excise tax incurred by organization managers under section 4955 | ▶ \$ |
| 3 | If the organization incurred a section 4955 tax, did it file Form 4720 for this year? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| 4a | Was a correction made? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| b | If "Yes," describe in Part IV | |

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

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

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

Part II-A

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

- A

Check

☐

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

Check

☐

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

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

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

| Lobbying Expenditures During 4-Year Averaging Period | | | | | |
|--|----------|----------|----------|----------|-----------|
| Calendar year (or fiscal year beginning in) | (a) 2008 | (b) 2009 | (c) 2010 | (d) 2011 | (e) Total |
| 2a Lobbying non-taxable amount | | | | | |
| b Lobbying ceiling amount (150% of line 2a, column(e)) | | | | | |
| c Total lobbying expenditures | | | | | |
| d Grassroots non-taxable amount | | | | | |
| e Grassroots ceiling amount (150% of line 2d, column (e)) | | | | | |
| f Grassroots lobbying expenditures | | | | | |

Part II-B

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

| | | (a) | | (b) |
|----|--|-----|----|--------|
| | | Yes | No | Amount |
| 1 | During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of | | | |
| | a Volunteers? | | No | |
| | b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)? | | No | |
| | c Media advertisements? | | No | |
| | d Mailings to members, legislators, or the public? | | No | |
| | e Publications, or published or broadcast statements? | | No | |
| | f Grants to other organizations for lobbying purposes? | | No | |
| | g Direct contact with legislators, their staffs, government officials, or a legislative body? | | No | |
| | h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means? | | No | |
| | i Other activities? If "Yes," describe in Part IV | Yes | | 3,877 |
| | j Total lines 1c through 1i | | | 3,877 |
| 2a | Did the activities in line 1 cause the organization to be not described in section 501(c)(3)? | | No | |
| b | If "Yes," enter the amount of any tax incurred under section 4912 | | | |
| c | If "Yes," enter the amount of any tax incurred by organization managers under section 4912 | | | |
| d | If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year? | | No | |

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

| Identifier | Return Reference | Explanation |
|--------------------|---|--|
| Part II-B, Line 1i | Part II-B, Line 1i - Other Activities Description | Portion of industry association dues is allocated to lobbying activities |

SCHEDULE D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

Name of the organization
Castle Medical Center

Employer identification number
99-0107330

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? | |
| | <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| 6 | Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may 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 | |
| | <input type="checkbox"/> Yes <input type="checkbox"/> 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 pleasure) ☐ Preservation of an historically importantly land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

2 Complete lines 2a–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 |

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable 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 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, 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, 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 XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, 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 relating to these items

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

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

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

3 Using the organization’s 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
- d**

☐ Loan or exchange programs
- b**

☐ Scholarly research
- e**

☐ Other
- c**

☐ Preservation for future generations

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

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 XIV and complete the following table

| | Amount |
|-----------|--------|
| 1c | |
| 1d | |
| 1e | |
| 1f | |

2a Did the organization include an amount on Form 990, Part X, line 21?

☐ **Yes**

☐ **No**


b If "Yes," explain the arrangement in Part XIV


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


| | (a)Current Year | (b)Prior Year | (c)Two Years Back | (d)Three Years Back | (e)Four Years Back |
|---|-----------------|---------------|-------------------|---------------------|--------------------|
| 1a Beginning of year balance | 645,641 | 644,572 | 279,711 | | |
| b Contributions | | | | | |
| c Investment earnings or losses | | 1,069 | 364,861 | | |
| d Grants or scholarships | | | | | |
| e Other expenditures for facilities and programs | | | | | |
| f Administrative expenses | | | | | |
| g End of year balance | 645,641 | 645,641 | 644,572 | | |

2 Provide the estimated percentage of the year end balance held as

- a**

Board designated or quasi-endowment 
- b**

Permanent endowment  100 000 %
- c**


Term endowment 

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

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

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

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

| Description of property | (a) Cost or other basis (investment) | (b)Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--|--------------------------------------|--------------------------------|------------------------------|----------------|
| 1a Land | | 8,590,750 | | 8,590,750 |
| b Buildings | 1,001,463 | 88,854,756 | 53,132,867 | 36,723,352 |
| c Leasehold improvements | | 96,435 | 92,883 | 3,552 |
| d Equipment | | 31,010,371 | 23,499,412 | 7,510,959 |
| e Other | | 5,772,280 | 3,031,354 | 2,740,926 |
| Total. Add lines 1a-1e <i>(Column (d) should equal Form 990, Part X, column (B), line 10(c).)</i>  | | | | 55,569,539 |

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

| | | | |
|----|---|----|--|
| 1 | Total revenue (Form 990, Part VIII, column (A), line 12) | 1 | |
| 2 | Total expenses (Form 990, Part IX, column (A), line 25) | 2 | |
| 3 | Excess or (deficit) for the year Subtract line 2 from line 1 | 3 | |
| 4 | Net unrealized gains (losses) on investments | 4 | |
| 5 | Donated services and use of facilities | 5 | |
| 6 | Investment expenses | 6 | |
| 7 | Prior period adjustments | 7 | |
| 8 | Other (Describe in Part XIV) | 8 | |
| 9 | Total adjustments (net) Add lines 4 - 8 | 9 | |
| 10 | Excess or (deficit) for the year per financial statements Combine lines 3 and 9 | 10 | |

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

| | | | |
|---|--|----|--|
| 1 | Total revenue, gains, and other support per audited financial statements | 1 | |
| 2 | Amounts included on line 1 but not on Form 990, Part VIII, line 12 | | |
| a | Net unrealized gains on investments | 2a | |
| b | Donated services and use of facilities | 2b | |
| c | Recoveries of prior year grants | 2c | |
| d | Other (Describe in Part XIV) | 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 XIV) | 4b | |
| c | Add lines 4a and 4b | 4c | |
| 5 | Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12) | 5 | |

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

| | | | |
|---|---|----|--|
| 1 | Total expenses and losses per audited financial statements | 1 | |
| 2 | Amounts included on line 1 but not on Form 990, Part IX, line 25 | | |
| a | Donated services and use of facilities | 2a | |
| b | Prior year adjustments | 2b | |
| c | Other losses | 2c | |
| d | Other (Describe in Part XIV) | 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 XIV) | 4b | |
| c | Add lines 4a and 4b | 4c | |
| 5 | Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18) | 5 | |

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

| Identifier | Return Reference | Explanation |
|----------------|--|--|
| Part V, Line 4 | Part V, Line 4 Intended uses of the endowment fund | Board-designated, temporary and permanently restricted endowment funds are for specified operating and capital projects. The funds are released as project costs are expended. |

Open to Public Inspection

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

| | |
|---|---|
| Name of the organization Castle Medical Center | Employer identification number 99-0107330 |
|---|---|

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

- 1** Indicate whether the organization raised funds through any of the following activities. Check all that apply.

| | |
|--|---|
| a <input checked="" type="checkbox"/> Mail solicitations | e <input type="checkbox"/> Solicitation of non-government grants |
| b <input type="checkbox"/> Internet and e-mail solicitations | f <input type="checkbox"/> Solicitation of government grants |
| c <input type="checkbox"/> Phone solicitations | g <input checked="" type="checkbox"/> Special fundraising events |
| d <input checked="" type="checkbox"/> In-person solicitations | |

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☐ Yes ☒ No

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization. Form 990-EZ filers are not required to complete this table.

| (i) Name and address of individual or entity (fundraiser) | (ii) Activity | (iii) Did fundraiser have custody or control of contributions? | | (iv) Gross receipts from activity | (v) Amount paid to (or retained by) fundraiser listed in col (i) | (vi) Amount paid to (or retained by) organization |
|---|---------------|--|----|-----------------------------------|--|---|
| | | Yes | No | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total | | | | | | |

- 3** List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing

Part II

Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than \$5,000.

| | | (a) Event #1 | (b) Event #2 | (c) Other Events | (d) Total Events |
|-----------------|----|--|--------------|------------------|-------------------------------|
| | | (event type) | (event type) | (total number) | (Add col (a) through col (c)) |
| Revenue | 1 | Gross receipts | | | |
| | 2 | Less Charitable contributions | | | |
| | 3 | Gross income (line 1 minus line 2) | | | |
| Direct Expenses | 4 | Cash prizes | | | |
| | 5 | Non-cash prizes | | | |
| | 6 | Rent/facility costs | | | |
| | 7 | Food and beverages | | | |
| | 8 | Entertainment | | | |
| | 9 | Other direct expenses | | | |
| | 10 | Direct expense summary Add lines 4 through 9 in column (d) ▶ | | | () |
| | 11 | Net income summary Combine lines 3 and 10 in column (d). ▶ | | | |

Part III

Gaming. Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

| | | (a) Bingo | (b) Pull tabs/Instant bingo/progressive bingo | (c) Other gaming | (d) Total gaming |
|---|---|---|---|---|-------------------------------|
| | | | | | (Add col (a) through col (c)) |
| Revenue | 1 | Gross revenue | | 44,160 | 44,160 |
| | 2 | Cash prizes | | | |
| Direct Expenses | 3 | Non-cash prizes | | | |
| | 4 | Rent/facility costs | | | |
| | 5 | Other direct expenses | | 44,845 | 44,845 |
| | 6 | Volunteer labor | | | |
| | | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| 7 Direct expense summary Add lines 2 through 5 in column (d) ▶ | | | | | (44,845) |
| 8 Net gaming income summary Combine lines 1 and 7 in column (d) ▶ | | | | | -685 |

9 Enter the state(s) in which the organization operates gaming activities

a Is the organization licensed to operate gaming activities in each of these states?

☒ Yes ☐ No

b If "No," Explain

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year?

b If "Yes," Explain

- 11

Does the organization operate gaming activities with nonmembers?

☐ Yes

☒ No
- 12

Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming?

☐ Yes

☒ No

| | | | |
|----|--|-----|-----------|
| 13 | Indicate the percentage of gaming activity operated in | | |
| a | The organization's facility | 13a | |
| b | An outside facility | 13b | 100 000 % |

- 14

Provide the name and address of the person who prepares the organization's gaming/special events books and records

Name

Address

- 15a

Does the organization have a contract with a third party from whom the organization receives gaming revenue?

