



**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Consolidated Financial Statements

Federal OMB Circular A-133 Reports

Year ended December 31, 2011

(With Independent Auditors' Reports Thereon)

# GROUP HEALTH COOPERATIVE AND SUBSIDIARIES

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**KPMG LLP**  
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## **Independent Auditor's Report**

The Board of Trustees  
Group Health Cooperative and Subsidiaries  
Seattle, Washington:

We have audited the accompanying consolidated balance sheets of Group Health Cooperative and Subsidiaries (the Group) as of December 31, 2011 and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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. An audit includes 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 Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2012 on our consideration of the Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**KPMG LLP**

April 13, 2012

**GROUP HEALTH COOPERATIVE  
AND SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 2011 and 2010

(In thousands)

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Current assets:		
Cash and cash equivalents	\$ 358,116	\$ 80,147
Short-term marketable securities	37,588	91,000
Accounts receivable – net	146,177	125,740
Inventories	23,720	23,063
Other	28,250	28,512
Total current assets	<u>593,851</u>	<u>348,462</u>
Long-term marketable securities	714,988	843,721
Funds held by trustee	8,848	8,848
Land, buildings, and equipment:		
Land	26,766	26,811
Buildings and improvements	585,664	579,977
Equipment	452,668	424,052
Construction in progress	21,835	3,896
Total land, buildings, and equipment	<u>1,086,933</u>	<u>1,034,736</u>
Less accumulated depreciation	<u>(666,845)</u>	<u>(613,708)</u>
Land, buildings, and equipment – net	420,088	421,028
Other assets	40,742	32,901
Total	<u><u>\$ 1,778,517</u></u>	<u><u>\$ 1,654,960</u></u>

**GROUP HEALTH COOPERATIVE  
AND SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 2011 and 2010

(In thousands)

<b>Liabilities and Net Assets</b>	<b>2011</b>	<b>2010</b>
Current liabilities:		
Accounts payable	\$ 256,096	\$ 78,290
External delivery services payable	254,058	231,667
Unearned premiums and deposits	61,104	51,818
Accrued employee compensation	53,117	56,353
Accrued taxes and interest	18,138	14,372
Short-term borrowings	8,998	40,977
Current portion of long-term debt	4,850	4,655
Current portion of reserve for self-insurance	16,369	17,335
Current portion of retiree medical benefits	4,240	4,635
Total current liabilities	676,970	500,102
Noncurrent liabilities:		
Long-term debt	139,903	144,748
Self-insurance	44,461	41,505
Retiree medical benefits	40,171	41,631
Pension	162,220	72,651
Other	31,076	34,935
Total noncurrent liabilities	417,831	335,470
Total liabilities	1,094,801	835,572
Commitments and contingencies (note 11)		
Net assets:		
Unrestricted	671,466	806,696
Temporarily restricted	4,173	5,026
Permanently restricted	8,077	7,666
Total net assets	683,716	819,388
Total	\$ 1,778,517	\$ 1,654,960

See accompanying notes to consolidated financial statements.

**GROUP HEALTH COOPERATIVE  
AND SUBSIDIARIES**

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2011 and 2010

(In thousands)

	<b>2011</b>	<b>2010</b>
Revenues:		
Premiums	\$ 3,156,389	\$ 2,883,510
Clinical services	234,648	223,456
Other	103,265	89,976
	<u>3,494,302</u>	<u>3,196,942</u>
Expenses:		
External delivery services	1,879,743	1,694,863
Employee compensation	624,280	590,959
Group Health Permanente expense	323,833	295,945
Medical and operating supplies	284,485	263,512
Other expenses	264,271	245,131
Services purchased	141,592	104,963
Depreciation	57,292	56,534
	<u>3,575,496</u>	<u>3,251,907</u>
Total operating expenses	<u>3,575,496</u>	<u>3,251,907</u>
Operating loss	<u>(81,194)</u>	<u>(54,965)</u>
Nonoperating income (expense):		
Investment income	73,806	50,154
Interest expense	2,032	(8,182)
	<u>75,838</u>	<u>41,972</u>
Total other income	<u>75,838</u>	<u>41,972</u>
Deficit of revenues over expenses	<u>(5,356)</u>	<u>(12,993)</u>
Change in net unrealized investment gains and losses	(41,195)	18,750
Change in defined benefit pension and other postretirement plans	(88,531)	(1,834)
Other	(148)	(184)
	<u>(135,230)</u>	<u>3,739</u>
Change in unrestricted net assets	<u>(135,230)</u>	<u>3,739</u>
Change in temporarily restricted net assets	(853)	799
Change in permanently restricted net assets	411	102
	<u>(135,672)</u>	<u>4,640</u>
Change in net assets	<u>(135,672)</u>	<u>4,640</u>
Net assets:		
Beginning of year	819,388	814,748
End of year	<u>\$ 683,716</u>	<u>\$ 819,388</u>

See accompanying notes to consolidated financial statements.

**GROUP HEALTH COOPERATIVE  
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows  
Years ended December 31, 2011 and 2010  
(In thousands)

	<b>2011</b>	<b>2010</b>
Cash flows from operating activities:		
Change in net assets	\$ (135,672)	\$ 4,640
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	57,292	56,534
Provision for self-insurance	13,953	16,633
Change in realized and unrealized investments gains and losses	(5,660)	(42,559)
Change in fair value of interest rate swap	(6,959)	300
Recognized other-than-temporary impairment losses	—	3
Change in deferred gain on sale – leaseback	(2,917)	(2,917)
Other	738	2,121
Cash provided by operating assets and liabilities:		
Accounts receivable – net	(20,538)	(20,951)
Inventories	(657)	(795)
Other current and noncurrent assets	(2,445)	145
Accounts payable	18,342	2,157
External delivery services payable	22,391	27,386
Accrued employee compensation	(3,236)	12,356
Self-insurance	(11,962)	(19,577)
Accrued taxes and interest	3,766	1,095
Unearned premiums and deposits	12,203	15,600
Pension	89,569	10,551
Retiree medical benefits	(1,855)	(18,487)
Other noncurrent liabilities	(4,008)	(3,307)
Net cash provided by operating activities	22,345	40,928
Cash flows from investing activities:		
Payments for land, buildings, and equipment	(52,749)	(36,655)
Proceeds from disposal of land, buildings, and equipment	5	82
Proceeds from sale of marketable securities	1,276,235	755,921
Purchases of marketable securities	(933,556)	(826,967)
Distribution from equity investments	2,185	1,594
Net cash provided by (used in) investing activities	292,120	(106,025)
Cash flows from financing activities:		
Repayment of long-term debt	(4,370)	(45,154)
Net short-term borrowings	(31,978)	40,977
Other	(148)	(184)
Net cash used in financing activities	(36,496)	(4,361)
Net increase (decrease) in cash and cash equivalents	277,969	(69,458)
Cash and cash equivalents :		
Beginning of year	80,147	149,605
End of year	\$ 358,116	\$ 80,147
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 5,201	\$ 8,241
Income taxes	5,729	4,288

See accompanying notes to consolidated financial statements.

**GROUP HEALTH COOPERATIVE  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

**(1) Organization**

The accompanying consolidated financial statements include the accounts of Group Health Cooperative (GHC), GHC's wholly owned subsidiary, Group Health Options, Inc. (GHO), and controlled affiliates, KPS Health Plans (KPS), Group Health Foundation (the Foundation), Columbia Medical Associates, LLC (CMA), and Auxiliary of Group Health Cooperative (the Auxiliary), (collectively, the Group).

GHC is a Washington nonprofit corporation registered as a health maintenance organization headquartered in Seattle, Washington. GHC offers comprehensive, coordinated health care to an enrolled membership for a fixed prepaid fee through its owned and leased facilities, employed providers, and contracted providers, in addition to providing certain health care services on a fee-for-service basis to both enrollees and nonenrollees.

GHO is a Washington for-profit corporation registered and operating as a health care services contractor headquartered in Seattle, Washington. GHO provides health care coverage products that feature increased customer choice, including a point of service plan benefit. It is also registered in Idaho as a Disability, Including Managed Care Carrier, operating in two counties.

KPS is a Washington taxable nonprofit corporation registered and operating as a health care service contractor headquartered in Bremerton, Washington. KPS provides health care services through contracts with participating physicians and hospitals.

The Foundation is a Washington nonprofit corporation. It is organized exclusively to benefit, perform the functions of, and carry out the purposes of GHC and other affiliated tax-exempt organizations. It supports research, health careers, training, health education, GHC programs, and other projects that promote high quality health care. Grants are awarded to qualified health-related community organizations, extending the internal resources of GHC to the community. The Foundation's operations are largely a function of the level of donations it receives.

CMA is a Washington limited liability company headquartered in Spokane, Washington. CMA provides medical services to families and individuals within the greater Spokane area. Effective July 31, 2011, GHC acquired control of CMA. (See note 15).

The Auxiliary is an unincorporated association. It is organized for the purpose of promoting and advancing the welfare of GHC through fund-raising in order to provide services and gifts to the medical centers, specialty centers, and health-related programs of GHC and its patients.

**(2) Summary of Significant Accounting Policies**

**(a) Principles of Consolidation**

The consolidated financial statements include those of GHC, its wholly owned subsidiaries and controlled affiliates. All significant intercompany accounts and transactions have been eliminated in these consolidated financial statements.

The Group has prepared the accompanying consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP).



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Notes to Consolidated Financial Statements

December 31, 2011 and 2010

**(b) *Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant estimates and assumptions are used in the recording of external delivery services payable, asset valuation, allowances for uncollectible accounts, self-insurance reserves, pension liabilities, retiree medical liabilities, and the evaluation of contingencies and litigation. Changes in these estimates and assumptions may have a material impact on the financial statements.

**(c) *Cash and Cash Equivalents***

Cash and cash equivalents consist of liquid investments with original or remaining maturities of three months or less at the date of purchase and approximate fair value. Cash equivalents generally consist of money market funds and repurchase agreements.

The Group is potentially subject to a concentration of credit risk related to financial instruments such as funds held at high credit quality financial institutions and at times such balances with any one financial institution may exceed the Federal Deposit Insurance Corporation's (FDIC) insured limits. From December 31, 2010 through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited coverage for noninterest-bearing transaction accounts, which is separate from and in addition to, coverage provided by the FDIC. Certain interest bearing accounts remain at risk.

**(d) *Marketable Securities***

Marketable securities are readily convertible to cash and are carried at fair value. The Group considers securities that will mature within one year as short-term investments. All marketable securities are classified as available-for-sale securities and reported at fair value. The change in unrealized gains and losses is recorded as a separate component of net assets for GHC, GHO, and KPS. The Foundation records the change in unrealized gains and losses to investment income in the statements of operations and changes in net assets. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity or, in the case of mortgage-backed securities, over the estimated life of the security. The discount or premium is amortized using the effective-yield method. Such amortization and accretion are included in investment income. Realized gains or losses on sale are calculated using the first-in first-out (FIFO) method. The Group's investment transactions are recorded on a trade-date basis.

**(e) *Other-Than-Temporary Impairment (OTTI)***

An investment is impaired if the fair value of the investment is less than its book or amortized cost, resulting in an unrealized loss position. Impaired securities are assessed to determine if the impairment is other-than-temporary. The Group evaluates investment securities for OTTI based on qualitative and quantitative factors. If the Group has the intent to sell, or it is more likely than not that it will sell the security before recovery, OTTI is recorded in income equal to the entire difference between the security's book or amortized cost basis and its fair value at the balance sheet date.

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For debt securities, if the Group does not intend to sell or it is more likely than not it will be required to sell the security before recovery, OTTI is separated into the amount representing the credit loss and the amount related to all other factors. The credit component of the OTTI is recognized in income and the noncredit component is recognized as a component of net assets. The credit component of OTTI is determined by comparing the present value of projected future cash flows with the amortized cost basis of the fixed income security. The present value is calculated by discounting the projected future cash flows at the effective interest rate implicit in the fixed income maturity at the date of acquisition. For mortgage-backed and asset-backed securities, cash flow estimates are based on assumptions regarding the underlying collateral including prepayment speeds, type of underlying assets, geographic concentrations, default rates, recoveries, and changes in value. For all other debt securities, cash flow estimates are driven by assumptions regarding probability of default, including changes in credit ratings, and estimates regarding timing and amount of recoveries associated with a default. Unrealized losses caused by noncredit related factors related to debt securities, for which the Group expects to fully recover the amortized cost basis, continue to be recognized as a component of net assets.

**(f) *Accounts Receivable***

Accounts receivable are primarily comprised of premiums, receivables for noncovered health care services, copays and deductibles, and receivables for fee-for-service clinical services provided to nonenrollees. The Group records a reduction in the related premium revenues for an estimate of amounts related to retroactive enrollment changes. Provisions for contractual adjustments are recorded on an accrual basis and are deducted from gross revenues. Bad debts related to services provided are recorded as operating expenses in the consolidated statements of operations.

**(g) *Provision for Uncollectible Accounts and Retroactivity***

The Group provides an allowance for potential uncollectible accounts receivable whereby such receivables are reduced to their estimated net realizable value. The Group estimates this allowance based on the aging of accounts receivable, historical collection experience, enrollment retroactivity and other relevant factors. There are various factors that can impact the collection trends and the estimation process, such as changes in the economy, the increased burden of copays and deductibles to be made by enrollees and business practices related to collection efforts. The allowance for uncollectible accounts and retroactivity was \$9,791,000 and \$12,622,000 as of December 31, 2011 and 2010, respectively.

**(h) *Inventories***

Inventories consist of pharmaceuticals, medical and operating supplies, and are stated at the lower of weighted average cost or market.

**(i) *Funds Held by Trustee***

Funds held by trustee are assets restricted as to use pursuant to terms and conditions of the revenue bonds (see note 6).

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The Series 2006 revenue bonds require a debt service reserve fund for the benefit of the bond owners, which shall be maintained as long as any Series 2006 bonds remain outstanding. The amount of the debt service reserve fund is \$8,848,000 for December 31, 2011 and 2010.

**(j) Charitable Gift Annuities**

As of December 31, 2011 and 2010, the Foundation had a charitable gift annuities liability of \$1,220,000 and \$1,224,000, respectively, which is recorded as a component of other noncurrent liabilities in the accompanying consolidated balance sheets. Investments held for the charitable gift annuities are \$2,146,000 and \$2,240,000 as of December 31, 2011 and 2010, respectively, and are recorded as a component of other assets in the accompanying consolidated balance sheets.

**(k) Land, Buildings, and Equipment**

Land, buildings and improvements, and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, over the term of the related lease, whichever is shorter. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any related gain or loss is reflected in operations. The estimated useful lives of buildings, improvements, and leasehold improvements are 5 to 40 years, and the estimated useful life of equipment is 2 to 20 years.

**(l) Construction in Progress**

Construction in progress (CIP) projects include costs incurred while preparing assets for their intended use. CIP projects typically consist of major computer system installations, the construction or remodel of buildings, or the installation of major equipment. The Group capitalizes interest costs on borrowings incurred during construction or development of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is depreciated or amortized over the useful lives of the assets.

**(m) Long-Lived Assets**

In accounting for its long-lived assets, the Group makes estimates about the expected useful lives of the assets, the expected residual values of the assets, and the potential for impairment based on the fair value of the assets and the cash flows they generate. Factors indicating potential impairment include, but are not limited to, significant decreases in the market value of the long-lived assets, a significant change in the long-lived assets' condition, and operating cash flow losses associated with the use of the long-lived assets.

There is inherent risk in estimating the future cash flows used in the impairment test. If cash flows do not materialize as estimated, there is a risk the impairment charges recognized to date may be inaccurate, or further impairment charges may be necessary in the future.

**(n) Intangible Assets**

Intangible assets are recorded at fair value and those that are subject to amortization are amortized on a straight-line basis over their estimated useful lives, of 3 to 15 years. As of December 31, 2011 and

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2010, the net carrying amount was \$1,730,000 and zero, respectively, and is a component of other assets in the accompanying consolidated balance sheets.

**(o) Other Current Assets and Other Assets**

Other current assets and other assets consist of interest receivable, deferred financing costs, interest rate swap, deposits and prepaid assets.

**(p) Self-Insurance**

The Group is partially self-insured for professional liability and industrial accident claims and fully self-insured for unemployment benefits. Professional liability and industrial accident claims liabilities are determined using case-based estimates for reported claims and actuarial estimates for incurred but not reported claims. These estimates are based on historical information along with certain assumptions about future events. Changes in assumptions related to expected claims development as well as changes in actual experience could cause these estimates to change. At December 31, 2011 and 2010, the estimated liability for professional liability claims was \$51,123,000 and \$50,962,000, respectively. At December 31, 2011 and 2010, the estimated liability for industrial accident claims was \$6,483,000 and \$7,118,000, respectively. At December 31, 2011 and 2010, the estimated liability for unemployment claims was \$3,224,000 and \$759,000, respectively.

**(q) Reinsurance**

The Group limits certain exposure to claims loss by ceding reinsurance to other insurance companies. GHC maintains reinsurance on a claims-made basis for professional liability and industrial accident claims. Retention levels for professional liability are \$10,000,000 per claim with a \$50,000,000 annual aggregate in 2011 and 2010. Retention levels for industrial accident claims are \$500,000 and \$450,000 in 2011 and 2010, respectively, per claim and in aggregate. KPS purchases reinsurance to limit its exposure on all of its insured contracts except the Federal Employees Health Benefit Plan and Medicare Supplemental products. A retention level of \$500,000 per claim with a coinsurance level of 10% was held in 2011 and 2010, by KPS.

Reinsurance contracts do not relieve the Group from its obligations to claimants. Failure of reinsurers to honor their obligations could result in losses to the Group. The Group had recorded prepaid reinsurance premiums of \$866,000 and \$903,000 as of December 31, 2011 and 2010, respectively, as a component of other current assets, and reinsurance receivables of \$458,000 and \$146,000 as of December 31, 2011 and 2010, respectively, as a component of accounts receivable.

**(r) Derivatives**

In certain instances, the Group enters into derivative instruments to hedge specific assets and liabilities. Prior to entering into a derivative contract designated as a hedge, the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy, is formally documented. On the date the Group enters into a derivative contract utilized as a hedge, the derivative instrument is designated as either a hedge of the fair value of a recognized asset or liability of an unrecognized firm commitment (known as a fair value hedge) or a hedge of the

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variability in expected future cash flows associated with an existing recognized asset or liability or a forecasted transaction (known as a cash flow hedge).

