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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011

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

C Name of organization
Hays Medical Center Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address)
2220 Canterbury Drive

Room/suite

City or town, state or country, and ZIP + 4
Hays, KS 67601

D Employer identification number
48-0559088

E Telephone number
(785)623-5000

G Gross receipts $ 194,388,104

F Name and address of principal officer
John Jeter
2220 Canterbury Drive
Hays, KS 67601

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ www haysmed com

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

L Year of formation 1944

M State of legal domicile KS

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Hays Medical Center is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code and is licensed by the State of Kansas Department of Health and Environment The purpose of the Organization is to provide healthcare facilities and services for the care and treatment of inpatients and outpatients who are acutely ill or who otherwise require medical care and related services The core purpose of the Organization is to help people be healthy The Corporation is striving to become the best tertiary care center in rural America

2 Check this box ▶ ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	14
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	9
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	1,598
6	Total number of volunteers (estimate if necessary)	**6**	230
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	2,538
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	697,482	105,703
9	Program service revenue (Part VIII, line 2g)	181,500,860	189,610,055
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	2,251,997	3,355,351
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	517,536	1,162,575
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	184,967,875	194,233,684
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	87,778,078	88,224,901
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	87,812,824	96,973,972
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	175,590,902	185,198,873
19	Revenue less expenses Subtract line 18 from line 12	9,376,973	9,034,811

Revenue / Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	192,482,750	242,206,552
21	Total liabilities (Part X, line 26)	71,594,488	101,317,411
22	Net assets or fund balances Subtract line 21 from line 20	120,888,262	140,889,141

Net Assets or Fund Balances

Part II Signature Block

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

Sign Here

****** — Signature of officer — 2012-05-14 — Date

John Jeter CEO — Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name Gary D Knoll	Preparer's signature Gary D Knoll	Date 2012-05-14	Check if self-employed ☐	PTIN
Firm's name ▶ Wendling Noe Nelson & Johnson LLC				Firm's EIN ▶
Firm's address ▶ 534 S Kansas Ave Suite 1500 Topeka, KS 666033491				Phone no ▶ (785) 233-4226

May the IRS discuss this return with the preparer shown above? (see instructions) ☑ Yes ☐ No

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

Hays Medical Center is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code and is licensed by the State of Kansas Department of Health and Environment The purpose of the Organization is to provide healthcare facilities and services for the care and treatment of inpatients and outpatients who are acutely ill or who otherwise require medical care and related services The core purpose of the Organization is to help people be healthy The Corporation is striving to become the best tertiary care center in rural America

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 160,771,811 including grants of $) (Revenue $ 178,947,941)

Patient Care Program services consist of routine and ancillary department healthcare services provided by a healthcare organization as defined in Section 501(c)(3) of the IRS code Admissions Acute-5,012, Newborn ICU-37, Newborn-683, Rehabilitation-153, Total admissions-5,885 Patient days ICU/CPCU-6,509, Medical/Surgical-13,615, Oncology-1,759, Obstetrics-1,821, Pediatrics-292, Rehabilitation-1,634, Newborn ICU-332, Newborn-1,268, Total patient days-27,230 Other statistical information Surgical procedures-7,757, Cardiac caths-930, Emergency room visits-13,439, Outpatient procedures-135 589, Medical oncology service visits-9,101, Clinic visits-139,039

4b (Code) (Expenses $ including grants of $) (Revenue $)

4c (Code) (Expenses $ including grants of $) (Revenue $)

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

4e **Total program service expenses** ▶ $ 160,771,811

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e		No
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	**35**		No
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* ☐ **Yes** ☑ **No**			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	152		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	1,598		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			14b		

Part VI **Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI . . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	14		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	9		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . .	3			No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	5			No
6	Does the organization have members or stockholders?	6			No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a			No
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . .	7b			No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	8a		Yes	
b	Each committee with authority to act on behalf of the governing body?	8b		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9			No

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

			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

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

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

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

William Overbey CFO
2220 Canterbury Drive
Hays, KS 67601
(785) 623-5000

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								9,715,661	0	1,071,884

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 98

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
Quest Diagnostics Inc PO Box 14730 St Louis, MO 631504730	Lab Services	4,650,640
Inpatient Management Inc 1 McBride and Son Center Dr Suite Chesterfield, MO 63005	Hospitalists Program	1,442,242
Anesthesiologist Associates of Hays PO Box 821 Hays, KS 67601	Anesthesia Services	1,221,864
Comphealth PO Box 972651 Dallas, TX 75397	Physician Coverage	990,461
Manmohan Bring MD 1582 Charlton Road San Marino, CA 91108	Pulmonology Services	865,806