☐ Yes

☒ No
- b

If "Yes," enter the amount of gaming revenue received by the organization \$ and the amount of gaming revenue retained by the third party \$
- c

If "Yes," enter name and address

Name

Address

16

Gaming manager information

Name

Gaming manager compensation \$

Description of services provided

☐ Director/officer

☐ Employee

☐ Independent contractor

- 17

Mandatory distributions
- a

Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license?

☐ Yes

☒ No
- b

Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year \$

Part IV

Complete this part to provide additional information for responses to question on Schedule G (see instructions.)

| | | |
|------------|-----------------|-------------|
| Identifier | ReturnReference | Explanation |
|------------|-----------------|-------------|

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Castle Medical Center

Employer identification number
99-0107330

Part I

Charity Care and Certain Other Community Benefits at Cost

| | | | | |
|----|---|-----|-----|----|
| | | Yes | No | |
| 1a | Did the organization have a charity care policy? If "No," skip to question 6a | 1a | Yes | |
| b | If "Yes," is it a written policy? | 1b | Yes | |
| 2 | If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> | | | |
| 3 | Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%<input type="checkbox"/> 150%<input checked="" type="checkbox"/> 200%<input type="checkbox"/> Other _____%</div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input type="checkbox"/> 200%<input type="checkbox"/> 250%<input type="checkbox"/> 300%<input type="checkbox"/> 350%<input checked="" type="checkbox"/> 400%<input type="checkbox"/> Other _____%</div> c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care | 3a | Yes | |
| 4 | Did the organization's policy provide 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 | | No |
| b | If "Yes," did the organization's charity care 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 | | No |
| 6a | Did the organization prepare a community benefit report during the tax year? | 6a | Yes | |
| 6b | 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

Charity Care and Certain Other Community Benefits at Cost

| Charity Care 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 Charity care at cost (from Worksheet 1) | | | 546,052 | 11,772 | 534,280 | 0 460 % |
| b Medicaid (from Worksheet 3, column a) | | | 20,896,322 | 11,600,239 | 9,296,083 | 8 060 % |
| c Costs of other means-tested government programs (from Worksheet 3, column b) | | | | | | |
| d Total Charity Care and Means-Tested Government Programs | | | 21,442,374 | 11,612,011 | 9,830,363 | 8 520 % |
| Other Benefits | | | | | | |
| e Community health improvement services and community benefit operations (from Worksheet 4) | | | 472,635 | 160,288 | 312,347 | 0 270 % |
| f Health professions education (from Worksheet 5) | | | 309,457 | 14,908 | 294,549 | 0 260 % |
| g Subsidized health services (from Worksheet 6) | | | 3,957,856 | 3,485,393 | 472,463 | 0 410 % |
| h Research (from Worksheet 7) | | | | | | |
| i Cash and in-kind contributions for community benefit (from Worksheet 8) | | | 100,944 | | 100,944 | 0 090 % |
| j Total Other Benefits | | | 4,840,892 | 3,660,589 | 1,180,303 | 1 030 % |
| k Total. Add lines 7d and 7j | | | 26,283,266 | 15,272,600 | 11,010,666 | 9 550 % |

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

| | (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 |
|--|---|-------------------------------|--------------------------------------|-------------------------------|------------------------------------|------------------------------|
| 1Physical improvements and housing | | | | | | |
| 2Economic development | | | | | | |
| 3Community support | | | 179,606 | | 179,606 | 0 160 % |
| 4Environmental improvements | | | | | | |
| 5Leadership development and training for community members | | | | | | |
| 6Coalition building | | | | | | |
| 7Community health improvement advocacy | | | 42,695 | | 42,695 | 0 040 % |
| 8Workforce development | | | | | | |
| 9Other | | | | | | |
| 10Total | | | 222,301 | | 222,301 | 0 200 % |

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

| | | Yes | No |
|---|--|------------|----|
| 1 | Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15? | 1Yes | |
| 2 | Enter the amount of the organization's bad debt expense | 21,037,601 | |
| 3 | Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy | 3249,024 | |
| 4 | Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit. | | |

Section B. Medicare

| | | | |
|---|---|-------------|--|
| 5 | Enter total revenue received from Medicare (including DSH and IME) | 531,424,491 | |
| 6 | Enter Medicare allowable costs of care relating to payments on line 5 | 627,005,991 | |
| 7 | Subtract line 6 from line 5. This is the surplus or (shortfall) | 74,418,500 | |
| 8 | Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other | | |

Section C. Collection Practices

| | | | |
|----|--|-------|--|
| 9a | Did the organization have a written debt collection policy during the tax year? | 9aYes | |
| 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. | 9bYes | |

Part IVManagement Companies and Joint Ventures (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 % |
|----------------------------|---|--|---|---|
| 1Castle Ambulatory Surgery | Outpatient surgery center | 56.094 % | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |
| 9 | | | | |
| 10 | | | | |
| 11 | | | | |
| 12 | | | | |
| 13 | | | | |

Section A. Hospital Facilities

How many hospital facilities did the organization operate during the tax year? 1

Name and address

[illegible]

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

Castle Medical Center

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A):1

| | Yes | No |
|--|-----|-----|
| Community Health Needs Assessment (Lines 1 through 7 are optional for 2011) | | |
| 1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI) | 1 | No |
| 2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____ | | |
| 3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? 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 | |
| 4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI | 4 | |
| 5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI) | 5 | |
| 6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI) | | |
| 7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs | 7 | |
| Financial Assistance Policy | | |
| Did the hospital facility have in place during the tax year a written financial assistance policy that | | |
| 8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care? | 8 | Yes |
| 9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>250 0000</u> % If "No," explain in Part VI the criteria the hospital facility used | 9 | Yes |

Part V

Facility Information (continued)

| | | Yes | No | |
|----|--|-----|-----|--|
| 10 | Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 0000</u> % If "No," explain in Part VI the criteria the hospital facility used | 10 | Yes | |
| 11 | Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI) | 11 | Yes | |
| 12 | Explained the method for applying for financial assistance? | 12 | Yes | |
| 13 | Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input checked="" type="checkbox"/> The policy was attached to all billing invoices c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI) | 13 | Yes | |

Billing and Collections

| | | | | |
|----|---|----|-----|----|
| 14 | 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? | 14 | Yes | |
| 15 | Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI) | | | |
| 16 | Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI) | 16 | | No |
| 17 | Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI) | | | |

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

| | | | |
|----|--|-----|----|
| | | Yes | No |
| 18 | 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 | Yes | |
| a | <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions | | |
| b | <input type="checkbox"/> The hospital facility's policy was not in writing | | |
| c | <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI) | | |
| d | <input type="checkbox"/> Other (describe in Part VI) | | |

Individuals Eligible for Financial Assistance

| | | | |
|----|--|----|----|
| 19 | 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 | <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged | | |
| b | <input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged | | |
| c | <input checked="" type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged | | |
| d | <input type="checkbox"/> Other (describe in Part VI) | | |
| 20 | Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and 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 | 20 | No |
| 21 | Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI | 21 | No |

Part V

Facility Information (continued)

Section C. Other 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 facilities did the organization operate during the tax year? 1

| Name and address | | Type of Facility (Describe) |
|------------------|--|-----------------------------|
| 1 | Castle Ambulatory Surgery Cent 642 Ulukahiki St Kailua, HI 96734 | Outpatient Surgery Center |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

| Identifier | ReturnReference | Explanation |
|------------|----------------------------------|---|
| | Part VI - Additional Information | Schedule H, Part V, Section B, Lines 1 through 7 is optional for the reporting organization as the tax year began prior to March 23, 2012, according to the instructions for Schedule H Lacerte software has not provided a tool for an organization to indicate that it is opting not to complete Part V, Section B In addition, the software has been programmed so that it populates responses when the organization chooses to provide no data inputs Part V, Section B should be blank as the reporting organization opts to not complete it |

| Identifier | ReturnReference | Explanation |
|------------|---|---|
| | Part VI - Affiliated Health Care System Roles and Promotion | The hospital is a member of Adventist Health, a health care system which provides healthcare services in diverse markets within the Western United States. A member hospital may share some services with other member hospitals in its geographic area, such as clinical, management and support services. Using today's technology, hospitals outside the geographic area are able to provide support through remote services such as telepharmacy and robotics surgery. The Corporate Office provides important shared administrative support for member hospitals' rural health clinics and home care agencies, quality of care, other clinical needs, financing and risk management, and shared clinical and financial information technology. As many experienced and new physicians search for alternatives to independent practice, there is also corporate administrative support for hospital affiliated medical groups that engage physicians through employment or other contracts. This provides stability and growth of qualified physicians across many specialties, which is very important to make healthcare services available and to maintain and improve health within the communities served by all member hospitals. |

| Identifier | ReturnReference | Explanation |
|------------|---|--|
| | Part VI - Community Building Activities | Our hospital is involved in numerous community building activities which promote the health of the communities we serve. Numerous community concerns are addressed, including health improvement, education, poverty, workforce development and access to care. We also encourage our employees to serve on community collaboration boards, health advocacy programs, and physical improvement projects to promote the health of the communities we serve. And, we work with neighborhood programs, including schools, work sites and safety net providers to promote health and wellness and prevent disease. These activities are not included elsewhere on Schedule H. In order to promote the health of the community we serve, our hospital participates in extensive community building activities which are not a part of Part I Charity Care and Other Community Benefits, and are not included elsewhere on Schedule H. These activities include: 1. Physical improvements and housing; support community organizations helping families in need; 2. Economic development; creating employment opportunities; 3. Community support; participation in public health activities; 4. Environmental improvements; pursuing initiative and processes that protect and preserve the environment; 5. Leadership development and training for community members; providing medical interpretation skills training for area residents; 6. Coalition building; participation in community coalitions aimed at addressing health and safety issues; 7. Workforce development; collaboration with educational institutions to train and recruit health professionals needed in our community. |

| Identifier | ReturnReference | Explanation |
|------------|---------------------------------|--|
| | Part VI - Community Information | The hospital is located in Kailua, approximately 12 miles from Honolulu. Kailua is a typical suburb that was spawned by post-war development and improved highways that enabled thousands to commute to work. The hospital's primary service area is the windward side of Oahu, home to approximately 12% of Hawaii's population. The population includes a mix of ethnicities (Caucasian, Asian, Native Hawaiian and Pacific Islander), none of which constitutes a majority. Residents include foreign-born and households where English is not the primary language spoken. 7% of residents live at or below the FPG. Although the median age is 35 years, approximately 12 % of the population is over 65. |