*(s) Revenues*

Revenues are derived principally from health care premiums and clinical service billings, net of charity care and contractual adjustments. Premiums received in advance of the coverage period are deferred, and revenues are recognized in the period in which services are covered. Group contracts cover employee groups and are entered into with employers or union trusts. Clinical service revenues are generated through the provision of certain medical and pharmacy services not fully covered under existing benefit policies and from services provided to nonenrollees who receive care at the Group's facilities.

GHC participates in the Medicare Advantage program and offers both Medicare Advantage (MA) and Medicare Advantage Prescription Drug (MA-PD) plans. MA plans offer Part C Medicare benefits to members and GHC receives capitated revenue from the Centers for Medicare and Medicaid Services (CMS), as well as supplemental premiums from the member. MA-PD plans offer Part C and Part D Medicare benefits to members and GHC receives capitated revenue from CMS, as well as supplemental premiums from the member. GHC offers MA-PD plans to its Medicare eligible members.

The capitated revenue from CMS for Part C and Part D is based on a Risk Adjustment model, where the demographic and health status (i.e. risk score) of the member is a factor used in determining payment. The other major factor of the capitated payment is the member's county of residence. Capitated payments from CMS are received monthly and are prospective. Adjustments for enrollment and certain member status updates are made to the payments. Various accruals related to Part C and Part D revenue as a result of the risk-sharing arrangement, as well as federal reinsurance, and low-income cost-sharing subsidies are recognized as well. Final settlements of data are made after the end of the fiscal year.

The Medicare and Medicaid Electronic Health Records (EHR) Incentive Program provides incentive payments to eligible professionals and hospitals as they adopt, implement, upgrade and demonstrate meaningful use of certified EHR technology. GHC has eligible professionals, as well as an eligible hospital participating in the program. Incentives earned through this program are recognized in other revenues and was \$11,746,000 for the year ended December 31, 2011.

Other revenues include grants awarded to the Group Health Research Institute, a division of GHC, and optical sales. Also included in other revenues are self-funded administrative service fees generated by the Group and unconditional promises to donate cash and other assets to the Foundation, which are reported at fair value at the date the promise is received. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the time and purpose of the donated assets. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

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As a result of the recently enacted law, the Patient Protection and Affordable Care Act, as well as the Health Care and Education Reconciliation Act of 2010, or collectively, Health Care Reform, significant changes to the current U.S. health care system are anticipated. Health Care Reform includes numerous provisions affecting the delivery of health care services, the financing of health care costs, payments to health care providers and the legal obligation of health insurers, providers and employers. Health Care Reform is intended to expand access to health insurance coverage over time by increasing the eligibility thresholds for most state Medicaid programs and providing certain other individuals and small businesses with tax credits to subsidize a portion of the cost of health insurance coverage. These provisions are currently slated to take effect at the specified times over the next decade.

The table below presents the balances of the significant operating revenue types for the years ended December 31, 2011 and 2010 (in thousands):

	<u>2011</u>	<u>2010</u>
Premiums:		
Group	\$ 2,167,825	\$ 2,006,942
Medicare	762,346	686,876
Individual and family	185,300	148,919
Medicaid	40,918	40,773
Total premiums	<u>3,156,389</u>	<u>2,883,510</u>
Clinical services	234,648	223,456
Other revenue:		
Grants	45,141	42,520
Other	42,690	32,677
Sales	15,434	14,779
Total other	<u>103,265</u>	<u>89,976</u>
Total operating revenues	<u>\$ 3,494,302</u>	<u>\$ 3,196,942</u>

**(t) Premium Deficiencies**

A premium deficiency reserve is recognized when the expected future claims payments and administrative costs of a grouping of existing contracts exceed the premiums to be collected for the remainder of a contract period. Deficiencies in one grouping of contracts are not offset by anticipated surpluses in other groupings. The Group considers anticipated investment income in determining if a premium deficiency exists. Reserves are regularly reviewed and adjusted as experience develops or new information becomes known. Such adjustments would be included in current operations. No reserve was considered necessary at December 31, 2011 and 2010.

**(u) Charity Care**

Charity care represents medically necessary hospital-based care to patients who have demonstrated an inability to pay and receive care at a Group facility. Only the portion of a patient's account that

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meets the Group's criteria is recognized as charity care. The cost of charity care is estimated at \$869,000 and \$520,000 for the years ended December 31, 2011 and 2010, respectively.

(v) ***External Delivery Services***

External delivery services represent health care expenses incurred by GHC, GHO, and KPS for care provided by contracted and noncontracted health care facilities and practitioners. The liability reflected on the consolidated balance sheets is determined using actuarial estimates. These estimates are based on historical information along with certain assumptions about future events. Changes in assumptions, as well as changes in actual experience, could materially impact these estimates. In 2011, the Group made improvements to its method of estimating external delivery services payable. Under the Group's prior method, development of prior years' liabilities had shown that such liabilities were consistently redundant. These improvements should provide a more accurate and reliable estimate of external delivery services at the end of each reporting period. Upon implementation of these improvements, the external delivery services payable and expense were reduced by approximately \$16,775,000, which was not material to the consolidated financial statements.

(w) ***Group Health Permanente Expense***

Group Health Permanente P.C. is an independent medical group with an exclusive contract to provide medical services at the Group's facilities providing primary, specialty, and inpatient care. The Group's net liability to Group Health Permanente was \$24,898,000 and \$24,435,000 as of December 31, 2011 and 2010, respectively, which is a component of accounts payable in the accompanying consolidated balance sheets.

(x) ***Advertising***

Advertising costs are expensed as incurred and are recorded within other expenses in the statements of operations and changes in net assets. The Group recorded advertising expense of \$4,896,000 and \$7,851,000 for the years ended December 31, 2011 and 2010, respectively.

(y) ***Leases***

Rent revenue and expense is recorded on a straight-line basis over the term of the respective leases. Lease incentives are amortized ratably over the lease term (see note 11).

(z) ***Income Taxes***

GHO and KPS are subject to federal income taxes. These companies file federal tax returns and are not subject to any state income tax filing requirements. GHC is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the Code) as a charitable organization under Section 501(c)(3) of the Code, except for unrelated business income tax. The Foundation has received a determination letter from the Internal Revenue Service (IRS) that it is a tax-exempt public foundation in accordance with Section 501(c)(3) and a public charity in accordance with Section 170(b)(1)(A)(vi) of the Code. The Auxiliary has received a determination letter from the IRS that it is a tax-exempt organization in accordance with Sections 501(c)(3) and 509(a)(2) of the Code.

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CMA is considered a disregarded entity for federal tax purposes and would be included with any GHC federal income tax filing.

GHO and KPS recognize deferred income taxes for the tax consequences in future years of the differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to reverse. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax planning strategies in making this assessment. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Interest and penalties, if any, are recognized as other expense in the period in which the interest would be accruing according to tax law or in the period the tax position is initially taken.

*(aa) Net Assets*

Unrestricted net assets result from operations and unrestricted contributions income. Temporarily and permanently restricted net assets are accounted for within the Foundation. Temporarily restricted net assets account for funds restricted by donors for specific time and purposes, unappropriated earnings on permanent endowments and are available to support the Foundation in carrying out its missions.

Temporarily restricted net assets are available for the following purposes as of December 31, 2011 and 2010 (in thousands):

	<b>2011</b>	<b>2010</b>
Health care services	\$ 2,775	\$ 3,186
Health education	694	1,075
Health care research and development	627	700
Other	77	65
Total temporarily restricted net assets	\$ 4,173	\$ 5,026

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets as of December 31, 2011 and 2010 are contributions restricted by the donor to be invested in perpetuity.

The change in temporarily restricted net assets is comprised of \$1,469,000 and \$1,060,000 of contributions, \$(1,783,000) and \$(1,292,000) of release from restrictions, and investment (loss) income of \$(539,000) and \$1,031,000, for the years ended December 31, 2011 and 2010, respectively.



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**(bb) Reclassifications**

Certain reclassifications have been made to the 2010 consolidated financial statements to conform to the 2011 consolidated financial statement presentation.

**(cc) Accounting Changes**

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-24, *Health Care Entities – Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that insurance recoveries should not be netted against a related claim liability. The claim liability amount should be calculated without consideration of insurance recoveries. This standard is effective for the Group's 2011 calendar year. The adoption of this standard did not have a material impact on the Group's consolidated financial statements.

In August 2010, the FASB issued ASU No. 2010-23, *Health Care Entities – Measuring Charity Care for Disclosure*, which requires a standardized process be used by health care entities that provide charity care to determine the measurement basis. Cost will be used as the measurement basis for the Group. This standard is effective for the Group's 2011 calendar year. The adoption of this standard required additional disclosures (see footnote 2) and did not have a material impact on the Group's consolidated financial statements.

**(dd) New Accounting Pronouncements**

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on its financial position, and to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under International Financial Reporting Standards (IFRS). This standard will be effective for the Group's 2013 calendar year. Management has yet to determine whether this standard will have a material impact on the Group's consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-09, *Compensation – Retirement Benefits – Multiemployer Plans (Subtopic 715-80): Disclosures about an Employer's Participation in a Multiemployer Plan*. ASU 2011-09 increases the quantitative and qualitative disclosures an employer is required to provide about its participation in significant multiemployer plans that offer pension or other postretirement benefits. This standard will be effective for the Group's 2012 calendar year. Management has yet to determine whether this standard will have a material impact on the Group's consolidated financial statements.

In July 2011, the FASB issued ASU No. 2011-07, *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities (a consensus of the FASB Emerging Issues Task Force)*, which requires that the provisions for bad debts associated with patient service revenue be presented on a separate line as a deduction from patient service revenue (net of contractual allowances and discounts) in the statement of operations. This standard will be effective for the Group's 2012

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calendar year. The adoption of this standard will not have a material impact on the Group's consolidated financial statements.

In July 2011, the FASB issued ASU No. 2011-06, *Other Expenses (Topic 720): Fees Paid to the Federal Government by Health Insurers (a consensus of the FASB Emerging Issues Task Force)*, which requires fees imposed on health insurers mandated by the Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act (the Acts), be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable. There should be a corresponding deferred cost that is amortized to expense using a straight-line method of allocation, unless a better method of allocating the fee over the year is available. This standard will be effective for the Group's 2014 calendar year. Management has yet to determine whether this standard will have a material impact on the Group's consolidated financial statements.

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which results in convergence between U.S. GAAP and IFRS requirements for measurement of and disclosures about fair value. The amendments are not expected to have a significant impact on companies applying U.S. GAAP. This standard will be effective for the Group's 2012 calendar year. The adoption of this standard will not have a material impact on the Group's consolidated financial statements.

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**(3) Marketable Securities**

Marketable securities as of December 31, 2011 and 2010 consist of the following (in thousands):

	<b>2011</b>			
	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
Debt:				
U.S. government securities	\$ 79,324	\$ 643	\$ (12)	\$ 79,955
Municipals	24,290	908	(7)	25,191
Commercial paper	500	—	—	500
International government	10,058	7	(18)	10,047
Corporate debt securities	305,492	2,414	(3,005)	304,901
Mortgage-backed securities	133,778	1,718	(17)	135,479
Asset-backed securities	7,366	4	(58)	7,312
Collateralized mortgage obligations	31,239	388	(134)	31,493
Domestic equity securities:				
Mutual funds:				
Large blend	56,164	625	(2,573)	54,216
Large value	23,791	318	(564)	23,545
Medium growth	11,040	122	(1,039)	10,123
Small blend	8,001	43	(504)	7,540
Small value	18,624	23	(569)	18,078
Investment grade bonds	2,386	41	(3)	2,424
U.S. Treasury	717	54	—	771
Other	5,065	121	(623)	4,563
Foreign equity securities:				
Mutual funds:				
Large blend	31,435	201	(2,581)	29,055
Large value	8,529	—	(1,155)	7,374
Other	9	—	—	9
Total	<u>\$ 757,808</u>	<u>\$ 7,630</u>	<u>\$ (12,862)</u>	<u>\$ 752,576</u>

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	<b>2010</b>			
	<b>Amortized cost</b>	<b>Gross unrealized gains</b>	<b>Gross unrealized losses</b>	<b>Fair value</b>
Debt:				
U.S. government securities	\$ 122,159	\$ 2,623	\$ (2,091)	\$ 122,691
Municipals	18,945	156	(333)	18,768
Commercial paper	4,251	—	(11)	4,240
International government	19,502	229	(10)	19,721
Corporate debt securities	305,621	11,426	(1,050)	315,997
Mortgage-backed securities	142,659	2,366	(1,109)	143,916
Asset-backed securities	8,760	45	(12)	8,793
Collateralized mortgage obligations	58,387	1,772	(336)	59,823
Domestic equity securities:				
Mutual funds:				
Large blend	70,176	8,640	(253)	78,563
Large value	50,558	4,463	—	55,021
Medium growth	14,950	3,330	—	18,280
Small blend	4,956	805	—	5,761
Small value	18,686	1,642	(11)	20,317
Investment grade bonds	2,491	37	(2)	2,526
U.S. Treasury	5,218	30	(5)	5,243
Other	3,346	265	(33)	3,578
Foreign equity securities:				
Mutual funds:				
Large blend	38,961	3,838	(550)	42,249
Large value	8,529	338	(99)	8,768
Other	454	—	(3)	451
Other	15	—	—	15
Total	\$ 898,624	\$ 42,005	\$ (5,908)	\$ 934,721

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Contractual maturities of debt securities held as of December 31, 2011 include the following (in thousands):

	Fair value				
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total fair value
Debt:					
U.S. government securities	\$ 3,275	\$ 30,643	\$ 44,055	\$ 1,982	\$ 79,955
Municipals	1,655	7,689	8,277	7,570	25,191
Commercial paper	500	—	—	—	500
International government	5,100	4,850	97	—	10,047
Corporate debt securities	27,058	186,190	84,668	6,985	304,901
Mortgage-backed securities	37,038	260	7,400	90,781	135,479
Asset-backed securities	—	1,630	4,903	779	7,312
Collateralized mortgage obligations	—	1,900	9,383	20,210	31,493
Total	<u>\$ 74,626</u>	<u>\$ 233,162</u>	<u>\$ 158,783</u>	<u>\$ 128,307</u>	<u>\$ 594,878</u>

Securities not due at a single maturity date are reflected in the table above by its final maturity date.

Unsettled trade receivables are \$17,000 and \$118,000 as of December 31, 2011 and 2010, respectively, and are a component of accounts receivable on the accompanying consolidated balance sheets. Unsettled trade payables are \$160,020,000 and \$4,065,000 as of December 31, 2011 and 2010, respectively, and are a component of accounts payable on the accompanying consolidated balance sheets.

The Group records investment income net of related expenses and consists of the following as of December 31, 2011 and 2010 (in thousands):

	<u>2011</u>	<u>2010</u>
Interest	\$ 30,762	\$ 29,135
Realized gains on sale	49,722	20,180
Realized losses on sale	(3,836)	(1,072)
Dividends and capital gains	4,635	7,734
Amortization, accretion, and other	(7,477)	(5,820)
OTTI	—	(3)
Total investment income	<u>\$ 73,806</u>	<u>\$ 50,154</u>

The Group evaluates investment securities for OTTI losses based on qualitative and quantitative factors. The amount of the credit component of OTTI losses on fixed income securities recognized in income was zero and \$3,000 in 2011 and 2010, respectively. The portion of the OTTI losses from noncredit-related factors was zero in 2011 and 2010.

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The following tables show the gross unrealized losses and fair value of the Group's investments with unrealized losses. These securities are aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2011 and 2010 (in thousands):

2011	Less than 12 months		12 months or greater		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Debt:						
U.S. government securities	\$ 12,207	\$ (12)	\$ —	\$ —	\$ 12,207	\$ (12)
Municipals	1,952	(7)	—	—	1,952	(7)
International government	9,847	(18)	—	—	9,847	(18)
Corporate debt securities	139,226	(2,954)	1,133	(51)	140,359	(3,005)
Mortgage-backed securities	4,051	(17)	—	—	4,051	(17)
Asset-backed securities	5,649	(55)	243	(3)	5,892	(58)
Collateralized mortgage obligations	13,177	(129)	79	(5)	13,256	(134)
Domestic equity securities:						
Mutual funds:						
Large blend	47,347	(2,315)	569	(258)	47,916	(2,573)
Large value	7,226	(564)	—	—	7,226	(564)
Medium growth	8,001	(1,039)	—	—	8,001	(1,039)
Small blend	5,497	(504)	—	—	5,497	(504)
Small value	14,925	(557)	47	(12)	14,972	(569)
Investment grade bonds	177	(2)	26	(1)	203	(3)
Other	1,629	(623)	2	—	1,631	(623)
Foreign equity securities:						
Mutual funds:						
Large blend	26,978	(2,116)	661	(465)	27,639	(2,581)
Large value	7,374	(1,155)	—	—	7,374	(1,155)
Total	\$ 305,263	\$ (12,067)	\$ 2,760	\$ (795)	\$ 308,023	\$ (12,862)

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2010	Less than 12 months		12 months or greater		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Debt:						
U.S. government securities	\$ 56,815	\$ (2,091)	\$ —	\$ —	\$ 56,815	\$ (2,091)
Municipals	9,222	(333)	—	—	9,222	(333)
Commercial paper	3,741	(11)	—	—	3,741	(11)
International government	6,589	(10)	—	—	6,589	(10)
Corporate debt securities	91,990	(1,023)	823	(27)	92,813	(1,050)
Mortgage-backed securities	64,360	(1,109)	—	—	64,360	(1,109)
Asset-backed securities	3,444	(6)	176	(6)	3,620	(12)
Collateralized mortgage obligations	10,907	(333)	105	(3)	11,012	(336)
Domestic equity securities:						
Mutual funds:						
Large blend	4	—	814	(253)	818	(253)
Small value	—	—	190	(11)	190	(11)
Investment grade bonds	123	(2)	—	—	123	(2)
U.S. Treasury	190	(5)	—	—	190	(5)
Other	13	(1)	144	(32)	157	(33)
Foreign equity securities:						
Mutual funds:						
Large blend	507	(158)	987	(392)	1,494	(550)
Large value	3,904	(99)	—	—	3,904	(99)
Other	430	(3)	—	—	430	(3)
Total	\$ 252,239	\$ (5,184)	\$ 3,239	\$ (724)	\$ 255,478	\$ (5,908)

The unrealized losses in the Group's investments in 2011 were due primarily to declines in the values of U.S. and international equity markets as a majority of the Group's equity investments are in managed equity index mutual funds and exchange traded funds. The unrealized losses in corporate debt securities was primarily due to markets favoring low risk fixed income securities such as U.S. Treasury bonds more than credit spread fixed income securities, such as corporate debt securities. The majority of debt security positions are investment grade and rated high quality, AA, or higher by Standard & Poor's rating agency. Securities with contractual payments are current and no payments were missed in 2011. The Group has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, and considers these investments to be temporarily impaired.