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 27

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . 1a					
	b Membership dues 1b					
	c Fundraising events 1c					
	d Related organizations . . . 1d	58,478				
	e Government grants (contributions) 1e	47,225				
	f All other contributions, gifts, grants, and similar amounts not included above 1f					
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		105,703			
Program Service Revenue		Business Code				
	2a Net patient service re	621990	178,947,941	178,947,941		
	b Shared services	900099	8,492,468			8,492,468
	c Other operating revenu	900099	2,167,108			2,167,108
	d Nursing mother's resou	446199	2,538		2,538	
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		189,610,055			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		3,493,571			3,493,571
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					
		(i) Real	(ii) Personal			
	6a Gross Rents					
	b Less rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss) . . . . . ▶					
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory		16,200			
	b Less cost or other basis and sales expenses		154,420			
	c Gain or (loss)		-138,220			
	d Net gain or (loss) . . . . . ▶		-138,220			-138,220
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a					
	b Less direct expenses . . . b					
	c Net income or (loss) from fundraising events . . ▶					
	9a Gross income from gaming activities See Part IV, line 19 . a					
	b Less direct expenses . . . . . b					
	c Net income or (loss) from gaming activities . . . ▶					
	10a Gross sales of inventory, less returns and allowances . a					
	b Less cost of goods sold . . b					
	c Net income or (loss) from sales of inventory . . ▶					
	Miscellaneous Revenue	Business Code				
	11a Equity in gain of Hadl	900099	1,162,575			1,162,575
	b					
	c					
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶		1,162,575			
	12 **Total revenue.** See Instructions . . . ▶		194,233,684	178,947,941	2,538	15,177,502

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

	Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21				
2	Grants and other assistance to individuals in the U S See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	5,089,233	2,541,978	2,547,255	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	67,198,088	58,802,913	8,395,175	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	3,154,449	2,676,947	477,502	
9	Other employee benefits	8,285,572	6,610,362	1,675,210	
10	Payroll taxes	4,497,559	3,816,745	680,814	
a	Fees for services (non-employees) Management	150,185		150,185	
b	Legal	517,910		517,910	
c	Accounting	106,587		106,587	
d	Lobbying				
e	Professional fundraising services *See Part IV, line 17* . .				
f	Investment management fees	157,620		157,620	
g	Other	20,403,287	18,123,392	2,279,895	
12	Advertising and promotion				
13	Office expenses	481,233	372,194	109,039	
14	Information technology	1,363,671	818,203	545,468	
15	Royalties . .				
16	Occupancy	2,099,974	1,650,780	449,194	
17	Travel	272,265	194,790	77,475	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	818,092	543,622	274,470	
20	Interest	2,899,603	2,899,603		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	10,390,872	8,467,945	1,922,927	
23	Insurance	1,286,817	1,040,883	245,934	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	Supplies	34,426,535	34,063,242	363,293	
b	Bad debts	12,249,562	12,249,562		
c	Repairs & maintenance	3,466,042	3,088,858	377,184	
d	Rent	2,248,751	1,814,454	434,297	
e	Taxes & assessments	970,287		970,287	
f	All other expenses	2,664,679	995,338	1,669,341	
25	**Total functional expenses.** Add lines 1 through 24f	185,198,873	160,771,811	24,427,062	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		5,885	1	6,185
	2	Savings and temporary cash investments		9,397,817	2	5,003,500
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		27,864,083	4	31,647,122
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		3,910,829	8	4,191,623
	9	Prepaid expenses and deferred charges		3,392,473	9	3,918,946
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 177,553,229			
	b	Less accumulated depreciation	10b 114,345,881	63,682,783	10c	63,207,348
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11		0	12	104,984,451
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	598,000
	15	Other assets See Part IV, line 11		84,228,880	15	28,649,377
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		192,482,750	16	242,206,552
Liabilities	17	Accounts payable and accrued expenses		19,744,488	17	20,244,515
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		51,850,000	20	80,229,741
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	843,155
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D			25	
	26	**Total liabilities.** Add lines 17 through 25		71,594,488	26	101,317,411
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		115,118,946	27	133,957,250
	28	Temporarily restricted net assets		5,769,316	28	6,931,891
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		120,888,262	33	140,889,141
	34	Total liabilities and net assets/fund balances		192,482,750	34	242,206,552

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	194,233,684
2	Total expenses (must equal Part IX, column (A), line 25)	2	185,198,873
3	Revenue less expenses Subtract line 2 from line 1	3	9,034,811
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	120,888,262
5	Other changes in net assets or fund balances (explain in Schedule O)	5	10,966,068
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	140,889,141

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separated basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hays Medical Center Inc

Employer identification number
48-0559088

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

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

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3 ☑ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state