| Identifier | ReturnReference | Explanation |
|------------|---|---|
| | Part VI - Patient Education of Eligibility for Assistance | At the time of registration, patients who are uninsured and underinsured are provided information about government healthcare programs. Patients also are orally informed of their right to request charity assistance. Signs are displayed in the patient business office, patient registration areas and the emergency room in multiple languages informing patients of this right as well. The hospital also provides a brochure during the registration process that explains the hospital billing and collection procedures, and how to request financial assistance. In addition, every billing statement sent to patients contains information on how to request financial assistance. The hospital charity assistance policy is posted on the hospital website. |

| Identifier | ReturnReference | Explanation |
|------------|----------------------------|--|
| | Part VI - Needs Assessment | The health system retains outside research firms every few years to assess changes in the market and community perception. Data is collected through a variety of vehicles, including phone surveys, paper surveys, and focus groups. Questions are added to the survey to help assess the impact of our community benefit activities and residents' barriers to access for health care services as well as unmet community needs. |

| Identifier | ReturnReference | Explanation |
|---------------------------------|---|--|
| Number of Hospital Facility - 0 | Part V, Line 19d - Other Billing Determination of Individuals Without Insurance | The hospital's financial assistance policy has three income ranges for patients who received emergency medical care, which provides a discount based on Medicare rates. There are also three income ranges for patients who received non-emergency medical care, the two lower income ranges provide a discount based on Medicare rates. The higher income range provides a discount from the balance due after the uninsured discount, that is available to all uninsured patients without regard to income. Only five of the six income ranges are discounted based on Medicare rates. |

| Identifier | ReturnReference | Explanation |
|------------|---|---|
| | Part III, Line 9b - Provisions On Collection Practices For Qualified Patients | When a patient has requested screening for charity care, the hospital must immediately cease collection activity and place the account in a charity pending status. If 100% charity is approved, the entire account balance is written off to charity care. If the patient has a sliding scale liability based on the federal poverty guidelines, they are billed only for that liability. If the patient fails to pay their after-charity liability, they are assigned to a collection agency with an identifier that indicates to the agency that the patient is "low income" and the following criteria must be followed by the agency: 1. They may not report the patient to a credit bureau. 2. They may not file a lawsuit to recover the outstanding liability. 3. They may not charge interest. |

| Identifier | ReturnReference | Explanation |
|------------|--|---|
| | Part III, Line 8 - Explanation Of Shortfall As Community Benefit | <p>The Medicare cost report apportions the hospitals costs on the basis of inpatient days and ancillary and outpatient charges to establish the costing methodology Healthcare delivery by hospitals is a complex, highly regulated business in the United States Healthcare unit cost inflation is driven by compliance with ever-expanding regulatory requirements, shortages of highly skilled labor and evolving medical and information technology The health care market basket is unrelated to that of the average individual consumer Since the 1997 Balanced Budget Act, Medicare annual payment updates have fallen behind actual healthcare cost inflation to the point that Medicare payments to many U S hospitals are well below the cost of providing care These unreimbursed costs are a community benefit for seniors and others in the community as these individuals are continuing to receive care without which many would become dependent on other governmental resources such as Medicaid The benefit to the community for healthier Medicare recipients is no different than those benefits the community realizes for uninsured and underinsured patients who are eligible for partial and full charity care Medicare is a safety net for seniors and others Without Medicare coverage, many individuals would undoubtedly qualify for charity care In addition to the mismatch between Medicare payment increases and healthcare cost inflation, the highly complex Medicare payment systems and formulas produce disparate payment levels from one hospital to another for the same service These disparate payment levels create disparate results within groups of hospitals The Medicare Cost Report revenue does not include the bad debt reimbursement The Cost Report revenue does include the patient co-pay and deductible amounts Adding the bad debt reimbursement would have duplicated the revenue already accounted for in the co-pay and deductible amounts</p> |

| Identifier | ReturnReference | Explanation |
|------------|-------------------------------------|--|
| | Part III, Line 4 - Bad Debt Expense | Uncollected patient accounts are analyzed using written patient financial services policies that apply standard procedures for all patient accounts. The result of the analysis is what is recognized as bad debt expense. For example, all self-pay patients receive a discount. If the discounted account is unpaid after collection efforts, the unpaid balance is classified as bad debt. The cost-to-charge ratio described for Part I, Line 7 is multiplied times the hospital's bad debt expense as reported in the system-wide combined audited financial statements. The resulting figure has been reported as bad debts at cost on Part III, Line 2. The portion of the bad debts attributed to charity care as reported on Part III, Line 3 was calculated by an independent third-party consulting firm. This is an estimate of additional charity care that would have been granted if patients had cooperated by furnishing family financial information. A statistically valid sampling of patient accounts written-off was evaluated. The evaluation used various factors to determine which patients would have been eligible for charity care. Had the hospital obtained sufficient information from all patients who qualified for financial assistance, these additional accounts would have been recorded as charity care instead of bad debt. The system-wide combined audited financial statements do not contain a footnote describing bad debt expense. |

| Identifier | ReturnReference | Explanation |
|------------|---|--|
| | Part I, Line 7 - Explanation of Costing Methodology | The costs were determined by using a cost-to-charge ratio. The cost-to-charge computation is based on hospital specific data included in the system-wide audited combined financial statements. The formula used for computation equals financial statement data as follows: (Total expenses - (Provision for bad debts + Other revenue + Interest income))/Gross patient charges. |

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
Castle Medical Center

Employer identification number
99-0107330

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. <div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div> | | |
| 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 the expenses described above? If "No," complete Part III to explain | 1b | |
| 2 | Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a? | 2 | |
| 3 | Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply. <div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div> | | |
| 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 | Yes |
| 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 Regs 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 | No |

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, columns (D) and (E) for that individual.

[illegible]

Part III **Supplemental Information**

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

| Identifier | Return Reference | Explanation |
|------------|------------------|-------------|
|------------|------------------|-------------|

Software ID: 11000144
Software Version: 2011v1.2
EIN: 99-0107330
Name: Castle Medical Center

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

| (A) Name | | (B) Breakdown of W-2 and/or 1099-MISC compensation | | | (C) Deferred compensation | (D) Nontaxable benefits | (E) Total of columns (B)(i)-(D) | (F) Compensation reported in prior Form 990 or Form 990-EZ |
|--------------------|-------------|--|-------------------------------------|--------------------------|---------------------------|-------------------------|---------------------------------|--|
| | | (i) Base Compensation | (ii) Bonus & incentive compensation | (iii) Other compensation | | | | |
| Alan Cheung | (i) (ii) | 175,924 | | 58,912 | | | 234,836 | |
| John Monge | (i) (ii) | 89,822 | 342,851 | 32,501 | 15,014 | 9,481 | 489,669 | 11,093 |
| Bill Wing | (i) (ii) | 305,801 | | 15,780 | 74,419 | 15,548 | 411,548 | |
| Wendi Barber | (i) (ii) | 67,723 64,108 | 10,974 | 3,388 4,475 | 4,142 | 3,452 7,422 | 89,679 76,005 | |
| Kathryn Raethel | (i) (ii) | 187,964 | 27,118 | 37,155 | 38,949 | 22,420 | 313,606 | 22,241 |
| Dale Northrop | (i) (ii) | 126,165 | 29,502 | 28,448 | 22,784 | 18,344 | 225,243 | 25,413 |
| Kevin Roberts | (i) (ii) | 340,675 | 74,482 | 97,684 | 76,432 | 16,363 | 605,636 | 58,469 |
| Rodney Wehtje | (i) (ii) | 340,430 | 78,784 | 87,122 | 78,557 | 16,937 | 601,830 | 52,751 |
| Scott Reiner | (i) (ii) | 577,345 | 149,092 | 181,404 | 138,780 | 21,507 | 1,068,128 | 119,583 |
| Douglas Rebok | (i) (ii) | 533,280 | 149,092 | 175,042 | 128,096 | 19,203 | 1,004,713 | 123,894 |
| Larry Dodds | (i) (ii) | 303,557 | 171,094 | 210,693 | 79,089 | 16,971 | 781,404 | 120,139 |
| Robert Carmen | (i) (ii) | 934,340 | 267,209 | 547,748 | 18,150 | 21,654 | 1,789,101 | 424,494 |
| Steven C Herber MD | (i) (ii) | 212,461 | | 7,450 | 27,400 | 14,278 | 261,589 | |
| Susanne Terrac-Gee | (i) (ii) | 145,357 | 250 | 6,830 | 8,052 | | 160,489 | |
| David Solomon | (i) (ii) | 148,882 | 250 | 11,527 | 8,298 | | 168,957 | |
| Prudence Anich | (i) (ii) | 146,750 | 250 | 14,638 | 8,154 | | 169,792 | |
| Maria Holmes | (i) (ii) | 155,995 | 6,184 | 8,759 | 5,973 | | 176,911 | |
| Michael Hopper | (i) (ii) | 163,349 | 250 | 14,794 | 6,860 | | 185,253 | |

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Castle Medical Center

Employer identification number
99-0107330

Part I

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

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

| 1 | (a) Name of disqualified person | (b) Description of transaction | (c) Corrected? | |
|---|---------------------------------|--------------------------------|----------------|----|
| | | | Yes | No |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 ▶ \$

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

Part II

Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

| (a) Name of interested person and purpose | (b) Loan to or from the organization? | | (c)Original principal amount | (d)Balance due | (e) In default? | | (f) Approved by board or committee? | | (g)Written agreement? | |
|---|---------------------------------------|------|------------------------------|----------------|-----------------|----|-------------------------------------|----|-----------------------|----|
| | To | From | | | Yes | No | Yes | No | Yes | No |
| (1) Dale Northrop Relocation Assistance | | X | 100,000 | 67,100 | | No | Yes | | Yes | |
| (2) Kathryn Raethel Relocation Assistance | | X | 100,000 | 60,500 | | No | Yes | | Yes | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| Total ▶ \$ 127,600 | | | | | | | | | | |

Part III

Grants or Assistance Benefitting Interested Persons.

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

| (a) Name of interested person | (b)Relationship between interested person and the organization | (c)Amount of grant or type of assistance |
|-------------------------------|--|--|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Part IVBusiness Transactions Involving Interested Persons.