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**(4) External Delivery Services Payable**

Activity in the external delivery services payable for unpaid claims and claim adjustment expenses is summarized as follows (in thousands):

	<b>2011</b>	<b>2010</b>
Balances at January 1	\$ 231,667	\$ 200,216
Incurred related to:		
Current year	1,885,808	1,698,294
Prior years	(6,065)	(3,431)
Total incurred	1,879,743	1,694,863
Paid related to:		
Current year	1,641,238	1,492,643
Prior years	216,114	170,769
Total paid	1,857,352	1,663,412
Balances at December 31	\$ 254,058	\$ 231,667

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately adjudicated and paid. Liabilities at any year end are continually reviewed and re-estimated as information regarding actual claims payments becomes known. This information is compared to the originally established year end liability. Amounts reported for incurred related to prior years result from claims being adjudicated and paid for amounts different than originally estimated. In 2011, as discussed in Note 2, the Group made improvements to its method of estimating external delivery services payable.

**(5) Medical Loss Ratio**

Effective January 1, 2011, as part of the Patient Protection and Affordable Care Act (Health Care Reform), minimum medical loss ratios (MLR) were mandated for all commercial fully insured medical plans with annual rebates owed to policyholders if the actual loss ratios, calculated in a manner prescribed by the U.S. Department of Health and Human Services (HHS), fall below certain targets (85% for large employer groups and 80% for small employer groups and individuals). HHS issued guidance specifying the types of costs that should be included in benefit expense for purposes of calculating medical loss ratios. The Group's medical loss ratios were above the minimum target levels and no liability for rebates was recorded in 2011.

**(6) Borrowing Arrangements**

GHC issued new borrowings to refinance certain indebtedness and for its general corporate purposes in April 2010. The Series 2010 taxable commercial paper notes were offered as part of a commercial paper financing program under which notes may be issued from time to time up to the aggregate face amount of \$75,000,000. The notes may be sold at a discount from the par amount to reflect an interest component to the maturity date. The maturity date of the notes will be 1 to 270 days and the notes are not subject to redemption prior to the maturity date. The notes are secured by GHC's gross receivables, certain



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equipment, and a lien on certain real property. The issued notes outstanding are shown as short-term borrowings on the consolidated balance sheets.

Revenue bonds were issued through the Washington Health Care Facilities Authority (the Authority). As security for the repayment of the bonds, GHC has granted the Authority a security interest in its gross receivables, bond funds, and liens against certain facilities and equipment. The loan agreements for the revenue bonds require, among other restrictions, that GHC achieve certain minimum debt service coverage ratios. Management believes GHC was in compliance with all debt covenants at December 31, 2011 and 2010.

Long-term debt at December 31, 2011 and 2010 consists of the following (in thousands):

	<b>Years of maturity</b>	<b>2011</b>	<b>2010</b>
Revenue bonds:			
Series 2001, 4.00% to 5-3/8%, plus bond premium of \$616 and \$812 in 2011 and 2010, respectively	2011 – 2019	\$ 45,182	\$ 49,748
Series 2006, 4-1/2% to 5.00%, plus bond premium of \$1,602 and \$1,686 in 2011 and 2010, respectively	2022 – 2036	99,567	99,651
Other		4	4
Subtotal		144,753	149,403
Less current portion		(4,850)	(4,655)
Total long-term debt		\$ 139,903	\$ 144,748

Future annual principal payments on long-term debt for each of the next five years and thereafter at December 31, 2011 are as follows (in thousands):

Years ending December 31:		
2012	\$	4,595
2013		4,815
2014		5,075
2015		5,400
2016		5,690
Thereafter		116,960
Subtotal		142,535
Add unamortized premium and discount, net		2,218
Total	\$	144,753

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Interest paid during 2011 and 2010 was \$5,201,000 and \$8,241,000, respectively. Interest expense was \$(2,032,000) and \$8,182,000 during 2011 and 2010, respectively, and the amount of interest capitalized was \$271,000 and \$147,000 in 2011 and 2010, respectively. The effect of the interest rate swap decreased interest expense by \$9,874,000 and \$2,539,000 in 2011 and 2010, respectively.

**(7) Derivative Financial Instruments**

GHC is exposed to the effects of changing interest rates. This exposure is managed, in part, with the use of derivatives. In January 2007, GHC entered into an interest rate swap with Citigroup on the 2006 Series bonds as part of the effort to rebalance the mix of variable and fixed rate exposure. The swap entitles GHC to receive payments based on a fixed rate and pay a variable rate based on the Securities Industry and Financial Markets Association Municipal Swap Index. The terms include a provision to cap the market value of the swap at \$22,500,000, and a par termination option with a term to match the call provision of the 2006 Series bonds. GHC has elected to account for the swap as a free standing derivative; therefore, changes in the fair value are recorded in earnings. The notional amount of this derivative is \$75,000,000.

**(8) Disclosure about Fair Value of Financial Instruments**

Assets and liabilities that are recorded at fair value are required to be grouped in three levels, based on the markets in which the assets and liabilities are traded and the observability of the inputs used to determine fair value. The three levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets. At December 31, 2011, Level 1 securities include primarily U.S. government bonds and mutual funds.
- Level 2 – Valuation is based upon 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. At December 31, 2011, Level 2 securities include primarily U.S. government and international government bonds, municipal bonds, commercial paper, corporate bonds, asset-backed and mortgage-backed securities, and collateralized mortgage obligations.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Group's estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of discounted cash flow models and similar techniques. At December 31, 2011, Level 3 instruments include primarily a guaranteed investment contract, an interest rate swap, and real estate.

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group maximizes the use of observable inputs and minimizes the use of unobservable inputs when developing fair value measurements. Fair value measurements for assets and liabilities where there is limited or no observable market data and, therefore, are based primarily upon estimates calculated by the Group, based on the economic and competitive environment, the characteristics of the asset or liability, and other factors. Therefore, the results cannot be determined with precision and may not be realized upon an actual settlement of the asset

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or liability. There may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of the current or future values.

Following is a description of valuation methods and assumptions used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value but required to be disclosed:

**(a) *Assets and Liabilities***

The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable – net, accounts payable, external delivery services payable, accrued employee compensation, accrued taxes and interest, and short-term borrowings approximate fair value.

**(b) *Long-Term Debt***

Long-term debt is carried at amortized cost; however, accounting standards require the Group to disclose the fair value. The fair value of the Group's long-term debt is based on quoted market prices in markets that are not active, which are Level 2 inputs. The fair value of the long-term debt was \$132,693,000 and \$133,005,000 as of December 31, 2011 and 2010, respectively.

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(c) *Marketable Securities, Funds Held by Trustee, and Interest Rate Swap*

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2011 and 2010 (in thousands):

	<u>Fair value measurements at December 31, 2011 using</u>			
	<u>Fair value</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Available-for-sale securities:				
Debt:				
U.S. government securities	\$ 79,955	\$ 58,122	\$ 21,833	\$ —
Municipals	25,191	—	25,191	—
Commercial paper	500	—	500	—
International government	10,047	—	10,047	—
Corporate debt securities	304,901	—	304,901	—
Mortgage-backed securities	135,479	—	135,479	—
Asset-backed securities	7,312	—	7,312	—
Collateralized mortgage obligations	31,493	—	31,493	—
Domestic equity securities:				
Mutual funds:				
Large blend	54,216	54,216	—	—
Large value	23,545	23,545	—	—
Medium growth	10,123	10,123	—	—
Small blend	7,540	7,540	—	—
Small value	18,078	18,078	—	—
Investment grade bonds	2,424	2,424	—	—
U.S. Treasury	771	771	—	—
Other	4,563	4,563	—	—
Foreign equity securities:				
Mutual funds:				
Large blend	29,055	29,055	—	—
Large value	7,374	7,374	—	—
Other	9	—	—	9
Total available-for-sale securities	<u>\$ 752,576</u>	<u>\$ 215,811</u>	<u>\$ 536,756</u>	<u>\$ 9</u>
Funds held by trustee:				
Guaranteed investment contract	\$ 8,848	\$ —	\$ —	\$ 8,848
Total funds held by trustee	<u>\$ 8,848</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,848</u>
Interest rate swap	\$ 6,910	\$ —	\$ —	\$ 6,910

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	Fair value measurements at December 31, 2010 using			
Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Available-for-sale securities:				
Debt:				
U.S. government securities	\$ 122,691	\$ 86,145	\$ 36,546	\$ —
Municipals	18,768	—	18,768	—
Commercial paper	4,240	—	4,240	—
International government	19,721	—	19,721	—
Corporate debt securities	315,997	—	315,997	—
Mortgage-backed securities	143,916	—	143,916	—
Asset-backed securities	8,793	—	8,793	—
Collateralized mortgage obligations	59,823	—	59,823	—
Domestic equity securities:				
Mutual funds:				
Large blend	78,563	78,563	—	—
Large value	55,021	55,021	—	—
Medium growth	18,280	18,280	—	—
Small blend	5,761	5,761	—	—
Small value	20,317	20,317	—	—
Investment grade bonds	2,526	2,526	—	—
U.S. Treasury	5,243	5,243	—	—
Other	3,578	3,578	—	—
Foreign equity securities:				
Mutual funds:				
Large blend	42,249	42,249	—	—
Large value	8,768	8,768	—	—
Other	451	451	—	—
Other	15	6	—	9
Total available-for-sale securities	<u>\$ 934,721</u>	<u>\$ 326,908</u>	<u>\$ 607,804</u>	<u>\$ 9</u>
Funds held by trustee:				
Guaranteed investment contract	\$ 8,848	\$ —	\$ —	\$ 8,848
Total funds held by trustee	<u>\$ 8,848</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,848</u>
Interest rate swap	\$ (49)	\$ —	\$ —	\$ (49)

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The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows (in thousands):

	Fair value measurements using significant unobservable inputs (Level 3)			
	Available- for-sale securities	Funds held by trustee	Interest rate swap	Total
Beginning balance at January 1, 2010	\$ 9	\$ 8,848	\$ 251	\$ 9,108
Total unrealized losses included in changes in net assets	—	—	(300)	(300)
Ending balance at December 31, 2010	9	8,848	(49)	8,808
Total unrealized gains included in changes in net assets	—	—	6,959	6,959
Ending balance at December 31, 2011	\$ 9	\$ 8,848	\$ 6,910	\$ 15,767

There were no significant transfers between assets with inputs with quoted prices in active markets for identical assets (Level 1) and assets with inputs with significant other observable inputs (Level 2) during the years ended December 31, 2011 and 2010.

**(9) Pension Plans**

The Group sponsors two defined benefit plans (the Plans), a defined contribution plan, three 401(k) plans, a 403(b) plan, and contributes to several union negotiated plans that collectively cover substantially all of its employees. The Group's policy is to fund pension costs for the Plans based on actuarially determined funding requirements, thereby accumulating funds adequate to provide for all accrued benefits. Contributions for the defined contribution plan are based on a percentage of covered employees' salaries. Matching contributions to the 401(k) and 403(b) plans are based on a percentage of participants' contributions as set forth in the plan agreement. The total expense for the defined benefit plans was \$22,848,000 and \$25,497,000 in 2011 and 2010, respectively, and the total expense for the other plans was \$25,278,000 and \$23,920,000 in 2011 and 2010, respectively.

KPS amended its defined benefit pension plan to freeze benefits in 2009. As a result, each active participant's pension benefit was determined based on the participant's compensation and duration of employment. The most significant financial effect is that no new benefits are being accrued after the date of freeze.

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For the defined benefit plans, the actuarial cost method used in determining the net periodic pension cost is the projected unit credit cost method. At December 31, 2011 and 2010, net periodic pension expense related to the Group's participation in the Plans for 2011 and 2010 included the following components (in thousands):

	<u>2011</u>	<u>2010</u>
Service cost	\$ 21,977	\$ 20,715
Interest cost on projected benefits	28,860	27,734
Expected return on plan assets	(39,922)	(34,414)
Amortization of net loss	<u>11,933</u>	<u>11,462</u>
Net periodic benefit cost	<u>\$ 22,848</u>	<u>\$ 25,497</u>
Discount rate (preretirement)	5.40% – 6.00%	5.90% – 6.00%
Discount rate (postretirement)	5.60 – 6.00	5.90 – 6.00
Rate of increase in compensation levels	4.00	5.00
Expected return on plan assets	7.25 – 8.50	7.25 – 8.50

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The Plans' funded status and amounts included in unrestricted net assets to be recognized as a component of net periodic pension cost as of December 31, 2011 and 2010 are shown in the following table (in thousands):

	<u>2011</u>	<u>2010</u>
Change in projected benefit obligation:		
Projected benefit obligation – beginning of year	\$ 554,528	\$ 486,504
Service cost	21,977	20,715
Interest cost	28,860	27,734
Actuarial loss	53,960	35,321
Employee contributions	2,057	1,998
Benefits paid	<u>(20,430)</u>	<u>(17,744)</u>
Projected benefit obligation – end of year	<u>640,952</u>	<u>554,528</u>
Change in plan assets:		
Fair value of plan assets – beginning of year	481,877	424,404
Actual return on plan assets	(5,972)	50,844
Employer contributions	21,200	22,375
Employee contributions	2,057	1,998
Benefits paid	<u>(20,430)</u>	<u>(17,744)</u>
Fair value of plan assets – end of year	<u>478,732</u>	<u>481,877</u>
Funded status	<u>\$ (162,220)</u>	<u>\$ (72,651)</u>
Amounts recognized in unrestricted net assets consist of:		
Net actuarial loss	\$ 222,199	\$ 134,278
Accumulated benefit obligation – end of year	601,120	516,617
Discount rate (preretirement)	4.80% – 5.05%	5.40% – 5.50%
Discount rate (postretirement)	4.75 – 4.80	5.50 – 5.60
Rate of increase in compensation levels	0.00 – 4.00	0.00 – 4.00

The funded status is recorded as a component of noncurrent liabilities as of December 31, 2011 and 2010 in the consolidated balance sheets.



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Certain of the Group's employees are covered by union-sponsored, collectively bargained, multi-employer defined benefit plans. Contributions are determined in accordance with the provisions of negotiated labor contracts.

**(a) Investment Policies and Strategies**

The Group has adopted investment policies for its defined benefit plans that incorporate a strategic, long-term asset allocation mix designed to best meet its long-term pension obligations. Plan fiduciaries set the investment policies and strategies for the pension trust. This includes the following:

- Selecting investment managers
- Setting long-term and short-term target asset allocations
- Periodic review of the target asset allocations, and, if necessary, to make adjustments based on changing economic and market conditions
- Monitoring the actual asset allocations, and, when necessary, rebalancing to the current target allocation.

As of December 31, 2011 and 2010, the following table summarizes the target allocation range defined in the investment policies compared to the actual allocations of the Group's plan assets:

	2011		2010	
	Target allocation	Actual allocation	Target allocation	Actual allocation
Equity securities	33% – 57%	43%	30% – 60%	58%
Debt securities	18 – 60	52	20 – 50	36
Cash equivalents	0 – 5	—	0 – 5	1
Other investments	0 – 10	5	0 – 10	5

The investment policy emphasizes the following key objectives:

- Maintain a diversified portfolio among various asset classes and investment managers
- Invest in a prudent manner for the exclusive benefit of plan participants
- Preserve the funded status of the plan
- Balance between acceptable level of risk and maximizing returns
- Maintain adequate control over administrative costs
- Maintain adequate liquidity to meet expected benefit payments.

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**(b) Expected Long-Term Rate of Return on Assets**

The Group uses a “building block” approach to determine the expected rate of return on plan assets assumption for the Plans. This approach analyzes historical long-term rates of return for various investment categories, as measured by appropriate indexes. The rates of return on these indexes are then weighted based upon the percentage of plan assets in each applicable category to determine a composite expected return. The Group reviews its expected rate of return assumption annually. However, this is considered to be a long-term assumption and hence not anticipated to change annually, unless there are significant changes in economic and market conditions.

There are required employer contributions expected to be made to the Plans in 2012 of \$40,300,000.

Expected amounts to be recognized as components of 2012 net periodic pension cost are as follows (in thousands):

Service cost	\$	25,186
Interest cost on projected benefits		31,052
Expected return on plan assets		(41,565)
Amortization of net loss		21,496
		21,496
Net periodic pension cost	\$	36,169

The estimated net loss amount will be amortized from unrestricted net assets into net periodic benefit cost.

The benefits expected to be paid in each of the next five years, and in the aggregate for the five fiscal years thereafter, as of December 31, 2011 are as follows (in thousands):

Years ending December 31:		
2012	\$	49,836
2013		47,408
2014		48,799
2015		48,180
2016		50,284
2017 – 2021		244,797
		244,797
Total	\$	489,304

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(c) *Fair Value of Pension Assets*

The Group's pension assets are reported at fair value and are required to be grouped in three levels, based on the markets in which they are traded and the observability of the inputs used to determine fair value. The three levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets. At December 31, 2011, Level 1 securities include primarily common stocks, corporate bonds, and mutual funds.
- Level 2 – Valuation is based upon 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. At December 31, 2011, Level 2 securities include primarily commingled trusts and trust index funds.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Group's estimates of assumptions that market participants would use in pricing the asset. Valuation techniques include use of discounted cash flow models and similar techniques. At December 31, 2011, Level 3 securities include commingled trusts, a limited partnership and private equity.