_____

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

9 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10 ☐ An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other

e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

	Yes	No
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

h Provide the following information about the supported organization(s)

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

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (See instructions) **12**

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶☐

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2009 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from **2009** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2010.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2009.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶☐

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Additional Data

Software ID:
Software Version:
EIN: 48-0559088
Name: Hays Medical Center Inc

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Nancy Curtis Chair	0 00	X		X				0	0	0
Dennis Bieker Secretary	0 00	X		X				0	0	0
Kenneth Beran Treasurer	0 00	X		X				0	0	0
Darrell Werth Physician/Board Member	40 00	X			X			708,655	0	41,717
Daniel Schippers Board Member	0 00	X						0	0	0
Tom McDonald MD Board Member	0 00	X						0	0	0
Jim Black DO Board Member	0 00	X						0	0	0
Gary Shorman Board Member	0 00	X						0	0	0
John Lloyd MD Physician/Board Member	40 00	X			X			486,030	0	43,017
Ross Buckles DO Physician/Board Member	40 00	X			X			334,829	0	39,785
Jayne Clarke Board Member	0 00	X						0	0	0
Sharon Dreher Board Member	0 00	X						0	0	0
Alan Moore Board Member	0 00	X						0	0	0
DG Bickle Board Member	0 00	X						0	0	0
Dr Kurt Rider Physician/Board Member	40 00	X			X			237,807	0	38,012
Joel Fort MD Physician/Board Member Term through 12/31/10	40 00	X			X			609,966	0	40,017
John Jeter MD President & CEO	40 00			X				593,274	0	142,269
William Overbey Chief Financial Officer	40 00			X				277,120	0	84,847
Dale Montgomery VP Facilities	40 00			X				181,126	0	64,998
Jodi Schmidt VP Regional Development	40 00			X				164,271	0	49,582
Bryce Young Chief Operating Officer	40 00			X				279,750	0	85,301
D Bruce Whittington VP Human Resources	40 00			X				174,246	0	63,338
Kenneth Lindsey Chief Medical Officer	40 00				X			370,911	0	94,260
Christine Fisher Physician	40 00					X		1,229,245	0	40,017
Alex De Carvalho Physician	40 00					X		984,664	0	40,017

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Jeffery Curtis Physician	40 00					X		838,831	0	40,017
Robert Bassett Physician	40 00					X		747,278	0	40,017
Babar Ali Physician	40 00					X		707,195	0	40,017
January Fields-Meehan Physician/Former Board Member	40 00						X	604,794	0	45,017
Richard Rajewski MD Physician/Former Board Member	40 00						X	185,669	0	39,639

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hays Medical Center Inc

Employer identification number
48-0559088

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

2 Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

			Held at the End of the Year
a	Total number of conservation easements	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06	2d	

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

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

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

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

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

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

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

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

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

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

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

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

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

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

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

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

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

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

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	9,112,302	8,603,284	8,152,895		
b Contributions	196,718	332,063	249,859		
c Investment earnings or losses	290,058	234,201	226,379		
d Grants or scholarships		0	0		
e Other expenditures for facilities and programs	82,450	57,246	25,849		
f Administrative expenses		0	0		
g End of year balance	9,516,628	9,112,302	8,603,284		

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

- a Board designated or quasi-endowment ▶ 65 600 %
- b Permanent endowment ▶ 31 600 %
- c Term endowment ▶ 2 800 %

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

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

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

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

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		350,356		350,356
b Buildings		56,596,581	29,232,905	27,363,676
c Leasehold improvements				
d Equipment		108,910,924	80,964,770	27,946,154
e Other		11,695,368	4,148,206	7,547,162
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				63,207,348

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) Hedge funds	6,758,682	F
(B) U S Government and agency obligations	5,297,023	F
(C) U S Government and agency obligations	26,696,589	F
(D) Corporate bonds	6,595,620	F
(E) Equity investments	55,225,003	F
(F) Commodity mutual fund	4,411,534	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	104,984,451	

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) Cash whose use is limited by Board or indenture agreement	13,810,163
(2) Interest receivable whose use is limited by Board or indenture agreement	283,003
(3) Interest in net assets of Hadley Foundation	6,931,891
(4) Other receivables	2,197,303
(5) Debt issue costs	1,015,220
(6) Other long-term assets	4,411,797
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	28,649,377

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	194,233,684
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	185,198,873
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	9,034,811
4	Net unrealized gains (losses) on investments	4	10,966,068
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	10,966,068
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	20,000,879

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
Description of Intended Use of Endowment Funds	Part V, Line 4	The endowed funds held by the Hays Medical Center Foundation are used to help meet both the immediate and long range health care needs of patients of Hays Medical Center, Inc The Hays Medical Center Foundation provides grants and assistance to Hays Medical Center, Inc for property and equipment acquisitions, education, and community health issues