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

| (a) Name of interested person | (b) Relationship between interested person and the organization | (c) Amount of transaction | (d) Description of transaction | (e) Sharing of organization's revenues? | |
|-------------------------------|---|---------------------------|--------------------------------|---|----|
| | | | | Yes | No |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Part VSupplemental Information

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

| Identifier | Return Reference | Explanation |
|------------|------------------|-------------|
|------------|------------------|-------------|

2011

Open to Public Inspection

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

| | |
|---|--|
| Name of the organization Castle Medical Center | Employer identification number 99-0107330 |
|---|--|

| Identifier | Return Reference | Explanation |
|-----------------------------|--|--|
| | Part VI, Line 7a | The hospital bylaws define its board of directors to be the same individuals who are members of the Adventist Health SystemWest board of directors. Adventist Health SystemWest, a California not-for-profit religious corporation, is the sole corporate member of the hospital. |
| Form 990, Part VI, Line 19 | Form 990, Part VI, Line 19. Other Organization Documents Publicly Available | The hospital does not make its governing documents publicly available, beyond required filings of articles of incorporation with the secretary of state. The hospital does not make its conflict of interest policy publicly available. The hospital files annual summary financial reports with the state health-planning agency. |
| Form 990, Part VI, Line 15b | Form 990, Part VI, Line 15b. Compensation Review and Approval Process for Officers and Key Employees | The hospital board of directors has established a Compensation Committee to oversee the executive compensation program. This committee is composed of independent directors with no conflicts of interest. The committee performs the following functions: recommends a total compensation philosophy to the board, assures compliance with the board-approved philosophy, meets annually to review comparability data from outside consultants, recommends any adjustments to current executive compensation, including salary ranges for hospital CEOs and CFOs, that would be indicated by the data, evaluates executive performance against annual goals, recommends appropriate incentive awards to the board for approval, follows a diligent process that meets regulatory requirements for a rebuttable presumption of reasonableness, records committee deliberations and decisions in timely minutes, selects, engages and supervises any consultant hired to advise and provide comparability data. The board-approved executive compensation philosophy specifies that salary ranges will be established for hospital CEOs and executives, with midpoints aligned with the 50th percentile of comparable system hospital data, and having a 24 percent spread from minimum to maximum (industry norm is approximately a 50 percent spread). A hospital CEO has a maximum potential incentive of 30 percent of base salary. (This incentive potential is less than the industry norm.) Other hospital executives have a maximum potential incentive of 20 percent of base salary. |
| Form 990, Part VI, Line 12c | Form 990, Part VI, Line 12c. Explanation of Monitoring and Enforcement of Conflicts | During the first quarter of each year, the annual conflict of interest questionnaire is sent to board members, hospital officers, key employees, and department directors for completion and signature. The questionnaire is accompanied by a letter of explanation, to illustrate examples of a conflict and to remind the recipient that if any perceived conflict should arise before the next annual questionnaire, he/she is to notify the CEO immediately. The corporate internal audit staff reviews these questionnaires and disclosures each year during the audit process. |
| Form 990, Part VI, Line 11 | Form 990, Part VI, Line 11. Form 990 Review Process | The completed Form 990 is shared with members of the hospital's board of directors by electronic communication for their review prior to filing. A special board meeting is scheduled to answer questions and receive input from the board after their review but prior to filing. |
| Form 990, Part VI, Line 7b | Form 990, Part VI, Line 7b. Describe Decisions of Governing Body Approval by Members or Shareholders | The sole corporate member, Adventist Health SystemWest, must approve all changes to the articles of incorporation and bylaws. |
| Form 990, Part VI, Line 6 | Form 990, Part VI, Line 6. Explanation of Classes of Members or Shareholder | The hospital is organized as a not-for-profit religious corporation. The sole corporate member is Adventist Health SystemWest, a California not-for-profit religious corporation. The hospital operates as an affiliate of Adventist Health SystemWest. |

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Castle Medical Center

Employer identification number
99-0107330

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

| (a) Name, address, and EIN of disregarded entity | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Total income | (e) End-of-year assets | (f) Direct controlling entity |
|--|-------------------------|--|---------------------|---------------------------|----------------------------------|
| (1) Crestview Property LLC 640 Ulukahiki Street Kailua, HI 96734 05-0574476 | Real propety holding | HI | | | N/A |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

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 organization | |
|---|-------------------------|--|----------------------------|---|----------------------------------|---|----|
| | | | | | | Yes | No |
| See Additional Data Table | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

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 | |
| (1) Castle Ambulatory Surgery Center 640 Ulukahiki St Kailua, HI 96734 26-1390010 | OP Surg Cnt | HI | NA | Related | 232,751 | 1,198,462 | | No | | | No | 56.094 % |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |

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 |
|--|-------------------------------------|---|-------------------------------------|--|---------------------------------|--|--------------------------------|
| (1) South Coast Medical Center 2100 Douglas Blvd Roseville, CA 95661 95-2037297 | Wind down after sale of hospital | CA | N/A | C Corp | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

Part V

Transactions With Related Organizations

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

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

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 (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 Sale of assets to related organization(s)

g Purchase of assets from related organization(s)

h Exchange of assets with related organization(s)

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

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

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

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

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

n Sharing of paid employees with related organization(s)

o Reimbursement paid to related organization(s) for expenses

p Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

| 2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds | | | |
|---|------------------------------|------------------------|--|
| (a) Name of other organization | (b) Transaction type(a-r) | (c) Amount involved | (d) Method of determining amount involved |
| (1) | | | |
| (2) | | | |
| (3) | | | |
| (4) | | | |
| (5) | | | |
| (6) | | | |

Schedule R (Form 990) 2011

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

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

| Identifier | Return Reference | Explanation | |
|------------|------------------|-------------|--|
|------------|------------------|-------------|--|

Software ID: 11000144
Software Version: 2011v1.2
EIN: 99-0107330
Name: Castle Medical Center

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

| (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 501(c) (3)) | (f) Direct Controlling Entity | (g) Section 512 (b)(13) controlled organization | |
|---|---|--|----------------------------------|--|--|---|----|
| Reedley Community Hospital 372 W Cypress Ave Reedley, CA 95661 45-3220509 | Hospital | CA | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| Adventist Health Physicians Network 2100 Douglas Blvd Roseville, CA 95661 68-0357690 | Medical Foundation | CA | 501(c) (3) | 11 b, II | Adventist Health SystemWest | | No |
| WILLITS HOSPITAL INC 1 Madrone St Willits, CA 95490 68-0108919 | HOSPITAL | CA | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| WHITE MEMORIAL MEDICAL CENTER 1720 Cesar E Chavez Ave Los Angeles, CA 90033 95-2282647 | HOSPITAL | CA | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| WALLA WALLA GENERAL HOSPITAL 1025 S Second Ave Walla Walla, WA 99362 91-0617726 | HOSPITAL | WA | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| UKIAH ADVENTIST HOSPITAL 275 Hospital Dr Ukiah, CA 95482 94-1639901 | HOSPITAL | CA | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| SONORA COMMUNITY HOSPITAL 1000 Greenley Rd Sonora, CA 95370 94-1415069 | HOSPITAL | CA | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| SIMI VALLEY HOSPITAL & HEALTH CARE SERV 2975 N Sycamore Dr Simi Valley, CA 93065 95-6064971 | HOSPITAL | CA | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| SAN JOAQUIN COMMUNITY HOSPITAL 2615 Chester Ave Bakersfield, CA 93301 95-2294234 | HOSPITAL | CA | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| ST HELENA HOSPITAL 10 Woodland Rd St Helena, CA 94574 94-1279779 | HOSPITAL | CA | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| PORTLAND ADVENTIST MEDICAL CENTER 10123 SE Market St Portland, OR 97216 93-0429015 | HOSPITAL | OR | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| PARADISE VALLEY HOSPITAL 2100 Douglas Blvd Roseville, CA 95661 95-1816034 | WIND DOWN AFTER SALE OF HOSPITAL FACILITIES | CA | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| NORTHWEST MEDICAL FND OF TILLAMOOK 1000 Third St Tillamook, OR 97141 93-0622075 | HOSPITAL | OR | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| HANFORD COMMUNITY HOSPITAL 115 Mall Dr Hanford, CA 93230 94-0535360 | HOSPITAL | CA | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| GLENDAL E ADVENTIST MEDICAL CENTER 1509 Wilson Ter Glendale, CA 91206 95-1816017 | HOSPITAL | CA | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| FEATHER RIVER HOSPITAL 5974 Pentz Rd Paradise, CA 95969 94-1101228 | HOSPITAL | CA | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| CENTRAL VALLEY GENERAL HOSPITAL 1025 N Douty St Hanford, CA 93230 77-0324630 | HOSPITAL | CA | 501(c) (3) | 1 | Adventist Health SystemWest | | No |
| ADVENTIST HEALTH CLEARLAKE HOSPITAL INC 15630 18th Ave Clearlake, CA 95422 68-0395149 | HOSPITAL | CA | 501(c) (3) | 3 | Adventist Health SystemWest | | No |
| ADVENTIST HEALTH SYSTEMWEST 2100 Douglas Blvd Roseville, CA 95661 95-3484589 | SUPPORT/MANAGE SYSTEM-WIDE ACTIVITIES | CA | 501(c) (3) | 1 | NA | | No |



Combined Financial Statements

Adventist Health System/West

Year Ended December 31, 2011
with Report of Independent Auditors

Audited Combined Financial Statements

ADVENTIST HEALTH

December 31, 2011

Audited Combined Financial Statements

| | |
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Adventist Health
Roseville, California

We have audited the accompanying combined balance sheets of Adventist Health (the "System") as of December 31, 2011 and 2010, and the related combined statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the System's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Adventist Health at December 31, 2011 and 2010, and the combined results of its operations and changes in net assets, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

As discussed in Note P to the combined financial statements, the System changed the presentation and classification of the provision for bad debts on the combined statements of operations and changes in net assets as a result of the adoption of Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*.