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The table below presents the balances of plan assets measured at fair value on a recurring basis as of December 31, 2011 and 2010 (in thousands):

	<u>Fair value measurements at December 31, 2011 using</u>			
	<u>Fair value</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Plan assets:				
Cash and cash equivalents	\$ 4,552	\$ 4,552	\$ —	\$ —
Commingled trusts	157,162	—	140,554	16,608
Common stocks	161,056	161,056	—	—
Limited partnership	47,306	—	—	47,306
Private equity	1,833	—	—	1,833
Trust index fund	12,323	—	12,323	—
Mutual funds:				
Domestic equities:				
Large blend	11,671	11,671	—	—
Long-term bond	11,857	11,857	—	—
Intermediate-term bond	68,621	68,621	—	—
Foreign equities:				
Large blend	2,351	2,351	—	—
Total plan assets	<u>\$ 478,732</u>	<u>\$ 260,108</u>	<u>\$ 152,877</u>	<u>\$ 65,747</u>

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Fair value measurements at December 31, 2010 using					
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Plan assets:					
Cash and cash equivalents	\$ 10,288	\$ 10,285	\$ 3	\$ —	
Commingled trusts	121,128	—	110,935	10,193	
Common stocks	206,732	206,732	—	—	
Limited partnership	20,687	—	—	20,687	
Limited liability corporation	20,495	—	20,495	—	
Trust index fund	10,920	—	10,920	—	
Mutual funds:					
Domestic equities:					
Large blend	12,739	12,739	—	—	
Long-term bond	4,099	4,099	—	—	
Intermediate-term bond	72,644	72,644	—	—	
Foreign equities:					
Large blend	2,145	2,145	—	—	
Total plan assets	\$ 481,877	\$ 308,644	\$ 142,353	\$ 30,880	

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The changes in Level 3 plan assets measured at fair value on a recurring basis are summarized as follows (in thousands):

	Fair value measurements using significant unobservable inputs (Level 3)				
	Commingled trust	Common collective trust	Limited partnership	Private equity	Total
Beginning balance at January 1, 2010	\$ 31,740	\$ 43,179	\$ 36,459	\$ —	\$ 111,378
Purchases, sales, and settlements	(21,694)	(44,715)	20,000	—	(46,409)
Level transfers	—	(288)	(36,459)	—	(36,747)
Total gains (realized/unrealized)	147	1,824	687	—	2,658
Ending balance at December 31, 2010	10,193	—	20,687	—	30,880
Purchases, sales, and settlements	8,197	—	24,652	1,845	34,694
Level transfers	—	—	—	—	—
Total gains (realized/unrealized)	(1,782)	—	1,967	(12)	173
Ending balance at December 31, 2011	<u>\$ 16,608</u>	<u>\$ —</u>	<u>\$ 47,306</u>	<u>\$ 1,833</u>	<u>\$ 65,747</u>
Net unrealized gains relating to assets held at December 31, 2010	\$ 147	\$ —	\$ 687	\$ —	\$ 834
Net unrealized gains (losses) relating to assets held at December 31, 2011	\$ (1,783)	\$ —	\$ 1,967	\$ (11)	\$ 173

There were no significant transfers between assets with inputs with quoted prices in active markets for identical assets (Level 1) and assets with inputs with significant other observable inputs (Level 2) during the years ended December 31, 2011 and 2010.

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**(d) Pension Net Asset Valuation**

Alternative investments held in the Plans that are reported at net asset value as a practical expedient for fair value are presented by major category (in thousands):

	<u>Fair value</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Commingled trust (a)	\$ 157,162	Daily, Semi-monthly, Monthly	1 – 15 days
Limited partnership (b)	47,306	Monthly, Quarterly	15 days
Trust index fund (c)	12,323	Monthly	10 days
Private equity (d)	1,833	—	—
Total	<u>\$ 218,624</u>		

- a. This category is comprised of five different fund strategies: 1) An index fund that invests in treasury inflation protected securities. 2) An index fund that invests in U.S. investment grade bonds. 3) An index fund that invests in non-U.S. global equities. 4) An actively managed fund that invests in non-U.S. developed markets equities (Europe, Australia, Asia and Far East) employing a long-term value approach to stock selection. 5) An actively managed fund that invests in emerging market local debt employing a long-term strategy focused on income and capital appreciation.
- b. This category is comprised of an actively managed fund that invests in noninvestment grade bonds employing a long-term strategy focused on income and capital appreciation.
- c. This category is comprised of an index fund that invests in commodity futures.
- d. Private equity investments include both U.S. and foreign investments with strategies that can include debt, venture capital, buyout, real estate, natural resources, and infrastructure. Fair values have been estimated by using either the net asset value per share or the net asset value of GHC's ownership interest in the partners' capital. These funds do not allow GHC to submit redemption requests. Distributions from these funds will be received as the underlying invests are liquidated. Based on the expiration dates of the funds, it is estimated that the underlying assets will be liquidated over the next 3 to 10 years.

At December 31, 2011 and 2010, the Plans have outstanding funding commitments totaling \$17,825,000 and \$0, respectively.

**(10) Retiree Medical Plans**

GHC provides certain medical benefits for eligible retired employees. Employees became eligible for these benefits upon retirement, attainment of a specified age, and upon completion of a certain number of years of service.

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In 2009, GHC completed the curtailment of this benefit. The contribution to the premiums for collective bargaining active employees was discontinued. This resulted in the final phase out of the benefit. In 2008, the phase out of the benefit occurred for the nonunion active employees.

At December 31, 2011 and 2010, net periodic postretirement benefit cost is comprised of interest costs on accumulated benefit obligation of \$2,098,000 and \$2,311,000, respectively.

Amounts recognized in unrestricted net assets consisted of net actuarial losses of \$2,688,000 and \$1,991,000 at December 31, 2011 and 2010, respectively.

GHC's accumulated postretirement benefit obligation (APBO) is unfunded. The APBO is included in the components of the retiree medical benefits liability on the consolidated balance sheets at December 31, 2011 and 2010, and comprises the following components (in thousands):

	<b>2011</b>	<b>2010</b>
Change in accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation –		
beginning of year	\$ 46,266	\$ 64,753
Interest cost	2,098	2,311
Plan amendments/curtailment	(355)	(11,483)
Actuarial loss (gain)	697	(4,993)
Benefits paid	(4,295)	(4,322)
Accumulated postretirement benefit obligation – end of year	\$ 44,411	\$ 46,266
Change in plan assets:		
Employer contributions	\$ 4,295	\$ 4,322
Benefits paid	(4,295)	(4,322)

Future benefit costs were estimated assuming medical costs would increase at a 6.90% annual rate. A 1.00% increase in this annual trend rate would have increased the APBO at December 31, 2011, by \$3,420,000 and the sum of service cost and interest cost for 2011 by \$168,000. A 1.00% decrease in this annual trend rate would have decreased the APBO at December 31, 2011 by \$3,020,000 and the sum of service cost and interest cost for 2011 by \$151,000.

The weighted average discount rate used in determining the APBO was 4.70% in 2011 and 2010. The assumptions used to determine the APBO are measured at year-end. The weighted average discount rate used in determining the net periodic postretirement benefit cost was 4.75% in 2011 and 5.30% in 2010, and is based on beginning of year assumptions.

Expected amounts to be recognized as components of 2012 net periodic postretirement benefit cost are interest cost on projected benefits of \$2,009,000.



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GHC funds the plan as benefit payments are required. The expected benefit payments to be paid, and contributions to be made, in each of the next five years, and in the aggregate for the five fiscal years thereafter, as of December 31, 2011, are as follows (in thousands):

Years ending December 31:		
2012	\$	4,240
2013		4,159
2014		4,068
2015		3,974
2016		3,863
2017 – 2021		<u>17,382</u>
Total	\$	<u><u>37,686</u></u>

The 2010 national Health Care legislation does not have a material impact on the retiree medical plan.

**(11) Commitments and Contingencies**

*(a) Leases*

The Group has various operating leases for land, buildings, and equipment. Total rent expense was \$21,180,000 and \$20,008,000 on these leases in 2011 and 2010, respectively. Total sublease rental revenue was \$3,806,000 and \$2,504,000 in 2011 and 2010, respectively, and is recorded as a component of other revenue. Future minimum rental payments and future minimum sublease rental receipts under noncancelable operating lease and sublease agreements as of December 31, 2011 are as follows (in thousands):

		<u>Minimum sublease rental receipts</u>		<u>Minimum rental payments</u>
Years ending December 31:				
2012	\$	2,802	\$	22,740
2013		2,605		24,200
2014		1,240		21,765
2015		922		19,558
2016		785		21,307
Thereafter		<u>586</u>		<u>33,815</u>
Total	\$	<u><u>8,940</u></u>	\$	<u><u>143,385</u></u>

GHC entered into a sale-leaseback transaction in 2006 involving the sale of its administrative main building located in Tukwila, Washington, and then entered into a 10-year operating lease with the purchaser. The gain on sale was deferred and is being amortized over 120 months with the amortization recorded in other expense in the consolidated statements of operations and changes in

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net assets. The deferred gain is a component of unearned premiums and deposits and other noncurrent liabilities in the consolidated balance sheets in the amount of \$13,370,000 and \$16,288,000 as of December 31, 2011 and 2010, respectively.

**(b) Labor**

Approximately 62% of GHC's employees are covered under collective bargaining agreements. These employees provide nursing and other technical services to GHC. Approximately 45% of the collective bargaining agreements expire in one year. Bargaining disputes could adversely affect GHC.

**(c) Litigation**

The Group is involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates accruals, if any, that are necessary related to these matters. Management believes the recorded amounts are adequate and the ultimate outcome of the matters will not have a material adverse effect on the Group's consolidated financial position or results of operations.

**(d) Government Contracts**

The Group's Medicare business primarily consists of products covered under MA and MA-PD contracts with the federal government. CMS performs coding audits to validate the supporting documentation maintained by health plans and their care providers. These coding audits may result in retrospective payment adjustments to health plans.

**(e) Guarantees**

In December 2005, GHC signed a joint venture agreement with City Investors V LLC, a real estate development company controlled by the Vulcan Corporation, to form Westlake Terry LLC. GHC has a 50% ownership interest in Westlake Terry LLC in the amount of \$3,052,000 and \$4,227,000 as of December 31, 2011 and 2010, respectively. Under the agreement, the joint venture developed two adjacent buildings totaling 319,000 square feet located in Seattle, Washington, with GHC a major tenant of the facility with a 10-year operating lease agreement. GHC, GHO, and the Foundation moved their administrative headquarters to this site in August 2007.

In May 2006, GHC and City Investors V LLC entered into loan guarantees with Westlake Terry, LLC's lenders, relating to its construction and long-term financing. In May 2008, the construction guarantees were eliminated. Management believes the likelihood of performance on the remaining guarantees to be remote and, therefore, has not recorded a related liability.

GHC's guaranty to the lender is now fully nonrecourse, absent fraud or default under certain loan obligations, in which event GHC and City Investors V LLC remain jointly and severally liable for repayment of the loan in full, until the loan has been satisfied.

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*(f) Contingencies*

GHC contracts with the Office of Personnel Management (OPM) as a community-rated carrier under the Federal Employee Health Benefits Program (FEHBP). During 2009, a regularly scheduled audit was conducted by the Office of Inspector General (OIG) on behalf of OPM. In September 2010, GHC received the OIG's audit report with its findings and recommendations that included a defective pricing claim that is estimated at approximately \$31,000,000 plus interest. The audit issues were resolved in April 2012 without a material effect on the Group's consolidated financial statements.

**(12) Federal Income Taxes**

The components of income tax expense for GHO and KPS related to continuing operations and the change in unrestricted net assets for the years ended December 31, 2011 and 2010 are summarized as follows (in thousands):

	<b>2011</b>	<b>2010</b>
Federal income tax expense on operations	\$ 5,684	\$ 3,245
Federal income tax (benefit) included in the change in unrestricted net assets	(963)	(216)
Federal income tax expense	\$ 4,721	\$ 3,029

Federal income tax expense on operations is recognized as a component of other expenses in the consolidated statements of operations and changes in net assets. Federal income tax (benefit) included in the change in unrestricted net assets is recognized as a component of changes in net unrealized investment gains and losses and the change in defined benefit pension and other postretirement plans in the consolidated statements of operations and changes in net assets.

The deferred tax asset is recorded within other current assets and noncurrent assets and the deferred tax liability is recorded as a component of accrued taxes and interest and in other noncurrent liabilities in the accompanying consolidated balance sheets in the following amounts (in thousands):

	<b>2011</b>	<b>2010</b>
Deferred tax asset	\$ 9,526	\$ 10,843
Deferred tax liability	(2,031)	(1,089)
Valuation allowance	(5,915)	(4,917)
Net deferred tax asset	\$ 1,580	\$ 4,837

Deferred tax assets primarily relate to the tax effects of temporary differences associated with pension liabilities, buildings and improvements, postretirement accruals and capital and net operating loss carryforwards. The deferred tax liability results primarily from temporary differences in unrealized investment gains and pension accruals. A valuation allowance has been provided for the net deferred tax asset as management believes it is more likely than not that the entire amount will not be realized.

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At December 31, 2011, the Group has net operating loss carryforwards for federal income tax purposes of \$12,719,000, which expire between 2019 through 2030.

**(13) Endowments**

Endowment funds held at the Foundation consist of approximately 40 individual funds established for a variety of purposes and are all donor-restricted. The change in net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor-restricted endowment assets were \$10,117,000 and \$10,497,000 at December 31, 2011 and 2010, respectively, and are recorded in temporary and permanent restricted net assets.

The State of Washington Uniform Prudent Management of Institutional Funds Act of 2009 (the Act) requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets, the original value of gifts donated to the permanent endowment funds, the original value of subsequent gifts to the permanent endowment fund, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation was added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act, unless otherwise stipulated by the donor. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment funds
- The purposes of the Foundation and the endowment funds
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of GHC and the Foundation
- The investment policy of the Foundation.

The Foundation has adopted spending and investment policies for endowment assets that are consistent with the provisions of the Act.

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Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The Foundation policy limits spending in any calendar year to 5% of the fair market value of the endowments' three-year moving average. The Foundation may in any year choose to spend less than 5%. The Foundation may also choose to charge up to 1% of the endowment market value as an annual management fee. Total annual spending, including both management fee and spending allocations, cannot exceed the 5% limit. Newly received and named endowment funds are invested for one year before disbursements are made.

Under the investment policy, a diversified asset allocation is used consisting of equity securities and cash equivalents.

**(14) Statutory Net Worth**

GHC, GHO, and KPS (the Companies) are required to periodically file financial statements with regulatory agencies in accordance with statutory accounting and reporting practices. The Companies must comply with the minimum regulatory net worth requirements under the regulations of the Washington State Office of the Insurance Commissioner. Such requirements are generally based on 100% risk-based capital. The regulatory net worth, so defined, at December 2011 and 2010 was \$611,054,000 and \$728,162,000, respectively. These balances exceed the minimum regulatory requirements at December 31, 2011 and 2010 by approximately \$574,848,000 and \$691,281,000, respectively.

**(15) Columbia Medical Associates Acquisition**

Effective July 31, 2011, GHC acquired control of CMA. GHC acquired CMA in order to provide a broader integrated system of medical care in the Spokane, Washington market. The transaction was accounted for under the acquisition method of accounting which resulted in a bargain purchase gain of \$1,434,000 and is recorded as a component of other revenue in the consolidated statement of operations and changes in net assets. The fair value of the assets acquired and liabilities assumed at the date of the CMA acquisition was \$3,747,000.

There were two transactions that were recognized separately from the acquisition. Estimated future payments of \$4,284,000 will be made to the prior owners along with a forgiveness of a loan balance of \$2,653,000. These payments are contingent on post-acquisition services in which the consideration payments and loan forgiveness are automatically forfeited if employment terminates.

**(16) Subsequent Events**

Subsequent events are events or transactions that occur after the consolidated balance sheet date but before financial statements are issued that provide additional evidence about conditions that existed at the date of the balance sheet. The Group has evaluated subsequent events for recognition or disclosure through April 13, 2012, the date these consolidated financial statements were issued.



**KPMG LLP**  
Suite 900  
801 Second Avenue  
Seattle, WA 98104

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

The Board of Trustees  
Group Health Cooperative and Subsidiaries  
Seattle, Washington:

We have audited the consolidated financial statements of Group Health Cooperative and Subsidiaries (the Group) as of and for the year ended December 31, 2011, and have issued our report thereon dated April 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the Group is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Group's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Group's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Group's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

April 13, 2012



**KPMG LLP**  
Suite 900  
801 Second Avenue  
Seattle, WA 98104

**Independent Auditors' Report on Compliance with Requirements That  
Could Have a Direct and Material Effect on Each Major Program and on  
Internal Control over Compliance in accordance with OMB Circular A-133**

The Board of Trustees  
Group Health Cooperative and Subsidiaries  
Seattle, Washington:

**Compliance**

We have audited Group Health Cooperative and Subsidiaries' (the Group) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Group's major federal programs for the year ended December 31, 2011. The Group's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Group's management. Our responsibility is to express an opinion on the Group's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Group's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Group's compliance with those requirements.

In our opinion, the Group complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

**Internal Control over Compliance**

Management of the Group is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Group's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Group's internal control over compliance.