Ernst & Young LLP

April 23, 2012

COMBINED BALANCE SHEETS
(In thousands of dollars)

ADVENTIST HEALTH

| | December 31 | |
|---|---------------------|---------------------|
| | 2011 | 2010 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 250,119 | \$ 227,514 |
| Marketable securities | 45,393 | 19,898 |
| Assets whose use is limited | | |
| Board-designated | 78 | 82 |
| Held by trustees | 22,472 | 21,079 |
| Donor-restricted | 56 | 56 |
| Patient accounts receivable, net of allowance for uncollectible accounts of approximately \$78,000 and \$73,000 at December 31, 2011 and 2010, respectively | 357,638 | 323,906 |
| Receivables from third-party payors | 7,957 | 33,026 |
| Other receivables | 27,280 | 39,388 |
| Inventories | 42,594 | 38,850 |
| Prepaid expenses and other current assets | 23,711 | 20,448 |
| TOTAL CURRENT ASSETS | 777,298 | 724,247 |
| OTHER ASSETS | | |
| Notes receivable | 16,658 | 20,169 |
| Marketable securities | 472,564 | 473,978 |
| Assets whose use is limited | | |
| Board-designated | 102,563 | 107,219 |
| Held by trustees | 231,242 | 144,992 |
| Donor-restricted | 20,429 | 19,225 |
| Long-term investments | 25,004 | 19,814 |
| Deferred financing costs | 7,373 | 7,464 |
| Other long-term assets | 38,905 | 20,508 |
| TOTAL OTHER ASSETS | 914,738 | 813,369 |
| PROPERTY AND EQUIPMENT, net | 1,397,999 | 1,324,761 |
| TOTAL ASSETS | <u>\$ 3,090,035</u> | <u>\$ 2,862,377</u> |

| | December 31 | |
|---|-------------------------|-------------------------|
| | 2011 | 2010 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 86,885 | \$ 90,008 |
| Accrued compensation and related payables | 146,738 | 136,869 |
| Accrued interest | 11,404 | 11,594 |
| Liabilities to third-party payors | 58,151 | 88,767 |
| Other current liabilities | 40,772 | 40,553 |
| Short-term financing | 152 | 4,576 |
| Current maturities of long-term debt | 25,622 | 21,189 |
| TOTAL CURRENT LIABILITIES | 369,724 | 393,556 |
| LONG-TERM DEBT, net of current maturities | 1,048,825 | 936,173 |
| OTHER NONCURRENT LIABILITIES | 292,078 | 266,484 |
| TOTAL LIABILITIES | 1,710,627 | 1,596,213 |
| NET ASSETS | | |
| Unrestricted | 1,322,034 | 1,212,589 |
| Temporarily restricted | 51,412 | 48,350 |
| Permanently restricted | 5,962 | 5,225 |
| TOTAL NET ASSETS | 1,379,408 | 1,266,164 |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 3,090,035</u> | <u>\$ 2,862,377</u> |

See notes to combined financial statements

COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(In thousands of dollars)

ADVENTIST HEALTH

| | Year Ended December 31 | |
|--|------------------------|------------------|
| | 2011 | 2010 |
| UNRESTRICTED REVENUES, GAINS, AND SUPPORT | | |
| Net patient service revenue | \$ 2,598,941 | \$ 2,497,128 |
| Less provision for bad debts | <u>113,865</u> | <u>95,761</u> |
| Net patient service revenue less provision for bad debts | 2,485,076 | 2,401,367 |
| Premium revenue | 22,779 | 24,497 |
| Other revenue | 138,695 | 129,580 |
| Net assets released from restrictions for operations | <u>6,759</u> | <u>7,503</u> |
| TOTAL UNRESTRICTED REVENUES, GAINS, AND SUPPORT | 2,653,309 | 2,562,947 |
| EXPENSES | | |
| Employee compensation | 1,365,001 | 1,254,195 |
| Professional fees | 233,288 | 200,608 |
| Supplies | 395,525 | 372,874 |
| Purchased services and other | 407,658 | 435,982 |
| Interest | 35,747 | 32,092 |
| Depreciation | <u>118,760</u> | <u>103,808</u> |
| TOTAL EXPENSES | <u>2,555,979</u> | <u>2,399,559</u> |
| EXCESS OF REVENUES OVER EXPENSES FROM CONTINUING OPERATIONS | \$ 97,330 | \$ 163,388 |

| | Year Ended December 31 | |
|--|------------------------|--------------|
| | 2011 | 2010 |
| UNRESTRICTED NET ASSETS | | |
| Excess of revenues over expenses from continuing operations (from page 4) | \$ 97,330 | \$ 163,388 |
| Change in net unrealized gains and losses on other-than-trading securities | 6,967 | 14,802 |
| Donated property and equipment | 688 | 461 |
| Net assets released from restrictions for capital additions | 6,069 | 7,703 |
| INCREASE IN UNRESTRICTED NET ASSETS BEFORE DISCONTINUED OPERATIONS | 111,054 | 186,354 |
| Net (loss) gain from discontinued operations | (1,609) | 3,701 |
| Loss on disposal | - | (790) |
| INCREASE IN UNRESTRICTED NET ASSETS | 109,445 | 189,265 |
| TEMPORARILY RESTRICTED NET ASSETS | | |
| Restricted gifts and grants | 15,770 | 14,304 |
| Net realized and unrealized gains on investments | 123 | 162 |
| Change in value of split-interest agreements | (3) | 145 |
| Net assets released from restrictions | (12,828) | (15,206) |
| INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS | 3,062 | (595) |
| PERMANENTLY RESTRICTED NET ASSETS | | |
| Restricted gifts and grants | 10 | 126 |
| Net realized and unrealized gains on investments | 727 | 55 |
| Other | - | (187) |
| INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS | 737 | (6) |
| INCREASE IN NET ASSETS | 113,244 | 188,664 |
| NET ASSETS, BEGINNING OF YEAR | 1,266,164 | 1,077,500 |
| NET ASSETS, END OF YEAR | \$ 1,379,408 | \$ 1,266,164 |

See notes to combined financial statements

COMBINED STATEMENTS OF CASH FLOWS
(In thousands of dollars)

ADVENTIST HEALTH

| | Year Ended December 31 | |
|---|------------------------|------------|
| | 2011 | 2010 |
| OPERATING ACTIVITIES | | |
| Change in net assets | \$ 113,244 | \$ 188,664 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities of continuing operations | | |
| Loss (gain) from discontinued operations and on disposal | 1,609 | (2,911) |
| Depreciation | 118,760 | 103,808 |
| Provision for bad debts | 113,865 | 95,761 |
| Provision for loss on notes receivable | 5,375 | 5,423 |
| Net gain on investments | (23,713) | (24,530) |
| Net loss on sale of property and equipment | 4,060 | 631 |
| Increase in net patient accounts receivable | (147,597) | (118,793) |
| Increase in other assets | (14,552) | (16,760) |
| Decrease in net liabilities to third-party payors | (5,569) | (27,658) |
| Increase (decrease) in other liabilities | 31,163 | (15,754) |
| Other | (402) | (3,851) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES OF CONTINUING OPERATIONS | 196,243 | 184,030 |
| INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (193,605) | (182,932) |
| Proceeds from sale of property and equipment | 313 | 59 |
| Issuance of notes receivable | (6,195) | (21,559) |
| Collections on notes receivable | 5,793 | 2,366 |
| Purchases of investments, net | (90,238) | (11,177) |
| NET CASH USED IN INVESTING ACTIVITIES OF CONTINUING OPERATIONS | (283,932) | (213,243) |
| FINANCING ACTIVITIES | | |
| Proceeds from issuance of short-term financing | 15,820 | 23,823 |
| Payments on short-term financing | (20,245) | (59,802) |
| Proceeds from issuance of long-term debt | 198,104 | 72,093 |
| Payments on long-term debt | (81,030) | (69,611) |
| Expenditures for deferred financing costs | (478) | - |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES OF CONTINUING OPERATIONS | 112,171 | (33,497) |
| CASH (USED IN) PROVIDED BY DISCONTINUED OPERATIONS | (1,877) | 45 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 22,605 | (62,665) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 227,514 | 290,179 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 250,119 | \$ 227,514 |

See notes to combined financial statements

NOTES TO COMBINED FINANCIAL STATEMENTS

(In thousands of dollars)

ADVENTIST HEALTH

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Principles of Combination – Adventist Health System/West (Adventist Health or the “System”) is a California not-for-profit religious corporation that controls and operates hospitals and other health care facilities in the Western United States. Many of the hospitals now controlled and operated by Adventist Health were formerly operated by various conferences of the Seventh-day Adventist Church (the “Church”). The obligations and liabilities of Adventist Health and its hospitals and other health care facilities are neither obligations nor liabilities of the Church or any of its other affiliated organizations.

The combined financial statements include the accounts of the following entities, which operate or previously operated under the business name of Adventist Health:

- Adventist Health (Corporate Office) - Roseville, California
- Adventist Health Physicians Network - Roseville, California
- Adventist Medical Center - Hanford, California
- Adventist Medical Center - Portland, Oregon
- Adventist Medical Center - Reedley, California
- Castle Medical Center - Kailua, Hawaii
- Central Valley General Hospital - Hanford, California
- Feather River Hospital - Paradise, California
- Glendale Adventist Medical Center - Glendale, California
- Howard Memorial Hospital - Willits, California
- Paradise Valley Hospital - Roseville, California
- St. Helena Hospital Clear Lake - Clearlake, California
- St. Helena Hospital Napa Valley - St. Helena, California
- San Joaquin Community Hospital - Bakersfield, California
- Simi Valley Hospital - Simi Valley, California
- Sonora Regional Medical Center - Sonora, California
- South Coast Medical Center - Roseville, California
- Southern California Medical Foundation - Roseville, California
- Tillamook County General Hospital - Tillamook, Oregon
- Ukiah Valley Medical Center - Ukiah, California
- Walla Walla General Hospital - Walla Walla, Washington
- Western Health Resources - Roseville, California
- White Memorial Medical Center - Los Angeles, California

The entities that are included in the combined financial statements are organized as not-for-profit corporations under the laws of the state in which they operate and most are tax-exempt organizations under §501(c)(3) of the Internal Revenue Code. The Board of Directors (the “Board”) of Adventist Health and/or Adventist Health management constitutes the membership and/or serves as the legal board of the individual hospital corporations. All material inter-company transactions have been eliminated in combination.

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents – Cash and cash equivalents consist primarily of unrestricted readily marketable securities with original maturities not in excess of three months when purchased and net deposits in demand accounts. Cash deposits are federally insured in limited amounts.

Inventories – Inventories are stated at the lower of cost or market as determined on a first-in, first-out basis.