A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the consolidated financial statements of the Group as of and for the year ended December 31, 2011, and have issued our report thereon dated April 13, 2012. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

This report is intended solely for the information and use of the board of trustees, management, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

**KPMG LLP**

April 13, 2012

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards

Year ended December 31, 2011

<b>CFDA number</b>	<b>Description</b>	<b>Pass-through entity or award identifying number</b>	<b>Award start date</b>	<b>Award end date</b>	<b>Expenditures</b>
93.226	Agency for Healthcare Research and Quality: Shared Medical Records and Chronic Illness Care	5R01HS016759-04	5/1/2010	4/30/2012	\$ 130,296
93.226	Transforming Primary Care: Evaluating the Spread of Group Health's Medical Home	1R18HS019129-01	7/1/2010	6/30/2011	146,206
93.226	Evaluation of Value-Based Health Plan Design	5R18HS018913-02	7/1/2011	6/30/2012	148,021
93.226	Transforming Primary Care: Evaluating the Spread of Group Health's Medical Home	5R18HS019129-02	7/1/2011	6/30/2012	151,750
93.226	Evaluation of Value-Based Health Plan Design	1R18HS018913-01	8/1/2010	6/30/2011	224,692
93.226	HMORN 2012 AHRQ Conference Grant	1R13HS021018-01	9/1/2011	8/31/2012	8,000
					<u>808,965</u>
93.185	Centers for Disease Control and Prevention: Core – Prospective Population-Based Estimation of Influenza Vaccine Effectiveness and Burden of Disease	1U01IP000466-01	7/1/2011	6/30/2012	224,127
64.RD	Department of Veterans Affairs: Importance of Surgical Specialty on the Utilization of Preoperative Consultation	663-D06067	6/1/2010	3/31/2011	1,936
64.RD	Bariatric Surgery's Return on Investment for Veterans and VHA	VA246-C-0018	11/4/2011	10/31/2012	4,520
64.RD	Spatiotemporal Spread of Newer Antipsychotics for Bipolar Disorder and PTSD	523C18385	6/9/2011	5/8/2012	15,155
64.RD	Organizational Correlates of Adherence to Medication	VA663-D10010	3/14/2011	4/1/2012	32,817
64.RD	Veterans Health Administration (VHA) Patient Centered Medical Home Demo Lab Coordinating Center	VA663-C12059	9/10/2010	8/31/2012	38,017
					<u>92,445</u>
93.510	Health Resources and Services Administration: Affordable Care Act: Primary Care Residency Expansion	1T89HP20829-01-00	9/30/2011	9/29/2012	19,058
93.510	Affordable Care Act: Primary Care Residency Expansion	1T89HP20829-01-00	9/30/2010	9/29/2011	24,209
					<u>43,267</u>
93.RD	National Institutes of Health: Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other than AIDS – 09-0018 Infant Increased TIV – Development	HHSN272200800004C	5/1/2010	10/31/2010	(2,474)
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other Than AIDS – 09-0043 CSL H1N1 – Implementation	HHSN272200800004C	8/1/2009	10/31/2011	185
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other than AIDS – 09-0033 Maternal Influenza – Implementation	HHSN272200800004C	6/7/2009	10/31/2011	364
93.RD	Vaccine & Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other than AIDS – 09-0073 H1N1 HIV – Implementation	HHSN272200800004C	11/1/2009	10/31/2011	610
93.RD	Phase 1/2 Randomized Study of the Safety and Immunogenicity of Vaccination Strategies Using One or Two Clades and Different Schedules Of H5N1 Unadjuvanted, Inactivated Subvirion Influenza Vaccines in H5 Naive Health Adults	HHSN272200800004C	11/1/2007	10/31/2010	1,320

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards

Year ended December 31, 2011

<b>CFDA number</b>	<b>Description</b>	<b>Pass-through entity or award identifying number</b>	<b>Award start date</b>	<b>Award end date</b>	<b>Expenditures</b>
93.RD	Kaiser Tamoxifen & Mammographic Density Study	HHSN261201100441P	8/31/2011	8/30/2012	\$ 1,409
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other than AIDS – 11-0034 Pneumococcal Conjugate Vaccine in Adults > 70	HHSN272200800004C	9/21/2011	10/31/2012	1,714
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 09-0054 H1N1 Children – Implementation	HHSN272200800004C	8/1/2009	10/31/2010	3,251
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other than AIDS – 09-0072 H1N1 Preg Novartis – Implementation	HHSN272200800004C	11/1/2009	10/31/2012	4,776
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other than AIDS – 09-0056 H1N1 Pregnancy – Implementation	HHSN272200800004C	8/30/2009	10/31/2012	11,626
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other than AIDS – 11-0024 Anthrax Vaccine	HHSN272200800004C	9/21/2011	10/31/2012	12,294
93.RD	Breast Cancer Surveillance Consortium Data Resource	HHSN261201100031C	9/1/2011	7/31/2012	16,824
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 05-0048 Material Vaccination Protocol – Implementation	HHSN272200800004C	12/7/2008	10/31/2012	25,816
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other than AIDS – 08-0012 Adolescent HPV	HHSN272200800004C	9/21/2011	10/31/2012	29,939
93.RD	Breast Cancer Prediction Models, Clinicopathologic Characteristics and Survival	HHSN261201100231P	4/25/2011	4/24/2012	38,736
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Eval of Control Measures Against Disease Other than AIDS – Core Option 3	HHSN272200800004C	11/1/2011	10/31/2012	61,710
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other than AIDS – 08-0013 H5N1 Avian Influenza Extension – Implementation	HHSN272200800004C	7/1/2009	10/31/2012	95,691
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other than AIDS – 09-0058 H1N1 Mix Match – Implementation	HHSN272200800004C	8/30/2009	10/31/2012	114,600
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other than AIDS – 09-0002 Smallpox – Implementation	HHSN272200800004C	1/16/2010	10/31/2012	186,114
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Disease Other than AIDS – 09-0005 H1N1 Preg Flu – Implementation	HHSN272200800004C	9/12/2010	10/31/2012	250,910
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Against Disease Other than AIDS	HHSN272200800004C	11/1/2007	10/31/2011	281,833
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other than AIDS – 08-0017 Rotavirus Protocol	HHSN272200800004C	2/1/2009	10/31/2012	291,375
93.RD	Breast Cancer Surveillance Consortium Data Resource	HHSN261201100031C	9/1/2011	7/31/2012	312,913
93.RD	Vaccine And Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other than AIDS – 09-0007 Postpartum Flu	HHSN272200800004C	5/1/2010	10/31/2012	413,076
93.RD	Vaccine and Treatment Evaluation Units (VTEUS): Evaluation of Control Measures Against Diseases Other than AIDS – 10-0017 H5N1 Mix Match	HHSN272200800004C	12/16/2010	10/31/2012	578,141
93.866	Alzheimer's Disease Patient Registry	2U01AG006781-22A1	9/15/2009	8/31/2010	1,536

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards

Year ended December 31, 2011

<b>CFDA number</b>	<b>Description</b>	<b>Pass-through entity or award identifying number</b>	<b>Award start date</b>	<b>Award end date</b>	<b>Expenditures</b>
93.866	MSI Flash: An Rct of Yoga and Ultra-Low Dose Estrogen Gel for Vasomotor Symptoms – Administrative Supplement	5U01AG032682-04	9/1/2011	8/31/2012	\$ 1,819
93.866	Health Care Improvement for Aging Women: Marshall	5T32AG027677-04	5/1/2010	4/30/2011	6,492
93.866	Healthcare Improvement for Aging Women: Seguin	5T32AG027677-04	5/1/2010	4/30/2011	17,092
93.866	Healthcare Improvement for Aging Women: Rillamas-Sun	5T32AG027677-04	5/1/2010	4/30/2011	20,588
93.866	Health Risk Assessment Using Real Time Clinical Data	1R01AG039467-01	9/1/2011	8/31/2012	20,693
93.866	MSI Flash: An Rct of Yoga and Ultra-Low Dose Estrogen Gel for Vasomotor Symptoms – Administrative Supplement	5U01AG032682-03	9/1/2010	8/31/2011	22,751
93.866	Healthcare Improvement for Aging Women: Seguin	5T32AG027677-05	5/1/2011	4/30/2012	28,099
93.866	Healthcare Improvement for Aging Women: Rillamas-Sun	5T32AG027677-05	5/1/2011	4/30/2012	32,574
93.866	Health Care Improvement for Aging Women: Marshall	5T32AG027677-05	5/1/2011	4/30/2012	36,565
93.866	Pharmacoepidemiology in the Elderly: Medications, Pneumonia Risk,	5K23AG028954-05	9/1/2011	8/31/2012	40,189
93.866	Pharmacoepidemiology in the Elderly: Medications, Pneumonia Risk, and Confounding	5K23AG028954-04	9/1/2010	8/31/2011	140,011
93.866	MSI Flash: An Rct of Yoga and Ultra-Low Dose Estrogen Gel for Vasomotor Symptoms	5U01AG032682-04	9/1/2011	8/31/2012	148,006
93.866	Transition to Long-Term Opioid Use Among Older Adults with Chronic Pain	1R01AG034181-01A1	5/15/2010	4/30/2011	148,325
93.866	Oral Contraceptive Use and Fractures Around the Menopausal Transition	5R01AG030086-03	6/1/2010	5/31/2011	221,322
93.866	Oral Contraceptive Use and Fractures Around the Menopausal Transition	5R01AG030086-04	7/1/2011	5/31/2012	273,863
93.866	MSI Flash: An Rct of Yoga and Ultra-Low Dose Estrogen Gel for Vasomotor Symptoms	5U01AG032682-03	9/1/2010	8/31/2011	280,049
93.866	Transition to Long-Term Opioid Use Among Older Adults with Chronic Pain	5R01AG034181-02	6/15/2011	4/30/2012	361,120
93.866	Alzheimer's Disease Patient Registry	5U01AG00781-24	9/1/2011	8/31/2012	417,837
93.866	Alzheimer's Disease Patient Registry	5U01AG006781-23	9/1/2010	8/31/2011	1,713,197
93.847	Translating the DPP in an HMO Setting: Telephone Intervention Planning Grant	5R34DK076555-02	9/1/2010	8/31/2012	185,920
93.837	Long Term Outcomes and Costs of Web-Based Hypotension Care	5R01HL075263-07	12/1/2011	11/30/2012	35,052
93.837	Enhancing Family Based Behavioral Pediatric Obesity Treatment Via Social Networks	1R21HL108349-01A1	8/13/2011	4/30/2012	54,946
93.837	Long Term Outcomes And Costs of Web-Based Hypotension Care	5R01HL075263-06	12/1/2010	11/30/2011	426,988
93.399	The Colonoscopy Lookout Utilization and Effectiveness (C.L.U.E.) Study: CRN Y12 Scholars Pilot Project	5U19CA079689-12	11/1/2010	4/30/2011	(7,065)
93.399	The HMO Cancer Research Network CRN2 Infrastructure the HMOC	5 U19 CA079689-08	3/1/2006	4/30/2007	(3,127)
93.399	Cancer Research Networks Across Healthcare Systems: CRN Scholar Pilot Funds	5U19CA079689-12	6/15/2010	4/30/2011	1,479
93.399	CRN Ovarian IP Diffusion	5U19CA079689-13	5/1/2011	4/30/2012	1,586
93.399	Cancer Research Networks Across Healthcare Systems: CRN Scholar Pilot Funds	5U19CA079689-13	5/1/2011	4/30/2012	1,647
93.399	Media Coverage and Direct-To-Consumer Advertising of Genetic Tests – CRN Y10 Pilot	5U19CA079689-12	6/15/2010	4/30/2011	1,838
93.399	Preventing Errors in the Home Care of Children with Cancer – CRN Y11 Pilot	5U19CA079689-12	6/15/2010	4/30/2011	1,968
93.399	Lymph Node Examination in Colorectal Cancer: Predictors of Adequate Staging and Its Influence on Cancer Survival in Community Practice – CRN Pilot	5U19CA079689-12	6/15/2010	4/30/2011	2,698
93.399	Development of a Model for Predicting Prostate Cancer – CRN Y11 Pilot	5U19CA079689-12	6/15/2010	4/30/2011	4,186
93.399	Comparing Characteristics of CRN Melanoma Cases to the National Seer Database: CRN Y12 Scholars Pilot Project	5U19CA079689-13	5/1/2011	4/30/2012	4,364
93.399	Childhood, Adolescent and Young Adult Cancer Survivors – CRN Y11 Pilot	5U19CA079689-13	5/1/2011	4/30/2012	5,721
93.399	Building a Pharmacovigilance Population-Based Laboratory – CRN3 Administrative Supplement	5U19CA079689-13	5/1/2011	4/30/2012	7,995

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards

Year ended December 31, 2011

<b>CFDA number</b>	<b>Description</b>	<b>Pass-through entity or award identifying number</b>	<b>Award start date</b>	<b>Award end date</b>	<b>Expenditures</b>
93.399	The Colonoscopy Lookout Utilization and Effectiveness (C.L.U.E.) Study: CRN Y12 Scholars Pilot Project	5U19CA079689-13	5/1/2011	4/30/2012	\$ 15,048
93.399	Childhood, Adolescent and Young Adult Cancer Survivors – CRN Y11 Pilot	5U19CA079689-12	6/15/2010	4/30/2011	16,026
93.399	Colonoscopy Adenoma Outcomes as Predicted by Lifestyle Risk Factors: CRN Y12 Scholars Pilot Project	5U19CA079689-12	11/1/2010	4/30/2011	18,056
93.399	Comparing Characteristics of CRN Melanoma Cases to the National Seer Database: CRN Y12 Scholars Pilot Project	5U19CA079689-12	11/1/2010	4/30/2011	18,370
93.399	Cancer Research Network Across Health Care Systems – CRN3 Infrastructure	5U19CA079689-13	5/1/2011	4/30/2012	18,739
93.399	CRN Pilot: Friend To Friend: Colorectal Cancer Screening Discussions Among Members of Social Networks	5U19CA079689-13	5/1/2011	4/30/2012	19,333
93.399	Development of A Versatile Geospatial Database Within the CRN – CRN Pilot	5U19CA079689-12	11/1/2010	4/30/2011	19,792
93.399	Obesity, Diabetes and the Metabolic Syndrome as Risk Factors for Cancer In Young Adults – CRN Pilot	5U19CA079689-12	6/15/2010	4/30/2011	27,247
93.399	CRN Pilot: Does Weight Loss Among Postmenopausal Women Decrease Risk Of Breast Cancer?	5U19CA079689-12	6/15/2010	4/30/2011	30,981
93.399	Colonoscopy Adenoma Outcomes as Predicted by Lifestyle Risk Factors: CRN Y12 Scholars Pilot Project	5U19CA079689-13	5/1/2011	4/30/2012	35,821
93.399	Studying Communication Over the Cancer Care Continuum: A Feasibility Study – CRN Pilot	5U19CA079689-12	6/15/2010	4/30/2011	38,907
93.399	CRN Ovarian IP Diffusion	5U19CA079689-12	11/1/2010	4/30/2011	39,597
93.399	Cancer Research Network Across Health Care Systems – CRN3 Y13 Publications Support	5U19CA079689-13	5/1/2011	4/30/2012	62,061
93.399	CRN Pilot: Diffusion and Quality of Community-Based Radiation Oncology	5U19CA079689-13	5/1/2011	4/30/2012	63,591
93.399	CRN Pilot: Oncologist and Patient Needs on Integrating Cost Issues Into Patient Care: Pilot Interview Study	5U19CA079689-13	5/1/2011	4/30/2012	72,429
93.399	Nonmelanoma Skin Cancer Ascertainment in the HMO Setting – CRN Pilot	5U19CA079689-12	6/15/2010	4/30/2011	79,833
93.399	Building A Pharmacovigilance Population-Based Laboratory – CRN3 Administrative Supplement	5U19CA079689-12	6/15/2010	4/30/2011	98,618
93.399	Cancer Research Network Across Health Care Systems – CRN3 Health Literacy	5U19CA079689-12	6/15/2010	4/30/2011	130,592
93.399	CRN3 Administrative Supplement: Developing an HMORN Collaboratory	3U19CA079689-13S2	5/1/2011	4/30/2012	199,523
93.399	Cancer Research Network Across Health Care Systems – CRN3 Health Literacy	5U19CA079689-13	5/1/2011	4/30/2012	253,028
93.399	CRN3 Administrative Supplement: Developing an HMORN Collaboratory	3U19CA079689-12S2	6/15/2010	4/30/2011	354,385
93.399	Cancer Research Network Across Health Care Systems – CRN3 Infrastructure	5U19CA079689-12	6/15/2010	4/30/2011	1,360,106
93.399	Cancer Research Network Across Health Care Systems – CRN3 Infrastructure	5U19CA079689-13	5/1/2011	4/30/2012	1,409,606
93.397	Studying Colorectal Cancer Effectiveness of Screening Strategies (Success)	1U54CA163261-01	9/20/2011	8/31/2012	168,052
93.393	Algorithms to Identify Second Breast Cancer Events from Electronic Data	1R21CA143242-01	1/4/2010	12/31/2010	(8,193)
93.393	Assessing the Impact of Colorectal Cancer Screening	5U01CA097427-08	8/1/2009	7/31/2011	2,888
93.393	Risk of Non-Hodgkin's Lymphoma in Relation to Tricyclic Antidepressant Use	1R03CA15635701A1	9/1/2011	8/31/2012	6,036
93.393	Breast Cancer Surveillance in a Defined Population	5U01CA063731-15	8/1/2009	7/31/2011	9,777
93.393	Optimizing an Online Motivational Tobacco Cessation Program	5R01CA138598-02	1/1/2010	12/31/2010	14,211
93.393	Multi Center Study of Pancreatic Cancer Etiology	5R01CA102765-05	5/1/2008	4/30/2011	16,019
93.393	Statistical Coordinating Center for the Breast Cancer Surveillance Consortium	5U01CA086076-10	8/1/2009	7/31/2011	17,322
93.393	Risk-Based Breast Cancer Screening in Community Settings	1P01CA154292-01A1	9/27/2011	8/31/2012	32,186
93.393	Risk-Based Breast Cancer Screening in Community Settings	1P01CA154292-01A1	9/27/2011	8/31/2012	34,815
93.393	Estimating the Cumulative Risk of a False-Positive Screening Mammogram	1R03CA150007-01	6/1/2010	5/31/2011	39,391
93.393	Estimating the Cumulative Risk of a False-Positive Screening Mammogram	5R03CA150007-02	6/1/2011	5/31/2012	43,750