Marketable Securities – Marketable securities, stated at fair market value, consist primarily of United States (US) government treasury and agency securities and corporate notes, which are readily marketable and are designated as other-than-trading. Investment income or loss (including interest, dividends, and realized gains and losses on investments) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses, calculated using the specific identification method, are excluded from the excess of revenues over expenses. Securities with remaining maturity dates of one year or less as of the balance sheet date are classified as current.

Assets Whose Use Is Limited – Certain System investments are limited as to use through Board resolution, provisions of contractual arrangements with third parties, terms of indentures, self-insurance trust arrangements, or donors who restrict the use of specific assets. The Board and certain hospital boards have resolved to fund the replacement and expansion of depreciable capital assets but may, at their discretion, use these funds for other purposes. Assets that are expected to be expended within one year are classified as current, including board-designated assets that are available and periodically borrowed for working capital needs.

Split-interest Agreements – The System is the trustee and beneficiary of various split-interest agreements. The carrying amounts of the System's split-interest assets are included with investments held by trustee and donor-restricted investments and include marketable securities and real estate. Trust assets are initially recognized at fair market value and subsequently reviewed for impairment on an annual basis. Assets under split-interest agreements were \$25,060 and \$24,083 at December 31, 2011 and 2010, respectively. Trust obligations are reported as liabilities at their discounted estimated present value using actuarially-determined life expectancy tables. Discount rates range between approximately 6% to 10%. Liabilities under split-interest agreements were \$7,721 and \$9,239 at December 31, 2011 and 2010, respectively.

Deferred Financing Costs – Direct financing costs are deferred and amortized over the life of the financings using the effective-interest method.

Property and Equipment – Property and equipment are reported on the basis of cost, except for donated items, which are recorded as an increase in unrestricted net assets based on fair market value at the date of the donation. During the period of construction, the System capitalizes expenditures that materially increase values, change capacities, extend useful lives, or interest costs net of earnings on invested bond proceeds.

Management periodically evaluates the carrying amounts of long-lived assets for possible impairment. The System estimates that it will recover the carrying value of its long-lived assets from future operations, however, considering the regulatory environment, competition, and other factors affecting the industry, there is at least a reasonable possibility this estimate might change in the near term. The effect of any change could be material.

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Depreciation is computed using the straight-line method over the expected useful lives of the assets, which range from three to 40 years. Amortization of equipment under capital leases is included in the provision for depreciation.

Bond Discounts/Premiums – Bonds payable are included in long-term debt, net of unamortized original issue discounts or premiums. Such discounts or premiums are amortized using a weighted-average method based on outstanding principal over the life of the bonds.

Other Noncurrent Liabilities – Other noncurrent liabilities are comprised primarily of accruals for workers' compensation claims, professional and general liability claims, deferred revenue, and long-term charitable gift annuity obligations.

Net Assets – All resources not restricted by donors are included in unrestricted net assets. Resources temporarily restricted by donors for specific operating purposes, or for a period of time greater than one year, are reported as temporarily restricted net assets. When the restrictions have been met, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of operations and changes in net assets under unrestricted revenues, gains, and support. Resources restricted by donors for additions to property and equipment are initially reported as temporarily restricted net assets and are transferred to unrestricted net assets when expended. Resources restricted by donors for nonexpendable endowments are reported as permanently restricted net assets. Investment income from restricted net assets is classified as either temporarily restricted or unrestricted based on the intent of the donor. Gifts of future interests are reported as temporarily restricted net assets. Gifts, grants, and bequests not restricted by donors are reported as other revenue.

Net Patient Service Revenue – Net patient service revenue is recognized when services are provided and reported at the estimated net realizable amounts from patients, third-party payors, and others, including estimated retroactive adjustments under reimbursement agreements with third-party payors and the provision for bad debts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered.

Charity Care – The System provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. In assessing a patient's ability to pay, the System uses federal poverty income levels and evaluates the relationship between the charges and the patient's income. The System did not materially change its charity care policy during 2011. The estimated cost of charity care was \$57,145 and \$49,744 in 2011 and 2010, respectively. The costs were determined by using a cost-to-charge ratio.

Premium Revenue – The System has agreements with various Health Maintenance Organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the System receives monthly capitation payments based on the number of each HMO's covered participants, regardless of the services actually performed by the System.

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Functional Expenses – Approximately 87% of total expenses reported in the accompanying combined financial statements relate to the provision of health care services in 2011 and 2010. The remaining expenses represent general and administrative support.

Advertising – The System expenses advertising costs as incurred. Advertising expense, included in purchased services and other expenses, was \$9,158 and \$9,436 in 2011 and 2010, respectively.

Excess of Revenues Over Expenses – The combined statements of operations and changes in net assets include excess of revenues over expenses from continuing operations as a performance indicator. Changes in unrestricted net assets that are excluded from excess of revenues over expenses from continuing operations include unrealized gains and losses on investments in other-than-trading securities, contributions of long-lived assets, use of restricted funds for capital additions, gains and losses from discontinued operations, and loss on disposal.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the combined financial statements and the accompanying notes. Actual results could differ from these estimates.

Reclassification – Certain 2010 amounts have been reclassified to conform to the 2011 presentation.

NOTE B – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all financial assets and liabilities approximates fair value except for self-insurance liabilities and long-term debt. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Other Noncurrent Liabilities – Self-insurance liabilities are based on actuarial estimates. It is not practical to estimate the fair value of the remaining liabilities due to the uncertainty of the timing of actual payments.

Long-term Debt – The fair value of the System's long-term debt, including current maturities, is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the System for debt of the same remaining maturities. The carrying amount and fair value of long-term debt at December 31, 2011, was \$1,074,447 and \$1,083,984, respectively. At December 31, 2010, the carrying amount and fair value of long-term debt was \$957,362 and \$916,175, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE B – FAIR VALUE OF FINANCIAL INSTRUMENTS – Continued

Financial Instruments – Fair value is the price that would be received upon sale of an asset in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset. The fair value should be calculated based on assumptions that market participants would use in pricing the asset, not on assumptions specific to the entity.

A fair value hierarchy for valuation inputs has been established to prioritize the valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels determined by the lowest level input considered significant to the fair value measurement in its entirety. These levels are defined as:

Level 1 – Quoted prices are available in active markets for identical assets as of the measurement date. Financial assets in Level 1 include US treasury securities, domestic and foreign equities, and exchange-traded mutual funds.

Level 2 – Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Financial assets in this category generally include government agencies and municipal bonds, asset-backed securities, and corporate bonds.

Level 3 – Pricing inputs are generally unobservable for the assets and include situations where there is little, if any, market activity for the investment. The System had no investments in this level at December 31, 2011 and 2010.

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE B – FAIR VALUE OF FINANCIAL INSTRUMENTS – Continued

The fair value of the System's financial assets, measured on a recurring basis at December 31, 2011, consists of the following

| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Observable Inputs (Level 2) | Fair Value at December 31 2011 |
|--------------------------------------|--|--|--------------------------------------|
| Cash and cash equivalents | \$ 354,386 | \$ - | \$ 354,386 |
| US government treasury obligations | 21,217 | - | 21,217 |
| US agency debentures | - | 93,719 | 93,719 |
| US agency mortgage-backed securities | - | 106,356 | 106,356 |
| Corporate debt securities | - | 404,498 | 404,498 |
| Municipal bonds | - | 74,332 | 74,332 |
| Equities | 60,423 | - | 60,423 |
| | <u>\$ 436,026</u> | <u>\$ 678,905</u> | <u>\$ 1,114,931</u> |

The fair value of the System's financial assets, measured on a recurring basis at December 31, 2010, consists of the following

| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Observable Inputs (Level 2) | Fair Value at December 31 2010 |
|--------------------------------------|--|--|--------------------------------------|
| Cash and cash equivalents | \$ 248,734 | \$ - | \$ 248,734 |
| US government treasury obligations | 22,485 | - | 22,485 |
| US agency debentures | - | 74,070 | 74,070 |
| US agency mortgage-backed securities | - | 120,082 | 120,082 |
| Corporate debt securities | - | 391,868 | 391,868 |
| Municipal bonds | - | 67,528 | 67,528 |
| Equities | 61,753 | - | 61,753 |
| | <u>\$ 332,972</u> | <u>\$ 653,548</u> | <u>\$ 986,520</u> |

There were no significant transfers to or from Levels 1 or 2 during the years presented

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE C – PATIENT ACCOUNTS RECEIVABLE

The System's primary concentration of credit risk is patient accounts receivable, which consists of amounts owed by various governmental agencies, insurance companies and self-pay patients. The System manages its receivables by regularly reviewing its patient accounts and contracts and by providing appropriate allowance for contractual reimbursement, policy discounts, charity, and uncollectible amounts. These allowances are estimated based upon an evaluation of governmental reimbursements, negotiated contracts, and historical payments. The System's allowance for uncollectible accounts for self-pay patients was 62% and 59% of self-pay accounts receivable at December 31, 2011 and 2010, respectively.