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93.393	Breast Cancer Surveillance in a Defined Population-Bridge Funding	3U01CA063731-15S2	8/1/2009	7/31/2011	\$ 44,021
93.393	Systems of Support (SOS) to Increase Colon Cancer Screening and Follow-Up	3R01CA121125-05S1	7/1/2011	5/31/2012	46,482
93.393	Mammographic Breast Density and Ovarian Cancer	1R03CA159080-01	4/1/2011	3/31/2012	59,372
93.393	Risk-Based Breast Cancer Screening in Community Settings	1P01CA154292-01A1	9/27/2011	8/31/2012	64,684
93.393	Oral Contraceptive Use by Formulation and Breast Cancer Risk by Subtype	5R03CA141485-02	7/1/2010	6/30/2012	65,993
93.393	Breast Cancer Surveillance in a Defined Population – Supplement	3U01CA063731-15S3	8/1/2009	7/31/2011	92,245
93.393	Commonly Used Medications & Breast Cancer Recurrence	5R01CA120562-05	8/1/2011	7/31/2012	153,892
93.393	Algorithms to Identify Second Breast Cancer Events From Electronic Data	5R21CA143242-02	1/1/2011	6/30/2012	186,141
93.393	Systems of Support (SOS) To Increase Colon Cancer Screening and Support	5R01CA121125-04	6/1/2010	5/31/2011	236,339
93.393	Statistical Coordinating Center for the Breast Cancer Surveillance Consortium	3U01CA086076-10S2	8/1/2009	7/31/2011	250,519
93.393	Commonly Used Medications & Breast Cancer Recurrence	5R01CA120562-04	8/1/2010	7/31/2011	254,639
93.393	Systems of Support (SOS) to Increase Colon Cancer Screening and Support	5R01CA121125-05	6/1/2011	5/31/2012	264,335
93.393	Optimizing an Online Motivational Tobacco Cessation Program	5R01CA138598-03	1/1/2011	12/31/2011	539,761
93.279	Long-Term Opioid Management of Chronic Pain: Trends and Risks	5R01DA022557-04	5/1/2009	4/30/2011	30,104
93.273	Collaborative Care for Primary Care Patients with Alcohol Use Disorders	5R01AA018702-03	9/1/2011	8/31/2012	152,722
93.273	Collaborative Care for Primary Care Patients with Alcohol Use Disorders	7R01AA018702-02	7/25/2011	8/31/2011	215,151
93.242	Prevention Needs HIV+ Persons Awaiting Release From Prison	5R03MH082630-02	12/1/2008	11/30/2010	(1,261)
93.242	Pilot Trial of Depression Care by Electronic Secure Messaging	5R21MH082924-02	8/1/2009	7/31/2011	11,075
93.242	Step Up Wellness Program for Depression Physical Inactivity and Smoking	5R34MH080658-03	6/1/2009	5/31/2011	12,527
93.242	Mental Health Research Network: Practice Variation in High – and Low-Value Treatments for Mood Disorders	1U19MH092201-01	9/24/2010	7/31/2011	16,914
93.242	Modeling Adherence to Psychotherapy for Depression	5R01MH081112-02	6/1/2009	5/31/2011	19,708
93.242	Patient Centered Interventions for Mood Disorders	5P20MH068572-05	7/1/2009	6/30/2011	25,220
93.242	Mental Health Research Network: Feasibility of Behavioral Activation Therapy for Prenatal Depression	1U19MH092201-01	9/24/2010	7/31/2011	26,678
93.242	Mental Health Research Network: Practice Variation in High – and Low-Value Treatments for Mood Disorders	5U19MH092201-02	8/1/2011	7/31/2012	28,656
93.242	Step Up Wellness Program for Depression Physical Inactivity and Smoking	5R34MH080658-03	6/1/2009	5/31/2011	53,554
93.242	Mental Health Research Network: Feasibility of Behavioral Activation Therapy for Prenatal Depression	5U19MH092201-02	8/1/2011	7/31/2012	61,136
93.242	Mental Health Research Network: Longitudinal Analysis of Ssri Warnings and Suicidality Among Youth (LASSY)	5U19MH092201-02	8/1/2011	7/31/2012	61,837
93.242	Mental Health Research Network: A Geographically and Ethnically Diverse Autism Registry for Effectiveness Studies	5U19MH092201-02	8/1/2011	7/31/2012	74,642
93.242	Community-Based Self-Management of HIV & Chronic Disease	5R01MH074380-04	3/1/2010	2/28/2011	95,011
93.242	Patient Portal to Support Treatment Adherence	5R01MH081750-03	3/1/2010	2/28/2011	107,292
93.242	Antidepressant Treatment and Risk of Obesity	5R01MH083671-03	7/1/2011	6/30/2012	166,952
93.242	Mental Health Research Network: A Population-Based Approach to Transform Research – Infrastructure	5U19MH092201-02	8/1/2011	7/31/2012	214,136
93.242	Mental Health Research Network: Longitudinal Analysis of Ssri Warnings And Suicidality Among Youth (Lassy)	1U19MH092201-01	9/24/2010	7/31/2011	236,205
93.242	Mental Health Research Network: A Geographically and Ethnically Diverse Autism Registry for Effectiveness Studies	1U19MH092201-01	9/24/2010	7/31/2011	273,894
93.242	Antidepressant Treatment and Risk of Obesity	5R01MH083671-02	7/1/2010	6/30/2011	285,488
93.242	Organized Self-Mgmt Supp Services for Chronic Depression	5R01MH082995-02	5/1/2010	4/30/2011	316,300
93.242	Patient Portal to Support Treatment Adherence	5R01MH081750-04	3/1/2011	2/29/2012	431,577

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93.242	Community-Based Self-Management of HIV & Chronic Disease	5R01MH074380-05	3/1/2011	2/29/2012	\$ 458,288
93.242	Organized Self-Mgmt Supp Services for Chronic Depression	5R01MH082995-03	5/1/2011	4/30/2012	528,197
93.242	Mental Health Research Network: A Population-Based Approach to Transform Research – Infrastructure	1U19MH092201-01	9/24/2010	7/31/2011	831,575
93.213	Measuring Patient Expectations for CAM Therapies	1R01AT005809-01	12/1/2009	11/30/2010	(11,514)
93.213	Effect of Massage On Chronic Low Back Pain	5R01AT001927-04	9/1/2008	8/31/2010	(4)
93.213	Measuring Patient Expectations for CAM Therapies	5R01AT005809-03	12/1/2011	11/30/2012	12,887
93.213	Outcomes of Community Naturopathic Medical Care for Type 2 Diabetes	5R21AT004536-03	3/1/2010	2/28/2012	45,713
93.213	Outcomes of Community Naturopathic Medical Care for Type 2 Diabetes	3R21AT004536-03S1	4/1/2010	2/28/2012	62,287
93.213	Effect of Yoga Versus Stretching on Chronic Back Pain	5U01AT003208-04	9/1/2009	8/31/2012	134,278
93.213	Comparison of CAM and Conventional Mind-Body Therapies for Chronic Back Pain	1R01AT006226-01A1	8/1/2011	5/31/2012	147,101
93.213	Dosing Study of Massage for Neck Pain	5R01AT004411-02	3/1/2010	2/28/2011	167,405
93.213	Measuring Patient Expectations for CAM Therapies	5R01AT005809-02	12/1/2010	11/30/2011	401,503
93.213	Dosing Study of Massage for Neck Pain	5R01AT004411-03	3/1/2011	2/29/2012	673,972
93.172	Genetic Discovery and Application in a Clinical Setting: Continuing a Partnership	1U01HG006375-01	8/15/2011	7/31/2012	68,458
93.172	Development and Use of Network Infrastructure for High Throughput Gwa Studies – Phenotype Administrative Support	3U01HG004610-04S1	8/1/2010	7/31/2011	93,775
93.172	Development and Use of Network Infrastructure for High Throughput Gwa Studies	5U01HG004610-04	8/1/2010	8/14/2011	547,685
					<u>21,484,567</u>
	Agency for Healthcare Research and Quality:				
	ABT Associates Inc.:				
93.RD	Multi-Media Resources: Self Management Support Guidance for Primary Care Clinicians and Patients	25296	1/1/2010	12/31/2011	59,963
93.RD	Support and Evaluation Resource Program for Research Centers of Excellence in Clinical Preventative Services	SUB 29498	12/8/2011	9/22/2012	4,507
	Harvard Pilgrim Health Care:				
93.226	HMO Research Network Cert III – Infrastructure	5U18HS016955	9/1/2010	8/31/2011	54,947
93.RD	Expansion of the Decide Distributed Research Network INFRA – Structure to Support Studies of Comparative Effectiveness – Phase II	HHSA29020050033I-TO12	12/16/2009	12/31/2011	49,295
	Kaiser Permanente Division of Research:				
93.RD	The Impact of Intensive Versus Usual Glucose Control and Multiple Risk Factor Intervention Approaches in Individuals with Type 2 Diabetes	115-9375-01	9/22/2009	7/31/2011	60,973
	Seattle Children’s Hospital:				
93.226	Predicting Success in Implementing a Distance Q1 Intervention for Asthma	10235SUB	8/1/2010	7/31/2011	8,948
93.226	Predicting Success in Implementing a Distance Q1 Intervention for Asthma	10329SUB	8/1/2011	7/31/2012	4,182
	University of Washington:				
93.226	Training Doctors to Disclose Unanticipated Outcomes to Patients	5R01HS016506-03	9/30/2010	9/29/2011	12,176
93.226	Training Doctors to Disclose Unanticipated Outcomes to Patients	5R01HS016506-04	9/30/2011	9/29/2012	1,761
					<u>256,752</u>

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	Centers for Disease Control and Prevention:				
	Americas Health Insurance Plan:				
93.RD	Vaccine Safety Datalink Elective Activity A Children	200-2002-00732	10/1/2011	9/19/2012	\$ 133,813
93.RD	Vaccine Safety Datalink Elective Activity A Children	200-2002-00732	10/1/2010	9/30/2011	479,101
93.RD	Vaccine Safety Datalink Elective Activity B Adults	200-2002-00732	10/1/2011	9/19/2012	107,981
93.RD	Vaccine Safety Datalink Elective Activity B Adults	200-2002-00732	10/1/2010	9/30/2011	311,919
93.RD	Population-Based Surveillance for Influenza and Adverse Events Potentially Associated with Receipt of Medical Countermeasures for Seasonal and Pandemic Influenza	200-2002-00732	10/1/2006	9/19/2012	213,664
93.RD	Vaccine Safety Datalink Elective Activity A Children	200-2002-00732	7/1/2010	6/30/2011	45,545
93.RD	Vaccine Safety Datalink Elective Activity B Adults	200-2002-00732	7/1/2010	6/30/2011	45,517
	Center for Health Training:				
93.260	The Impact of Chlamydia Control Programs on Chlamydia Prevalence, Chlamydia Reinfection Rates, and Reproductive Outcomes	6FPTPA100014-27	1/1/2011	6/30/2011	25,559
	Fred Hutchinson Cancer Research Center:				
93.283	Prevention of Ovarian Cancer in Women Participating in Mammography	0000678606	9/30/2009	9/29/2011	10,298
	Logistics Health Incorporated				
93.RD	Modeling Vaccination Strategies for Serogroup A Meningococcal Disease In Africa	797VE0001	7/1/2011	6/30/2012	35,087
	Public Health – Seattle & King County:				
93.283	Reach (Racial And Ethnic Approaches to Community Health) Across the US	T03412	7/1/2011	9/29/2011	10,000
93.283	Reach (Racial And Ethnic Approaches to Community Health) Across the US	T03412T	9/30/2011	9/29/2012	4,416
	Public Health Institute				
93.055	Evaluation of National Applied Public Health Leadership Training Program	1017323	9/1/2011	8/31/2012	7,945
	Seattle Children's Hospital:				
93.945	Search for Diabetes in Youth	10277SUB	9/30/2010	9/29/2011	6,706
93.945	Search for Diabetes in Youth	10398SUB	9/30/2011	9/29/2012	2,336
	University of Washington:				
93.069	NW Preparedness and Emergency Response Learning Center	708507	1/1/2011	9/29/2011	10,000
93.069	NW Preparedness and Emergency Response Learning Center	728246	9/30/2011	3/31/2012	3,044
93.135	Alliance for Reducing Cancer, Northwest (ARC NW)	705191	9/30/2010	9/29/2011	10,525
93.135	Alliance for Reducing Cancer, Northwest (ARC NW)	727366	9/30/2011	9/29/2012	3,217
93.249	Public Health Training Center	708501	1/1/2011	8/31/2011	8,876
					<u>1,475,549</u>
	Corporation for National & Community Service				
	Foundation for a Healthy Kentucky				
94.019	Kentucky Healthy Futures Initiative – Social Innovation Fund	10SIHKY001	1/1/2011	12/31/2011	87,962
	Department of Defense:				
	University of Washington:				
12.800	Data Investigation of Bariatric Surgery Outcome and Economic Savings	602001	10/1/2008	9/30/2011	16,901
	University of Wisconsin				
12.420	Total Xenoestrogen Body Burden in Relation to Mammographic Density, A Marker of Breast Cancer Risk	024K220	9/15/2007	10/14/2011	9,994
					<u>26,895</u>



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	Food and Drug Administration:				
	Harvard Pilgrim Health Care:				
93.RD	Detection and Analysis of Adverse Events Related To Regulated Products In Automated Healthcare Data (Efforts to Develop the Sentinel Initiative) – Sequential Testing Methods Development	HHSF223200910006I	4/1/2010	7/31/2011	\$ 91,335
93.RD	Detection a Analysis of Adverse Events Related to Regulated Products In Automated Healthcare Data (Efforts to Develop the Sentinel Initiative) Review of the Evidence for Selected Health Outcomes of Interest (HOIS)	HHSF223200910006I	4/1/2010	7/31/2011	8,003
93.RD	Efforts to Develop the Sentinel Initiative: Protocol for Active Surveillance Of Medical Product-Related Acute Myocardial Infarction Work Group	HHSF223200910006I	4/1/2010	7/31/2011	97
93.RD	Efforts To Develop the Sentinel Initiative-Activity 2: Prepare Summary Tables for Distributed Menu-Driven Queries/Test Modular Programs	HHSF223200910006I	9/23/2010	9/22/2011	18,359
93.RD	Efforts to Develop the Sentinel Initiative-Activity 3: Establish Capacity for Timely Response to MSCC Activities	HHSF223200910006I	9/23/2010	9/22/2011	20,195
93.RD	Efforts to Develop the Sentinel Initiative-Activity 4: MSCDM Expansion to Incorporate Clinical Data in MSCDM	HHSF223200910006I	9/23/2010	9/22/2011	5,864
93.RD	Efforts to Develop the Sentinel Initiative-Activity 5: MSDD Augmentation with Clinical Data	HHSF223200910006I	9/23/2010	9/22/2011	21,453
93.RD	Efforts to Develop the Sentinel Initiative-Activity 1: Updating MSCDM Quarterly	HHSF223200910006I	9/23/2010	9/22/2011	105,793
93.RD	Efforts to Develop the Sentinel Initiative: Data Holder Common Data Model Infrastructure Activity 5	HHSF223200910006I	4/1/2010	7/31/2011	29,241
93.RD	Efforts to Develop the Sentinel Initiative: Data Holder Common Data Model Infrastructure Activity 6	HHSF223200910006I	4/1/2010	7/31/2011	24,400
93.RD	Detection and Analysis of Adverse Events Related to Regulated Products In Automated Healthcare Data. Efforts to Develop the Sentinel Initiative (Year 3 Base Activity 1. Update MSCDM Quarterly)	HHSF22301009T	9/23/2011	9/22/2012	78,922
93.RD	HMORN CERT Epidemiological Studies of the Adverse Effects of Marketed Drugs: Medication Exposure in Pregnancy Risk Evaluation Program (MEPREP)	HHSF223200510012C-COA7	10/1/2010	9/30/2011	16,657
93.RD	HMO Research Network CERT III – ADR Antiepileptic HMORN CERT Epidemiological Studies of the Adverse Effects of Marketed Drugs: Medication Exposure in Pregnancy Risk Evaluation Program (MEPREP)	HHSF223200510012C-COA10	9/15/2010	7/31/2011	27,836
93.RD	HMORN CERT Epidemiological Studies of the Adverse Effects of Marketed Drugs: Medication Exposure in Pregnancy Risk Evaluation Program (MEPREP)	HHSF223200510012C-COA7	10/1/2010	9/30/2011	21,357
93.RD	Efforts to Develop the Sentinel Initiative: Detection and Analysis of Adverse Events Related to Regulated Products in Automated Healthcare Data	HHSF223200910006I	4/1/2010	7/31/2011	6,114
93.RD	Efforts to Develop the Sentinel Initiative: Incorporating Prism into FDA's Routine Vaccine Safety Monitoring System	HHSF223200910006I	9/14/2010	1/31/2012	144,775
93.RD	Mini-Sentinel Task Order: Signal Refinement of Angiodema Events in Association with Use of Drugs that Act on the Renin-Angiotensin- Aldosterone System	HHSF223200910006I	6/1/2011	3/31/2012	596
93.RD	Feasibility of Studying Adverse Events Associated with Bisphosphonates	HHSF223201000008I	9/12/2011	1/31/2012	3,702
93.RD	A Pilot Study for the Identification of Severe Cutaneous Reactions and Genomic Risk Factors in Users of Antiepileptic	HHSF223201000009I	9/9/2011	9/8/2012	16,887
93.RD	Systemic Sulfonamide Use During Pregnancy and the Risk of Selected Congenital Abnormalities in the Offspring	621641	9/14/2011	8/31/2012	7,908
93.RD	Detection and Analysis of Adverse Events Related to Regulated Projects.				

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93.RD	In Automated Healthcare Data. Efforts to Develop the Sentinel Initiative:				
93.RD	Signal Refinement of a New Molecular Entity: Asenapine	HHSF223200910006I	9/1/2011	2/28/2012	\$ 9,516
93.RD	Foundational Elements: Case Identification, Validation, and Adjudication of Severe Liver Injury	621801	8/1/2011	7/31/2012	756
					<u>659,766</u>
	Health Resources and Services Administration:				
	University of Washington:				
93.249	Public Health Training Center	728249	9/1/2011	8/31/2012	3,946
					<u>3,946</u>
	National Institutes of Health:				
	Black Hills Center for American Indian Health:				
93.837	Web-Based, Patient-Centered Approach to Cvd Risk-Factor Management and Reduction	5U01HL087422-05	7/1/2010	6/30/2011	3,388
	Boston Medical Center:				
93.393	Long-Term Survivorship in Older Women with Early Stage Breast Cancer	0268301	8/1/2010	7/31/2011	55,151
93.393	Long-Term Survivorship in Older Women with Early Stage Breast Cancer	0268301	8/1/2011	7/31/2012	18,637
	Center for Health Research, Kaiser Foundation Portland				
93.393	Medical Care Burden of Cancer System and Data Issues	5R01CA114204-04	6/1/2010	5/31/2012	40,606
	CPM Systems Inc				
93.273	Online Biopsychosocial Assessment and Intervention for Alcohol Misuse	1R43AA019877-01	9/23/2011	9/22/2012	5,404
	Dana Farber Cancer Institute:				
93.393	Cancer Care Outcomes Research and Surveillance (CANCORS)	1156907	8/1/2010	7/31/2011	39,111
93.393	Cancer Care Outcomes Research and Surveillance (CANCORS)	1156908	8/1/2011	7/31/2012	28,577
	Dartmouth College:				
93.393	Effectiveness of Pre-Operative MRI in Breast Cancer Surgery and Outcomes	897	9/1/2011	7/31/2012	26,094
	Fred Hutchinson Cancer Research Center:				
93.393	Acceptance & Commitment Therapy for Smoking Cessation	0000693802	7/1/2010	4/30/2011	114,776
93.393	Acceptance & Commitment Therapy for Smoking Cessation	712177	5/1/2011	4/30/2012	224,727
93.866	Objective Measurement of Vasomotor Symptoms in Msflash Field Pilot Study (MSflash00B)	0000687479-00B	9/1/2010	8/31/2011	1,214
93.866	MSI Flash: An Rct of Yoga and Ultra Low-Dose Estrogen Gel for Vasomotor Symptoms	0000701319-02	10/1/2010	8/31/2011	219,619
93.866	MSI Flash: An Rct of Yoga and Ultra Low-Dose Estrogen Gel for Vasomotor Symptoms – Intervention	0000701319-02	9/1/2011	8/31/2012	98,928
93.866	MSI Flash: An Rct of Yoga and Ultra Low-Dose Estrogen Gel for Vasomotor Symptoms – Centralized Purchases	0000701320	10/1/2010	8/31/2011	196,099
93.866	MSI Flash: An Rct of Yoga and Ultra Low-Dose Estrogen Gel for Vasomotor Symptoms – Centralized Purchases	0000701320	9/1/2011	8/31/2012	43,549
	Georgetown University:				
93.393	CISNET: The "Spectrum" of Breast Cancer Disparities	RX4442-013-GHRI	9/1/2010	8/31/2011	32,851
	Henry Ford Health System:				
93.393	Statins & Lymphoid Malignancy Risk in a Large Multi-Site Population-Based Cohort	1R01CA140754-01A1	4/1/2010	1/31/2012	75,906

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	Kaiser Foundation Health Plan of Colorado:				
93.393	CRN Clinical Communication Research Center – Testing an Optimal Model Of Patient-Centered Cancer Care	C SIGN 72013	9/1/2010	8/31/2011	\$ 256,644
93.393	CRN Clinical Communication Research Center – Testing an Optimal Model Of Patient-Centered Cancer Care	5P20CA137219-04	9/1/2011	8/31/2012	103,049
93.393	CRN Clinical Communication Research Center – Effective Communication for Preventing And Responding to Oncology Adverse Events	CSIGN 77640	9/1/2010	8/31/2011	34,910
93.393	CRN Clinical Communication Research Center – Effective Communication for Preventing and Responding to Oncology Adverse Events	5P20CA137219-04	9/1/2011	8/31/2012	20,079
	Kaiser Permanente Division of Research, Oakland:				
93.837	HMO Research Network Cardiovascular Research Network	115-9337-04-M4	7/1/2010	6/30/2011	34,362
93.837	HMO Research Network Cardiovascular Research Network	115-9337-04-M5	7/1/2011	6/30/2012	14,517
	Seattle Institute for Biomedical Research:				
93.866	Mci, Insulin, and Cholesterol in a Community Based Sample	CS120GHC-04	4/1/2009	3/31/2010	(30)
93.866	Mci, Insulin, and Cholesterol in a Community Based Sample	CS120 GHC-05	4/1/2010	3/31/2012	107,771
	Seattle Children’s Hospital:				
93.242	Adolescent Collaborative Care Treatment for Depression	10008SUB	8/24/2009	5/31/2012	673,399
	Sloan Kettering Institute:				
93.393	Population Based Colonoscopy Screening Feasibility Trial	BD513663	5/1/2010	4/30/2011	68,544
93.393	Population Based Colonoscopy Screening Feasibility Trial	BD514323	5/1/2011	4/30/2012	41,125
93.393	Modeling Effective Health Policies for Colorectal Cancer	BD513863	9/1/2010	8/31/2011	183,745
93.393	Modeling Effective Health Policies for Colorectal Cancer	BD514501	9/1/2011	8/31/2012	115,018
93.393	Observational Studies of Colonoscopy: Exploring the Use of Authomated Data	BD513485	9/1/2010	8/30/2012	4,510
	Stanford University:				
93.279	Exploratory/Developmental Study of Pharmacogenetic Smoking Cessation Therapy	24063240-45521-A	7/15/2009	3/31/2012	75,845
	University of Alabama				
93.846	Activating Patients to Reduce Osteoporosis Propensity	000401948-005	9/1/2011	8/31/2012	1,323
	University of Alaska, Fairbanks:				
93.172	Ethics of Dissemination: Communicating with Participants about Genetics Research	FP13241	9/20/2010	7/31/2011	25,258
93.172	Ethics of Dissemination: Communicating with Participants About Genetics Research	UAF 11-0077	8/1/2011	7/31/2012	22,530
	University of California, Davis:				
93.393	Screening Mammography in Elderly Women Using Linked BCSC Medicare Data	SUB0900264	6/17/2010	5/31/2011	15,058
93.393	Validation of Medicare Claims Data for Mammography	201015203-01	4/1/2011	3/31/2012	85,471
	University of California, San Francisco:				
93.393	Radiation Exposure from Medical Imaging: Are Doses in Carcinogenic Range?	5311SC	9/1/2009	8/31/2011	8,028
93.393	Risk of Cancer with Incidental Findings Identified on Ultrasound Imaging	5543SC	4/1/2010	3/31/2012	22,340
93.398	Risk of Cancer in Incidental Findings Identified on Ultrasound Imaging	5334SC	9/1/2009	6/30/2011	23,944
93.398	Risk of Cancer in Incidental Findings Identified on Ultrasound Imaging	5334SC	7/1/2011	6/30/2012	12,312
	University of Minnesota:				
93.837	Evaluating Innovative Weight Reduction Strategies for College Students	5U01HL096767-03	6/1/2011	5/31/2012	10,099

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Schedule of Expenditures of Federal Awards

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<b>CFDA number</b>	<b>Description</b>	<b>Pass-through entity or award identifying number</b>	<b>Award start date</b>	<b>Award end date</b>	<b>Expenditures</b>
	University of Washington:				
93.242	A Randomized Trial of Liaison Psychiatry in Primary Care	404140	9/1/2006	7/31/2012	\$ 300,284
93.242	Assessment of Adherence in Clinical Care	591587	11/1/2008	8/31/2011	47,336
93.242	For Moms: Culturally Relevant Treatment for Prenatal Depression	657735	6/15/2009	1/31/2012	23,187
93.273	Collaborative Care for Primary Care Patients with Alcohol Use Disorders	707213	9/25/2010	3/27/2011	6,144
93.389	Institutional and Clinical Translational Science Award (U54)	476960	9/17/2007	5/31/2008	(3,270)
93.389	Institutional and Translational Science Award (U11)	662808	6/1/2009	5/31/2010	(2,179)
93.389	Institutional and Translational Science Award (U11)	705905	6/1/2010	5/31/2011	238,612
93.389	Institutional and Translational Science Award (U11) – Eastern Washington Survey	724980	6/1/2011	5/31/2012	191,936
93.389	Reducing Disparities and Improving Care For Depression in OB-GYN Clinics	664323	8/1/2009	3/31/2012	19,088
93.389	Institutional and Translational Science Award (U11) – Eastern Washington Survey	724980	6/1/2011	5/31/2012	59,162
93.389	Institute for Translational Health Science (U11) – Primer Research Toolkit:				
	Evaluation, Enhancement and Sustainability	3UL1RR025014-05S1	6/1/2011	5/31/2012	25,424
93.393	Understanding Variability in Community Mammography	879723	6/1/2005	4/30/2011	10,894
93.393	Modeling Breast Cancer Recurrence Using New Statistical Methods for Semi-Markov P				
93.398	Risk of Non-Hodgkin's Lymphoma in Relation to Tricyclic Antidepressant Use	727678	9/1/2011	8/31/2012	16,525
93.398	Efficacy of Cervical Cancer Screening to Prevent Cervical Cancer Mortality Among Women Ages 55-79 Years: Population-Based, Case-Control Study	693787	7/1/2010	7/31/2011	6,528
93.837	Genome Wide Case Only Study to Identify HTN Drug Gene Interactions	721013	7/1/2011	6/30/2012	7,688
93.837	Genome Wide Case Only Study to Identify HTN Drug Gene Interactions	448521	9/15/2007	6/30/2008	(7,836)
93.839	Estrogens and Pharmacogenetic Risks of Venous Thrombosis in Post Menopausal Women	702087	7/1/2010	8/31/2012	156,401
93.839	Estrogens and Pharmacogenetic Risks of Venous Thrombosis in Post Menopausal Women	700648	6/1/2010	5/31/2011	12,620
93.839	Pharmacologic and Pharmacogenetic Associations with Recurrent Venous Thrombosis	723746	6/1/2011	5/31/2012	40,097
93.846	Patient Reported Outcomes in Routine Clinical Care of Patients Infected with HIV	607361	9/26/2008	7/31/2012	185,099
93.846	Patient Reported Outcomes in Routine Clinical Care of Patients Infected with HIV	701089	8/1/2010	7/31/2011	40,638
93.847	Feasibility, Efficacy, and Mechanisms of Surgical VS Medical Diabetes Treatment	728270	8/1/2011	7/31/2012	26,661
93.847	Food Environment, Diet Quality, and Disparities in Obesity II	703348	8/18/2010	6/30/2012	334,865
93.848	Food Environment, Diet Quality, and Disparities in Obesity	720806	4/15/2011	2/29/2012	17,531
93.853	Statistical Support to the Pacific Northwest UDALL Center (PANUC)	495904	3/1/2008	2/28/2011	16,161
93.859	Pharmacogenetics in Rural and Underserved Populations	707162	1/1/2011	7/31/2011	14,932
93.859	Pharmacogenetics in Rural and Underserved Populations	697265	7/1/2010	6/30/2011	77,424
93.866	Cognitive Behavioral Therapy for Arthritis Pain and Insomnia in Older Adults	724307	7/1/2011	6/30/2012	64,714
		580219	9/1/2008	7/31/2012	236,252

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<b>CFDA number</b>	<b>Description</b>	<b>Pass-through entity or award identifying number</b>	<b>Award start date</b>	<b>Award end date</b>	<b>Expenditures</b>
93.866	Pharmaconeuro pathology of Brain Aging and Dementia	715857	3/15/2011	2/29/2012	\$ 32,759
					<u>5,380,165</u>
	National Institutes of Health:				
93.701	ARRA – Can Longitudinal Population-Based Data Help to Personalize Depression Treatment?	5R01MH085930-02	6/1/2010	5/31/2012	196,310
93.701	ARRA – Promoting Oral Health Among Tobacco Users: A Pilot Feasibility Study	5R21DE019525-02	8/1/2010	7/31/2012	155,220
93.701	ARRA – Assessing the Impact of Colorectal Cancer Screening	3U01CA097427-08S1	8/1/2009	7/31/2011	91,823
93.701	ARRA – Systems of Support (SOS) to Increase Colon Cancer Screening and Follow-Up	3R01CA121125-03S1	8/1/2009	7/31/2011	31,223
93.701	ARRA – Search: Cancer Screening Effectiveness and Research in Community-Based Healthcare	1RC2CA148576-01	9/30/2009	8/31/2010	(411)
93.701	ARRA – Search: Cancer Screening Effectiveness and Research in Community-Based Healthcare	5UC2CA148576-02	9/1/2010	8/31/2012	1,234,409
93.701	ARRA – Multi-Center Study of Pancreatic Cancer Etiology	3R01CA102765-05	9/30/2009	9/29/2011	46,343
93.701	ARRA – Collaborative Behavioral E-Care to Decrease Cardiovascular Risk (E-Compare)	5RC1HL100590-02	8/1/2010	7/31/2012	387,354
93.701	ARRA – Commonly Used Medications and Breast Cancer Recurrence	3R01CA120562-03S1	9/30/2009	9/29/2011	73,756
93.701	ARRA – Statistical Coordinating Center for the Breast Cancer Surveillance Consortium	3U01CA086076-10S1	9/30/2009	9/29/2011	64,357
93.701	ARRA – Natural Language Processing for Cancer Research Network Surveillance Studies	1RC1CA146917-01	9/30/2009	8/31/2010	(322)
93.701	ARRA – Natural Language Processing for Cancer Research Network Surveillance Studies	5RC1CA146917-02	9/1/2010	8/31/2012	433,266
93.701	ARRA – Comparative Effectiveness of Breast Imaging Strategies in Community Practices	1RC2CA148577-01	9/30/2009	8/31/2010	95,083
93.701	ARRA – Comparative Effectiveness of Breast Imaging Strategies In Community Practices	5UC2CA148577-02	9/1/2010	8/31/2012	1,337,485
93.701	ARRA – Cancer Research Network Across Health Systems – CRN Administrative Supplement: Developing a Mental Health Data Resource	3U19CA079689-12S1	7/9/2010	12/30/2011	722,192
93.701	ARRA – Comparative Effectiveness of Breast Imaging Strategies in Community Practices	5UC2CA148577-02	9/1/2010	8/31/2012	150,419
					<u>5,018,507</u>
	Agency for Healthcare Research and Quality:				
	ABT Associates Inc.:				
93.RD	ARRA – Technical Assistance to ARRA Complex Patient Grantees	27085	9/27/2010	9/26/2013	143,229
	Kaiser Foundation Health Plan of Colorado:				
93.715	ARRA – Scalable Partnering Network For CER: Across Lifespan, Conditions, and Settings	8235	9/30/2010	9/29/2012	73,799
93.715	ARRA – Scalable Partnering Network For CER: Across Lifespan, Conditions, and Settings – Arterburn Restricted Funds	8256	9/30/2011	9/29/2012	857
	Kaiser Permanente Division of Research:				
93.715	ARRA – Multi-Institutional Consortium for CER in Diabetes Treatment and Prevention	115-9022-03	9/30/2010	9/29/2011	161,693

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<b>CFDA number</b>	<b>Description</b>	<b>Pass-through entity or award identifying number</b>	<b>Award start date</b>	<b>Award end date</b>	<b>Expenditures</b>
93.715	ARRA – Multi-Institutional Consortium for CER in Diabetes Treatment and Prevention University of Washington:	1R01HS019859-01	9/30/2011	9/29/2012	\$ 77,174
93.715	ARRA – ARRA: UW Centers For Comparative and Health Systems Effectiveness Training Program – Chase	698611Z	7/1/2010	6/30/2011	45,250
93.715	ARRA – ARRA: UW Centers for Comparative and Health Systems Effectiveness Training Program – Chase	698611Z	7/1/2011	6/30/2012	48,851
93.715	ARRA – Statins and Ace Inhibitors in Adults with Diabetes And Comorbid Conditions	707043Z	9/30/2010	9/29/2011	104,357
93.715	ARRA – Statins and Ace Inhibitors in Adults with Diabetes And Comorbid Conditions	1R21HS019501-01	9/30/2011	9/29/2012	32,555
93.715	ARRA – Evaluating the Impact of Gene Expression Testing in Early Stage Breast Cancer	T709664	1/1/2011	12/31/2011	22,494
93.715	ARRA – Wernli K12 MRI Analysis	S716175	4/1/2011	6/30/2011	8,227
93.715	ARRA – Wernli K 12 Health Profile Comparative Effectiveness	S716783	4/15/2011	6/30/2011	3,531
					<u>722,017</u>
	Department of Health and Human Services:				
	Mayo Clinic, College of Medicine, Rochester:				
93.728	ARRA – Sharp Area 4: Secondary Use of EHR Data	90TR0002/01	4/1/2010	3/31/2011	44,608
93.728	ARRA – Sharp Area 4: Secondary Use of EHR Data	90TR0002/01	4/1/2011	3/31/2012	146,558
					<u>191,166</u>
	Health Information Technology, Department of Health and Human Services:				
	Inland Northwest Health Services				
93.727	ARRA – Beacon Community of The Inland Northwest	2957	7/1/2010	3/31/2011	11,237
93.727	ARRA – Beacon Community of The Inland Northwest	2957	4/1/2011	3/31/2013	32,831
					<u>44,068</u>
	National Institutes of Health:				
	Center for Health Research, Kaiser Foundation Portland				
93.701	ARRA – Medical Care Burden of Cancer: System and Data Issues - Administrative Supplement	3R01CA114204-03S1	8/1/2009	7/31/2011	14,933
	Dana Farber Cancer Institute:				
93.701	ARRA – Building Cer Capacity: Aligning CRN, CMS and State Resources To Map Cancer Care	2801802	9/27/2010	8/31/2012	129,656
	Kaiser Permanente Division of Research, Oakland:				
93.701	ARRA – Development of a Cardiovascular Surveillance System in the CVRN	115-9637-04-M2	8/1/2010	7/31/2012	137,294
93.701	ARRA – Mental Health Disorders and Medication Adherence and Outcomes In Hypertension, Atrial Fibrillation, and Venous Thromboembolism within the CVRN	115-9230-04	9/30/2010	12/31/2011	25,019
	Public Health – Seattle and King County:				
93.724	ARRA – Public Health Seattle King County CPPW HEAL	T03291T HEAL 1699	4/1/2010	6/30/2012	141,174
93.724	ARRA – Public Health Seattle King County CPPW Tobacco	T03284T TOB1583	4/1/2010	7/31/2012	57,152
	University of Missouri, Kansas City:				
93.701	ARRA – Cam, Medical Service Utilization, and Quality of Care	29456 / UMKC PROJID00032276	9/1/2010	8/31/2012	150,996

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<b>CFDA number</b>	<b>Description</b>	<b>Pass-through entity or award identifying number</b>	<b>Award start date</b>	<b>Award end date</b>	<b>Expenditures</b>
	University of Washington:				
93.701	ARRA – Atrial Fibrillation: Incidence, Risk Factors and Genetics	661840Z	8/17/2009	7/31/2010	\$ (325)
93.701	ARRA – Atrial Fibrillation: Incidence, Risk Factors and Genetics	701224Z	8/1/2010	7/31/2012	42,140
93.701	ARRA – Assessing Diagnostics and Variations for Innovative Comparative Effectiveness Research in Cancer	702678Z	9/1/2010	8/31/2012	204,470
93.701	ARRA – NRC: Improving Healthcare For Cognitively Impaired Elders And Their Caregivers	702174Z	9/1/2010	8/31/2011	71,208
93.701	ARRA – ITHS Administrative Supplement	706021Z	9/23/2010	9/22/2011	14,226
	Vanandel Research Institute:				
93.701	ARRA – Improving Breast Cancer Quality Through a Collaborative Surgery Database	GH-NIH-LM-11-40163-1	9/30/2009	8/31/2011	82,165
					<u>1,070,108</u>
	Total research and development cluster and total federal awards				\$ <u><u>37,590,272</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2011

**(1) Basis of Accounting**

The accompanying schedule of expenditures of federal awards has been prepared from the Group's accounting records and is presented on the accrual basis of accounting.