The following is a summary of significant concentrations of gross patient accounts receivable

| | December 31 | |
|--------------------------|-------------|-------------|
| | 2011 | 2010 |
| Medicare | 26% | 25% |
| Medicaid | 25 | 27 |
| Other third-party payors | 42 | 40 |
| Self-pay | 7 | 8 |
| | <u>100%</u> | <u>100%</u> |

NOTE D – ASSETS WHOSE USE IS LIMITED

The following is a summary of assets whose use is limited

| | December 31 | |
|--|-------------------|-------------------|
| | 2011 | 2010 |
| Assets designated by the Board, primarily for property and equipment | \$ 102,641 | \$ 107,301 |
| Less portion reported as current | <u>(78)</u> | <u>(82)</u> |
| | <u>\$ 102,563</u> | <u>\$ 107,219</u> |
| Investments held by trustees for | | |
| Debt service | \$ 70,233 | \$ 66,227 |
| Future capital projects | 90,249 | 13,067 |
| Self-insurance programs | 89,551 | 82,120 |
| Charitable annuities and other | <u>3,681</u> | <u>4,657</u> |
| Total investments held by trustees | 253,714 | 166,071 |
| Less portion reported as current | <u>(22,472)</u> | <u>(21,079)</u> |
| | <u>\$ 231,242</u> | <u>\$ 144,992</u> |
| Donor-restricted investments for | | |
| Charitable trusts and life estate tenancies | \$ 18,532 | \$ 17,427 |
| Other purposes | <u>1,953</u> | <u>1,854</u> |
| Total donor-restricted investments | 20,485 | 19,281 |
| Less portion reported as current | <u>(56)</u> | <u>(56)</u> |
| | <u>\$ 20,429</u> | <u>\$ 19,225</u> |

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE E – INVESTMENTS

The following is a summary of investments classified by major type, which are included in the balance sheet under marketable securities, assets whose use is limited, and investments

| | December 31 | |
|--|-------------------|-------------------|
| | 2011 | 2010 |
| Investments reported at fair value as determined by quoted market prices | | |
| Trustee-held cash and cash equivalents | \$ 104,267 | \$ 21,220 |
| US government treasury obligations | 21,217 | 22,485 |
| US agency debentures | 93,719 | 74,070 |
| US agency mortgage-backed securities | 106,356 | 120,082 |
| Corporate debt securities | 404,498 | 391,868 |
| Municipal bonds | 74,332 | 67,528 |
| Equities | 60,423 | 61,753 |
| | 864,812 | 759,006 |
| Commercial real estate | 30,078 | 28,188 |
| Other investments | 24,911 | 19,149 |
| | <u>\$ 919,801</u> | <u>\$ 806,343</u> |

Net realized investment income, including capital gains, interest, and dividend income, is reported as a component of other revenue and includes the following

| | Year Ended December 31 | |
|---|------------------------|------------------|
| | 2011 | 2010 |
| Investment earnings | | |
| Unrestricted and board-designated funds | \$ 25,784 | \$ 29,314 |
| Trustee-held funds | | |
| Bonds | 2,883 | 3,302 |
| Self-insurance programs | 6,368 | 1,672 |
| | <u>\$ 35,035</u> | <u>\$ 34,288</u> |

For purposes of performance evaluation, management considers investment earnings on bond and self-insurance trustee-held funds to be components of operating income. These earnings are used to pay the operating expenses of interest and insurance.

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE E – INVESTMENTS – Continued

Changes in net unrealized gains and losses on other-than-trading securities, reported at fair value, are separately disclosed in the combined statements of operations and changes in net assets. Unrealized gains and losses associated with these securities relate principally to market changes in interest rates for similar types of securities. Since the System has the intent and ability to hold these securities for the foreseeable future, and it is more likely than not that the System will not be required to sell the investments before their recovery, the declines are not reported as realized unless they are deemed to be other-than-temporary. In determining whether the losses are other-than-temporary, the System considers the length of time and extent to which the fair value has been less than cost or carrying value, the financial strength of the issuer, and the intent and ability of the System to retain the security for a period of time sufficient to allow for anticipated recovery or maturity.

NOTE F – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment

| | December 31 | |
|-------------------------------|---------------------|---------------------|
| | 2011 | 2010 |
| Land and improvements | \$ 130,454 | \$ 120,277 |
| Buildings and improvements | 1,610,421 | 1,502,275 |
| Equipment | 711,042 | 669,065 |
| | <u>2,451,917</u> | <u>2,291,617</u> |
| Less accumulated depreciation | <u>(1,173,248)</u> | <u>(1,078,153)</u> |
| | 1,278,669 | 1,213,464 |
| Construction in progress | <u>119,330</u> | <u>111,297</u> |
| | <u>\$ 1,397,999</u> | <u>\$ 1,324,761</u> |

The System has commitments to complete certain construction in progress projects in the amount of \$36.069 at December 31, 2011.

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE F – PROPERTY AND EQUIPMENT – Continued

The System is in the process of developing internal use software for clinical operations. Depreciation expense for the software totaled \$9,056 and \$8,275 in 2011 and 2010, respectively. Amounts capitalized are included in property and equipment as follows:

| | December 31 | |
|-------------------------------|------------------|------------------|
| | 2011 | 2010 |
| Equipment | \$ 112,847 | \$ 104,291 |
| Less accumulated depreciation | <u>(46,440)</u> | <u>(37,384)</u> |
| | 66,407 | 66,907 |
| Construction in progress | <u>15,658</u> | <u>8,430</u> |
| | <u>\$ 82,065</u> | <u>\$ 75,337</u> |

NOTE G – LONG-TERM DEBT

A Master Note under the Master Bond Indenture provides security for substantially all long-term debt. Under the terms of the Master Bond Indenture, substantially all System combined entities are jointly and severally obligated for the payments to be made under the Master Note. In addition, security is provided by a combination of bond insurance, funds held in trust of \$70,233, standby bond purchase agreements of \$58,327, and bank letters of credit aggregating to \$152,042 at December 31, 2011. Bonds are not secured by any property of the System.

The System is obligated under variable rate demand instruments, which are subject to certain market risks. The letters of credit, which the System intends to renew on a long-term basis, expire between 2013 and 2016 with the arrangements converting any unpaid amounts to term loans due between 2013 and 2016. The term loans would bear interest based on prime or the London Interbank Offered Rate (LIBOR). Long-term debt has been issued primarily on a tax-exempt basis.

Certain lenders impose limitations on the issuance of new debt by the System and require it to maintain specified financial ratios.

Interest paid, net of amounts capitalized, totaled \$35,938 and \$32,287 in 2011 and 2010, respectively. Interest capitalized totaled \$5,076 and \$9,686 in 2011 and 2010, respectively.

The System recorded operating lease expense amounting to \$44,441 and \$39,073 in 2011 and 2010, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE G – LONG-TERM DEBT – Continued

The following is a summary of long-term debt and capital lease obligations

| | December 31 | |
|---|---------------------|-------------------|
| | 2011 | 2010 |
| Long-term bonds payable, with fixed rates currently ranging from 4.50% to 5.75%, payable in installments through 2040 | \$ 639,675 | \$ 650,615 |
| Long-term bonds payable, with rates that vary with market conditions, payable in installments through 2041 | 337,500 | 208,900 |
| Long-term notes payable, with rates that vary with market conditions, payable in installments through 2025 | 92,318 | 91,042 |
| Net unamortized original issue premium | 3,549 | 4,085 |
| | 1,073,042 | 954,642 |
| Capital lease obligations | 1,405 | 2,720 |
| | 1,074,447 | 957,362 |
| Less current maturities | (25,622) | (21,189) |
| | <u>\$ 1,048,825</u> | <u>\$ 936,173</u> |

Scheduled maturities of long-term debt, capital lease obligations, and minimum lease payments on noncancelable operating leases with initial terms in excess of one year are as follows for the year ended December 31, 2011

| | Long-term Debt and Capital Leases | Operating Leases |
|------------|---|---------------------|
| 2012 | \$ 25,622 | \$ 25,965 |
| 2013 | 25,672 | 18,367 |
| 2014 | 33,901 | 12,730 |
| 2015 | 19,274 | 9,150 |
| 2016 | 40,566 | 5,792 |
| Thereafter | 925,863 | 18,289 |
| | <u>\$ 1,070,898</u> | <u>\$ 90,293</u> |

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE H – RESTRICTED NET ASSETS

Net assets are restricted for the following purposes

| | December 31 | |
|---|------------------|------------------|
| | 2011 | 2010 |
| Temporarily restricted | | |
| Equipment and buildings | \$ 31,528 | \$ 29,508 |
| Patient care, education, research, and other | 13,429 | 12,766 |
| Time-restricted trusts held for unrestricted purposes | 6,455 | 6,076 |
| | <u>\$ 51,412</u> | <u>\$ 48,350</u> |
| Permanently restricted - Endowments | <u>\$ 5,962</u> | <u>\$ 5,225</u> |

NOTE I – PATIENT SERVICE REVENUE

Patient service revenue after contractual allowances and discounts and before provisions for bad debts, by major payor sources, was as follows

| | Year Ended December 31 | |
|-----------------------------|------------------------|---------------------|
| | 2011 | 2010 |
| Medicare | \$ 820,907 | \$ 712,727 |
| Medicaid | 440,660 | 500,821 |
| Others | 1,337,374 | 1,283,580 |
| Net patient service revenue | <u>\$ 2,598,941</u> | <u>\$ 2,497,128</u> |

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, fee schedules, and per diem payments. The health care industry is subject to complex laws and regulations of federal, state and local governments. 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. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws and false claims prohibitions, and in the case of tax-exempt hospitals, the requirements of tax-exemption. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulations by health care providers. The System also operates a Compliance Program, which reviews compliance with government health care program requirements and investigates allegations of non-compliance received from internal and external sources. From time to time findings may result in repayment of monies previously received from government payers and/or commercial payers, payment of penalties, and/or disclosure of such overpayments, including, but not limited to, disclosure to Centers for Medicare and Medicaid Services and its contracted agents, or the Office of Inspector General -

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE I – PATIENT SERVICE REVENUE – Continued

Department of Health and Human Services As a result, there is at least a reasonable possibility that the recorded estimates may change by a material amount in the near term

Differences between original estimates and subsequent revisions, including final settlements, ongoing audits, and investigations, are recognized in the period in which the revisions are made Subsequent revisions compared favorably to original estimates by approximately \$45,187 and \$18,600 for the years ended December 31, 2011 and 2010, respectively

The System recorded revenue from state programs for serving a disproportionate share of Medicaid and low-income patients in the amount of \$37,471 and \$45,852 in 2011 and 2010, respectively

During 2011, the state of California enacted a six-month quality assurance fee program whereby participating hospitals would pay fees to the state to obtain Medi-Cal reimbursement matched by federal funds In December, 2011, the Centers for Medicare and Medicaid Services approved the fee program, which covered the period of January 1, 2011 through June 30, 2011 The fees paid to the state along with the federal matching funds are redistributed to California hospitals to fund certain Medi-Cal coverage expansions In 2011, the System recorded \$77,719 in patient service revenue and \$35,765 in other expenses related to this program with a net income effect of \$41,954 Of the total revenue recorded, \$68,178 had been received as of December 31, 2011, and the remaining \$9,541 is included in receivables from third-party payors Expenses consist of \$33,265 in quality assurance fees paid to the state and \$2,500 in payments to the California Health Foundation Trust for redistribution to hospitals that would otherwise incur a net loss from the program

In September 2011, a 30-month quality assurance fee program was established for the period from July 1, 2011 through December 31, 2013 This program has not received final approval and no amounts have been recorded in the accompanying financial statements

During 2010, the state enacted a 21-month quality assurance fee program that covered the period of April 1, 2009 through December 31, 2010 In 2010, the System recorded \$187,187 in patient service revenue and \$107,424 in other expenses related to this program with a net income effect of \$79,763 Of the total revenue recorded, \$155,113 had been received as of December 31, 2010, and the remaining \$32,074 was included in receivables from third-party payors Expenses consisted of \$98,566 in quality assurance fees paid to the state and \$8,858 in payments to the California Health Foundation Trust for redistribution to hospitals that would otherwise incur a net loss from the program In 2011 the System recorded another \$5,441 in patient service revenue related to this program for amounts that were not approved and known until 2011

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE J – RETIREMENT PLAN

Most of the System's operating entities participate in a single defined contribution plan (the "Plan"). The Plan is exempt from the Employee Retirement Income Security Act of 1974. The Plan provides, among other things, that the employer will contribute 3% of wages plus additional amounts for employees earning more than the Social Security wage base capped by the IRS compensation limit for the Plan year. Additionally, the Plan provides that the employer will match 50% of the employee's contributions up to 4% of the contributing employee's wages. Substantially all full-time employees who are at least 18 years of age are eligible for coverage in the Plan. The cost to the System for the Plan is reported in the combined statements of operations in the amount of \$33,773 and \$32,881 for the years ended December 31, 2011 and 2010, respectively.

NOTE K – SELF-INSURANCE LIABILITY PROGRAMS

The System has established a separate self-insured revocable trust (the "System Trust") that covers the System's facilities for professional and general liability claims up to \$7,500 per occurrence and \$20,000 in aggregate. The System contracts with Adhealth, Limited (Adhealth), a Bermuda company, to provide excess coverage for professional and general liability claims that exceed the self-insured revocable trust limits. Adhealth provided excess coverage with aggregate and per claim limits of \$107,500 for professional and general liability claims, and additional limits of \$25,000 for general liability claims for the years ended December 31, 2011 and 2010. Adhealth has purchased reinsurance through commercial insurers for 100% of the excess limits of coverage.

Claim liabilities (reserves) for future losses and related loss adjustment expenses for professional liability claims have been determined by an actuary at the present value of future claim payments using a 3% discount rate for program years 2011 and 2010. Such claim reserves are based on the best data available to the System, however, these estimates are subject to a significant degree of inherent variability. Accordingly, there is at least a reasonable possibility that a material change to the estimated reserves will occur in the near term. The System Trust's accrued liability for professional and general liability claims is included in the combined balance sheets in the amount of \$105,071 and \$91,612 at December 31, 2011 and 2010, respectively.

The System has a 50% ownership position in Adhealth at December 31, 2011 and 2010, and accounts for its investment using the equity method of accounting. The System provides funding to Adhealth based on Adhealth's cost of acquiring commercial insurance. The funding contributions are reflected as an expense in the combined statements of operations and changes in net assets.

The System maintains a self-insured workers' compensation plan to pay for the cost of workers' compensation claims. The System has entered into an excess insurance agreement with an insurance company to limit its losses on claims. The cost of workers' compensation claims is accrued using actuarially determined estimates that are based on historical factors. Such claim reserves are based on the best data available to the System, however, these estimates are subject to a significant degree of inherent variability. Accordingly, there is at least a reasonable possibility that a material change to the estimated reserves will occur in the near term.

Workers' compensation claim liabilities have been determined by an actuary at the present value of future claim payments using a 3% discount rate for 2011 and 2010. The System's accrued liability for workers' compensation claims is recorded in the combined balance sheets in the amount of \$64,481 and \$44,223 at December 31, 2011 and 2010, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE L – RELATED-PARTY TRANSACTIONS

The System had transactions with organizations that are considered related parties. The amounts receivable from related parties are reported in the accompanying combined financial statements as other receivables of \$1,229 and \$2,529 and notes receivable of \$12,857 and \$13,403 at December 31, 2011 and 2010, respectively.

NOTE M – COMMITMENTS AND CONTINGENCIES

Certain member organizations are involved in litigation arising in the ordinary course of business. In addition, the Department of Health and Human Services' Office of the Inspector General is investigating whether certain member organizations have submitted false claims to the Medicare and Medicaid programs or have violated other laws. Submission of false claims or violation of other laws can result in substantial civil and/or criminal penalties and fines, including treble damages and/or possible debarment from future participation in such programs. The System is cooperating in these investigations. Although management does not believe these matters will have a material adverse effect on the System's combined financial position, there can be no assurance that such will be the case.

A member organization received a subpoena on November 17, 2011 in relation to a hospital initiative that was implemented in 2009 with the goal of improving patient access to inpatient care. The scope of the information requested is very broad, and applies in some cases to documents from 2008 to present. The government has not asserted any specific claims and the System is cooperating with this investigation.

Adventist Health, Glendale Adventist Medical Center, Southern California Medical Foundation, and White Memorial Medical Center received a subpoena from the federal government on November 3, 2008 requesting documents and information pertaining to each entity's compliance with the federal Anti-kickback law and "Stark" law. The scope of the information request is very broad, and applies in some cases to documents from 1994 to the present. The government has not asserted any specific claims and the System is cooperating with this investigation.

The System extended lines of credit primarily to physicians totaling \$4,331 and \$3,855 at December 31, 2011 and 2010, respectively. There were \$414 and \$4,348 of purchase commitments at December 31, 2011 and 2010, respectively.

The System has assessed its earthquake retrofit requirements for health care facilities under a state of California law that requires compliance with certain seismic standards. The necessary improvements have been included in the System's capital planning process. Upon completion of the current construction projects in process, the System will have accomplished the major seismic-required capital projects identified.

NOTE N – FEMA FINANCIAL GRANTS

Several of the System's hospitals are located in areas of frequent earthquake activity and have sustained damage from earthquakes in the past. Three System hospitals received \$156,150 of grant funds from the Federal Emergency Management Agency (FEMA) for repair of damage and seismic structural upgrades and all of these funds were recorded in the accompanying financial statements in years prior to 2011. FEMA reserves

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE N – FEMA FINANCIAL GRANTS – Continued

the right to recover funds from the System for a period of eight years from completion of the final phase of construction if the facilities do not continue to be used by a tax-exempt organization for the provision of acute care patient services

FEMA grant funds received for capitalized expenditures are accounted for as an exchange transaction and are reported as deferred revenue. Deferred revenue of \$115,563 and \$121,455 at December 31, 2011 and 2010, respectively, is recorded as other noncurrent liabilities in the combined financial statements. After completion of a project, the related deferred revenue is amortized over the expected useful life of the asset and recorded as other revenue. Amortization of deferred revenue totaled \$5,892 and \$5,880 for the years ended December 31, 2011 and 2010, respectively.

NOTE O – DERIVATIVE FINANCIAL INSTRUMENTS

The System uses two variable-to-fixed interest rate swap agreements with a financial institution to manage interest rate risk on future variable interest payments. The agreements are based on notional principal amounts of \$20,000 and \$10,000 and commenced in August 2002 and expire in September 2012. Under the terms of the agreements, the System pays a fixed rate of 3.24% and receives a variable payment approximately equal to the interest rate on two of its long-term obligations. The interest rate differential was recognized as an increase to interest expense in the amount of \$927 and \$919 in 2011 and 2010, respectively. The aggregate fair market value of the swap, using Level 2 measurements, was a net payable of \$678 and \$1,510 at December 31, 2011 and 2010, respectively.

NOTE P – NEW ACCOUNTING PRONOUNCEMENTS

In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which amended Accounting Standards Codification (ASC) 954, *Health Care Entities*, to provide greater transparency regarding a health care entity's net patient service revenue and the related allowance for doubtful accounts. ASU 2011-07 requires certain health care entities to classify the provision for patient bad debts as a deduction from revenue rather than an expense, and requires enhanced disclosures about patient service revenues and the policies for recognizing revenue and assessing bad debts. The System retrospectively early adopted ASU 2011-07, effective June 30, 2011.

In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which amended ASC 820, *Fair Value Measurement* to change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Management is currently evaluating the potential impact of this guidance, which will be effective January 1, 2012, but does not expect it to have a material impact on the combined financial condition, results of operations, or cash flows.

NOTES TO COMBINED FINANCIAL STATEMENTS – Continued
(In thousands of dollars)

ADVENTIST HEALTH

NOTE P – NEW ACCOUNTING PRONOUNCEMENTS – Continued

In August 2010, the FASB issued ASU No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which amended ASC 954, *Health Care Entities*, to clarify that a health care entity should not net insurance recoveries against a related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The System adopted ASU 2010-24 on January 1, 2011, and its adoption had the effect of increasing Other Long-Term Assets and Other Noncurrent Liabilities by \$16,000 at December 31, 2011. Retrospective application is not required and was not applied to the comparative 2010 balance sheet.

In August 2010, the FASB issued ASU No. 2010-23, *Measuring Charity Care for Disclosures*, which amends ASC 954, *Health Care Entities*, to require that cost be used as a measurement for charity care disclosure purposes and that cost can be identified as the direct and indirect costs of providing the charity care. It also requires disclosure of the method used to identify or determine such costs. The System adopted ASU 2010-23 effective January 1, 2011.

In February 2010, the FASB issued ASU No. 2010-09, *Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements*, which amended ASC 855, *Subsequent Events*, requiring the evaluation of subsequent events through the date that the financial statements are issued. The System adopted ASU 2010-09 effective January 1, 2010, and the adoption of this guidance did not have a material impact on the System's combined financial statements.

In January 2010, the FASB issued ASU No. 2010-06, *Improving Disclosure About Fair Value Measurements*, which amended ASC 820, *Fair Value Measurement*. ASU 2010-06 requires new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in ASC Subtopic 820-10. The System adopted ASU 2010-06 effective January 1, 2010, and the adoption did not have a material impact on the combined financial statements.

NOTE Q – SUBSEQUENT EVENTS

On April 5, 2012, an industry-wide settlement agreement was finalized among the Department of Health and Human Services, the Centers for Medicare and Medicaid Services, and many providers including several System hospitals (the "Settlement"). The Settlement resulted in revised reimbursement due to a change in how Medicare's rural floor budget neutrality adjustment was calculated for federal fiscal years 1998 through 2011. As a result of this Settlement, the System recorded additional income of \$18,252 in 2011.

The System has evaluated subsequent events through the April 23, 2012 issuance date of the combined financial statements.