**(2) Major Program**

The research and development grants are determined to be a cluster of grants. A cluster of grants means a grouping of closely related grants that share common compliance requirements. A cluster of grants shall be considered as one program for determining major programs, as described in §520, Major Program Determination, of the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement.

**(3) Subrecipient Awards**

GHC, GHO, KPS, Auxiliary, NCVS, and the Foundation passed through federal awards to subrecipients for:

<u>CFDA number</u>	<u>Program</u>	<u>Subrecipients</u>	<u>Amount</u>
Pass-through – Non-ARRA funds:			
93.172	Development and Use of Network Infrastructure for High GWA Studies	Seattle Children's Hospital Fred Hutchinson Cancer Research Center	\$ (33,383) 151,492
		University of Washington	249,021
93.172	Development and Use of Network Infrastructure for High Throughput GWA Studies – Phenotype Administrative Support	University of Washington	78,808
93.213	Measuring Patient Expectations for CAM Therapies Y1	The University of Arizona	(11,512)
93.213	Measuring Patient Expectations for CAM Therapies Y2	The University of Arizona University of Washington	98,815 30,006
93.226	Evaluation of Value-Based Health Plan Design	Seattle Children's Hospital Kaiser Foundation Research Institute	(500) 44,876
		University of Washington	4,307
93.226	Transforming Primary Care: Evaluating The Spread of Group Health's Medical Home Y1	Seattle Children's Hospital University of Washington	(2,201) 9,661
93.226	Transforming Primary Care: Evaluating The Spread of Group Health's Medical Home Y2	University of Washington	3,721
93.242	Antidepressant Treatment and Risk of Obesity Y2	Harvard University	33,220



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Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2011

<b>CFDA number</b>	<b>Program</b>	<b>Subrecipients</b>	<b>Amount</b>
93.242	Antidepressant Treatment and Risk of Obesity Y3	Harvard University	\$ 12,806
93.242	Mental Health Research Network: A Geographically and Ethnically Diverse Autism Registry For Effectiveness Studies Y1	Harvard Pilgrim Health Care Kaiser Foundation Research Institute	56 273,838
93.242	Mental Health Research Network: A Geographically and Ethnically Diverse Autism Registry For Effectiveness Studies Y2	Harvard Pilgrim Health Care Kaiser Foundation Research Institute	11,955 62,687
93.242	Mental Health Research Network: A Population-Based Approach To Transform Research – Infrastructure Y1	Harvard Pilgrim Health Care Healthpartners Research Henry Ford Health System Kaiser Foundation Research Institute	59,977 87,764 124,308 317,113
93.242	Mental Health Research Network: A Population-Based Approach To Transform Research – Infrastructure Y2	Harvard Pilgrim Health Care Healthpartners Research Henry Ford Health System Kaiser Foundation Research Institute	14,874 17,054 7,748 33,756
93.242	Mental Health Research Network: Feasibility of Behavioral Activation Therapy For Perinatal Depression Y1	Kaiser Foundation Research Institute	26,678
93.242	Mental Health Research Network: Feasibility of Behavioral Activation Therapy For Perinatal Depression Y2	Healthpartners Research	18,088
93.242	Mental Health Research Network: Longitudinal Analysis of Ssri Warnings and Suicidality Among Youth (LASSY) Y1	Harvard Pilgrim Health Care Kaiser Foundation Research Institute University of Washington	106,635 134,871 (23,333)
93.242	Mental Health Research Network: Longitudinal Analysis of Ssri Warnings and Suicidality Among Youth (LASSY) Y2	Harvard Pilgrim Health Care Kaiser Foundation Research Institute	23,318 6,885
93.242	Organized Self-Mgmt Supp Services For Chronic Depression Y2	Swedish Health Services University of Washington	25,070 (7,910)
93.242	Organized Self-Mgmt Supp Services For Chronic Depression Y3	Swedish Health Services	16,558
93.242	Patient Portal To Support Treatment Adherence Y3	Kaiser Foundation Research Institute	23,447
93.242	Patient Portal To Support Treatment Adherence Y4	Kaiser Foundation Research Institute	113,734

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Notes to Schedule of Expenditures of Federal Awards

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<b>CFDA number</b>	<b>Program</b>	<b>Subrecipients</b>	<b>Amount</b>
93.242	Prevention Needs HIV+ Persons Awaiting Release From Prison	University of Wisconsin Madison	\$ (98)
93.273	Collaborative Care For Primary Care Patients With Alcohol Use Disorders Y1	VA Puget Sound Health Care	74,679
93.273	Collaborative Care For Primary Care Patients With Alcohol Use Disorders Y2	VA Puget Sound Health Care	25,000
93.279	Long-Term Opioid Management of Chronic Pain: Trends and Risks	University of Washington	132
93.393	Algorithms To Identify Second Breast Cancer Events From Electronic Data Y1	Henry Ford Health System	4,004
93.393	Algorithms To Identify Second Breast Cancer Events From Electronic Data Y2	University of Washington Henry Ford Health System	(9,688) 25,683
93.393	Optimizing An Online Motivational Tobacco Cessation Program Y2	University of Michigan	(5,606)
93.393	Optimizing An Online Motivational Tobacco Cessation Program Y3	University of Michigan	72,406
93.393	Systems of Support (SOS) To Increase Colon Cancer Screening and Support Y4	Fred Hutchinson Cancer Research Center Kaiser Foundation Research Institute University of Washington	15,403 9,461 (4,688)
93.393	Systems of Support (SOS) To Increase Colon Cancer Screening and Support Y5	Fred Hutchinson Cancer Research Center	19,997
93.399	Building A Pharmacovigilance Population – Based Laboratory – CRN3 Administrative Supplement	Harvard Pilgrim Health Care Henry Ford Health System Kaiser Foundation Research Institute Marshfield Clinic	5,959 7,608 47,648 23,718
93.399	Cancer Research Network Across Health Care Systems – CRN3 Health Literacy Y2	Seattle Children’s Hospital Kaiser Foundation Research Institute University of Massachusetts	(39,015) 62,297 103,774
93.399	Cancer Research Network Across Health Care Systems – CRN3 Health Literacy Y3	Kaiser Foundation Research Institute University of Massachusetts	128,544 120,003
93.399	Cancer Research Network Across Health Care Systems – CRN3	Seattle Children’s Hospital Geisinger Clinic	(125,136) 92,676

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<u>CFDA number</u>	<u>Program</u>	<u>Subrecipients</u>	<u>Amount</u>
	Infrastructure Y2	Harvard Pilgrim Health Care	\$ 222,246
		Healthpartners Research	63,377
		Henry Ford Health System	68,395
		Kaiser Foundation Research Institute	532,667
		Lovelace Clinic Foundation	58,531
		Marshfield Clinic	57,451
		University of Massachusetts	102,229
		University of Washington	(18,721)
93.399	Cancer Research Network Across Health Care Systems – CRN3 Infrastructure Y3	Geisinger Clinic	54,345
		Harvard Pilgrim Health Care	140,515
		Healthpartners Research	70,083
		Henry Ford Health System	85,069
		Kaiser Foundation Research Institute	410,332
		Lovelace Clinic Foundation	76,602
		Marshfield Clinic	34,362
		University of Massachusetts	84,877
93.399	Cancer Research Network Across Health Care Systems – CRN3 Y13 Publications Support	Kaiser Foundation Research Institute	33,491
		University of Massachusetts	4,848
93.399	Cancer Research Networks Across Healthcare Systems: CRN Scholar Pilot Funds Y1	Harvard Pilgrim Health Care	1,954
		University of Washington	(475)
93.399	Cancer Research Networks Across Healthcare Systems: CRN Scholar Pilot Funds Y2	Harvard Pilgrim Health Care	1,647
93.399	Childhood, Adolescent and Young Adult Cancer Survivors – CRN Y11 Pilot	Kaiser Foundation Research Institute	12,380
93.399	Colonoscopy Adenoma Outcomes As Predicted By Lifestyle Risk Factors: CRN Y12 Scholars Pilot Project Y1	Healthpartners Research	18,056
93.399	Colonoscopy Adenoma Outcomes As Predicted By Lifestyle Risk Factors: CRN Y12 Scholars Pilot Project Y2	Healthpartners Research	35,821
93.399	Comparing Characteristics of CRN Melanoma Cases To The National Seer Database: CRN Y12 Scholars Pilot Project Y1	Henry Ford Health System	(1,455)
		Kaiser Foundation Research Institute	25,043
		University of Washington	(5,218)

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<u>CFDA number</u>	<u>Program</u>	<u>Subrecipients</u>	<u>Amount</u>
93.399	Comparing Characteristics of CRN Melanoma Cases To The National Seer Database: CRN Y12 Scholars Pilot Project Y2	Henry Ford Health System	\$ 4,364
93.399	CRN Ovarian IP Diffusion	Seattle Children's Hospital	(7,562)
		Kaiser Foundation Research Institute	29,456
93.399	CRN Pilot: Friend To Friend: Colorectal Cancer Screening Discussions	Kaiser Foundation Research Institute	9,401
	Among Members of Social Networks	University of Massachusetts	9,932
93.399	CRN Pilot: Diffusion and Quality of Community-Based Radiation Oncology	Kaiser Foundation Research Institute	23,912
93.399	CRN Pilot: Does Weight Loss Among Postmenopausal Women Decrease Risk of Breast Cancer	Seattle Children's Hospital	(4,225)
		Henry Ford Health System	4,428
		Kaiser Foundation Research Institute	30,600
		Marshfield Clinic	337
93.399	CRN3 Administrative Supplement: Developing An MHORN Collaboratory	Geisinger Clinic	17,874
		Harvard Pilgrim Health Care	9,762
		Healthpartners Research	3,409
		Henry Ford Health System	24,347
		Kaiser Foundation Research Institute	75,331
		Lovelace Clinic Foundation	19,260
		Marshfield Clinic	9,356
		Scott and White Memorial	16,542
		University of Massachusetts	22,460
		University of Washington	(20,153)
93.399	Development of A Model For Predicting Prostate Cancer – CRN Y11 Pilot	Marshfield Clinic	4,186
93.399	Development of A Versatile Geospatial Database Within The CRN – CRN Pilot	Dartmouth College	10,206
93.399	Lymph Node Examination In Colorectal Cancer: Predictors of Adequate Staging and Its Influence On Cancer Survival In	Seattle Children's Hospital	(6,497)
		Marshfield Clinic	9,195

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<b>CFDA number</b>	<b>Program</b>	<b>Subrecipients</b>	<b>Amount</b>
93.399	Media Coverage and Direct-To-Consumer Advertising of Genetic Tests – CRN Y10 Pilot	Kaiser Foundation Research Institute	\$ 1,838
93.399	Nonmelanoma Skin Cancer Ascertainment In The MHO Setting – CRN Pilot	Henry Ford Health System	79,833
93.399	Obesity, Diabetes and The Metabolic Syndrome As Risk Factors For Cancer In Young Adults – CRN Pilot	Seattle Children’s Hospital Kaiser Foundation Research Institute	(6,817) 34,064
93.399	Preventing Errors In The Home Care of Children With Cancer – CRN Y11 Pilot	Kaiser Foundation Research Institute	1,968
93.399	Studying Communication Over The Cancer Care Continuum: A Feasibility Study – CRN Pilot	Henry Ford Health System Kaiser Foundation Research Institute	10,891 (196)
93.399	The Colonoscopy Lookout Utilization and Effectiveness (C.L.U.E.) Study: CRN Y12 Scholars Pilot Project Y1	University of Massachusetts Geisinger Clinic University of Washington	19,690 (369) (6,696)
93.399	The Colonoscopy Lookout Utilization and Effectiveness (C.L.U.E.) Study: CRN Y12 Scholars Pilot Project Y2	Geisinger Clinic	15,048
93.399	The MHO Cancer Research Network CRN2 Infrastructure the MHO C	Kaiser Foundation Research Institute	(3,127)
93.866	Alzheimers Disease Patient Registry Y6	Fred Hutchinson Cancer Research Center	—
93.866	Alzheimers Disease Patient Registry Y7	Seattle Children’s Hospital Fred Hutchinson Cancer Research Center	(92,263) 20,232
		Swedish Health Services University of Washington	25,136 864,553
93.866	MICA, Insulin, and Cholesterol In A Community Based Sample	Seattle Children’s Hospital University of Washington	(9,692) 38,770
93.866	MSI Flash: An Rct of Yoga and Ultra Low-Dose Estrogen Gel For Vasomotor Symptoms	University of Washington	6,330
93.866	MSI Flash: An Rct of Yoga and Ultra-Low Dose Estrogen Gel For Vasomotor Symptoms Y3	Medical Center Seattle	(5,252) 43,262

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<u>CFDA number</u>	<u>Program</u>	<u>Subrecipients</u>	<u>Amount</u>
93.866	Oral Contraceptive Use and Fractures Around The Menopausal Transition	Seattle Children's Hospital Fred Hutchinson Cancer Research Center University of Washington	\$ (3,760) 11,473 10,199
93.866	Transition To Long-Term Opioid Use Among Older Adults With Chronic Pain Y1	Seattle Children's Hospital University of Washington	(16,373) 51,020
93.866	Transition To Long-Term Opioid Use Among Older Adults With Chronic Pain Y2	University of Washington	82,568
93.RD	Detection and Analysis of Adverse Events Related To Regulated Products In Automated Healthcare Data (Efforts To Develop The Sentinel Initiative) – Review of The Evidence For Selected Health Outcomes of Interest (HOIS)	Seattle Children's Hospital University of Washington	(867) 3,879
93.RD	Detection and Analysis of Adverse Events Related To Regulated Products In Automated Healthcare Data (Efforts To Develop The Sentinel Initiative) – Sequential Testing Methods Development	Seattle Children's Hospital University of Washington	(5,845) 4,007
93.RD	Vaccine & Treatment Evaluation Units (VTEUs): Eval of Control Measures Against Disease Other Than Aids	Seattle Children's Hospital University of Washington	757 21,323
93.RD	Vaccine & Treatment Evaluation Units (VTEUs): Evaluation of Control Measures Against Disease Other Than Aids – 05-0048 Material Vaccination Protocol – Implementation	Seattle Children's Hospital	20,137
93.RD	Vaccine & Treatment Evaluation Units (VTEUs): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0073 H1N1 HIV – Implementation	University of Washington	610

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2011

<u>CFDA number</u>	<u>Program</u>	<u>Subrecipients</u>	<u>Amount</u>
93.RD	Vaccine and Treatment Evaluation Units (VTEUs): Evaluation of Control Measures Against Disease Other Than Aids – 09-0054 H1N1 Children – Implementation	Seattle Children’s Hospital	\$ 3,251
93.RD	Vaccine and Treatment Evaluation Units (VTEUs): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0002 Smallpox - Implementation	University of Washington	176,297
93.RD	Vaccine and Treatment Evaluation Units (VTEUs): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0018 Infant Increased TIV – Development	Seattle Children’s Hospital  The Childrens Hospital Seattle	(2,474)  —
93.RD	Vaccine and Treatment Evaluation Units (VTEUs): Evaluation of Control Measures Against Diseases Other Than Aids – 09-0058 H1N1 Mix Match – Implementation	University of Washington	73,290
Pass-through – ARRA funds:			
93.701	Cancer Research Network Across Health Systems – CRN Administrative Supplement: Developing A Mental Health Data Resource	Seattle Children’s Hospital Harvard Pilgrim Health Care  Healthpartners Research Kaiser Foundation Research Institute	(100,592) 147,480  90,830 430,782
93.701	Comparative Effectiveness of Breast Imaging Strategies In Community Practices Y1	Georgetown University Medical Center University of California Regents San Francisco	 67,593 24,507
93.701	Comparative Effectiveness of Breast Imaging Strategies In Community Practices Y2	Seattle Children’s Hospital Dana Farber Cancer Institute Dartmouth College Georgetown University Medical Center	(53,719) 57,596 107,400 56,169

**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2011

<u>CFDA number</u>	<u>Program</u>	<u>Subrecipients</u>	<u>Amount</u>
		Harvard Pilgrim Health Care	\$ 78,536
		University of California Regents San Francisco	174,566
		University of North Carolina	144,011
		University of Texas	68,698
		University of Vermont	205,404
		University of Washington	75,283
93.701	Natural Language Processing For Cancer Research Network Surveillance Studies Y1	University of California San Diego	(201)
93.701	Natural Language Processing For Cancer Research Network Surveillance Studies Y2	Seattle Children's Hospital	(7,325)
		Childrens Hospital Boston	105,103
		University of California San Diego	43,764
93.701	Promoting Oral Health Among Tobacco Users: A Pilot Feasibility Study	Alere Wellbeing Inc	25,380
		Seattle Children's Hospital	(29)
		Free & Clear Inc	(1,480)
93.701	Search: Cancer Screening Effectiveness and Research In Community-Based Healthcare Y1	University of Massachusetts	(411)
93.701	Search: Cancer Screening Effectiveness and Research In Community-Based Healthcare Y2	Seattle Children's Hospital	(8,787)
		Geisinger Clinic	41,304
		Harvard Pilgrim Health Care	21,910
		Healthpartners Research	37,340
		Kaiser Foundation Research Institute	376,599
		Marshfield Clinic	13,793
		University of Massachusetts	142,820
		University of Washington	28,508
93.701	Statistical Coordinating Center For The Breast Cancer Surveillance Consortium	Seattle Children's Hospital	(6,825)
		Georgetown University Medical Center	49,500
		Oregon Health & Science University	15,506
93.701	Systems of Support (SOS) To Increase Colon Cancer Screening and Follow-Up	Seattle Children's Hospital	(10,799)
		Fred Hutchinson Cancer Research Center	48,377
		University of Washington	7,326
			<u>\$ 9,226,054</u>



**GROUP HEALTH COOPERATIVE AND SUBSIDIARIES**

Schedule of Findings and Questioned Costs

Year ended December 31, 2011

**Part I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses \_\_\_\_\_ Yes   X   None Reported
- Noncompliance material to the financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses \_\_\_\_\_ Yes   X   No

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? \_\_\_\_\_ Yes   X   No

**Identification of Major Programs**

CFDA Number	Name of federal program
Cluster	Research and Development

Dollar threshold used to distinguish between Type A and Type B programs: \$1,127,709

Auditee qualified as low-risk auditee?   X   yes \_\_\_\_\_ no

**Part II – Financial Statement Findings Section**

No matters reported.

**Part III – Federal Award Findings and Questioned Costs**

No matters reported.