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hays Medical Center Inc

Employer identification number
48-0559088

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☐ 200% ☑ Other **125.000000000000 %**	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other **%**	3b	Yes	
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			2,073,813		2,073,813	1 200 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			9,028,140	6,458,591	2,569,549	1 490 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			11,101,953	6,458,591	4,643,362	2 690 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			1,873,303	1,573,891	299,412	0 170 %
f Health professions education (from Worksheet 5)			661,706		661,706	0 380 %
g Subsidized health services (from Worksheet 6)			47,823,989	39,710,010	8,113,979	4 690 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			12,677		12,677	0 010 %
j **Total** Other Benefits			50,371,675	41,283,901	9,087,774	5 250 %
k **Total.** Add lines 7d and 7j			61,473,628	47,742,492	13,731,136	7 940 %

Part II **Community Building Activities** during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support						
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy			82,500		82,500	0 050 %
8	Workforce development						
9	Other						
10	**Total**			82,500		82,500	0 050 %

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1			No
2	Enter the amount of the organization's bad debt expense (at cost)	2	3,565,847		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	249,609		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	61,774,944		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	62,806,234		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-1,031,290		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes		
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b	Yes		

Part IV **Management Companies and Joint Ventures**

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 2

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Hays Medical Center Inc 2220 Canterbuty Hays, KS 67601	X	X					X		
2	Pawnee Valley Community Hospital Inc 923 Carroll Ave Larned, KS 67550	X	X			X		X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: Hays Medical Center Inc

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 125 000000000000%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000%			
11 Explained the basis for calculating amounts charged to patients?	11	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☑ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☑ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12	Yes	
13 Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☑ The policy was available upon request			
g ☑ Other (describe in Part VI)			

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14	Yes	
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☑ Reporting to credit agency			
b ☑ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16	Yes	
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☑ Reporting to credit agency			
b ☑ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☑ Notified patients of the financial assistance policy upon admission			
b ☑ Notified patients of the financial assistance policy prior to discharge			
c ☑ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☑ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**	Yes	
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☑ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		No
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: Pawnee Valley Community Hospital Inc

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 2

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 125 000000000000%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000%			
11 Explained the basis for calculating amounts charged to patients?	11	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☑ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☑ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12	Yes	
13 Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☑ The policy was available upon request			
g ☑ Other (describe in Part VI)			

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14	Yes	
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☑ Reporting to credit agency			
b ☑ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16	Yes	
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☑ Reporting to credit agency			
b ☑ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☑ Notified patients of the financial assistance policy upon admission			
b ☑ Notified patients of the financial assistance policy prior to discharge			
c ☑ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☑ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**	Yes	
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☑ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		No
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? **5**

	Name and address	Type of Facility (Describe)
1	Hays Family Medicine 2509 Canterbury Hays, KS 67601	Family Medicine
2	Hays Family Medicine 2509 Canterbury Hays, KS 67601	Family Medicine
3	Hays Family Medicine 2509 Canterbury Hays, KS 67601	Family Medicine
4	Hays Family Medicine 2509 Canterbury Hays, KS 67601	Family Medicine
5	Hays Family Medicine 2509 Canterbury Hays, KS 67601	Family Medicine
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
		Part I, Line 7 Hays Medical Center, Inc 's cost accounting system was used to calculate subsidized health services, health professions education, and community health improvement services A cost-to-charge ratio was computed and used to calculate charity care and unreimbursed Medicaid reported on line 7

Identifier	ReturnReference	Explanation
		Part I, Line 7g Physician clinic net costs included in subsidized health services totaled $6,005,704

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) Bad debt expense of $12,249,564 is included in Part IX line 25 This amount was subtracted from total expenses when computing the denominator for the percentage calculated for line 7(f)

Identifier	ReturnReference	Explanation
		Part II Hays Medical Center, Inc helps to support the First Care Clinic in Hays, Kansas This clinic was established to help lower income individuals receive health care at a reduced cost This support helps to increase the number of individuals in Hays, Kansas who receive quality health care

Identifier	ReturnReference	Explanation
		Part III, Line 4 Footnote text Patient service revenue is recorded at HMC's established rates with contractual adjustments from third-party payors, charity allowances and other discounts deducted to arrive at net patient service revenue Patient accounts receivable represent an estimate of net realizable amounts due from patients, third-party payors, and others for unpaid patient services, which is determined on historical payment experience Costing methodology Bad debt expense at cost was estimated using an overall cost-to-charge ratio multiplied by the provision for bad debts Methodology for bad debt cost for financial assistance eligible This amount was estimated based on historical information from our collection agency on the percentage of accounts referred to collection whose guarantor was indigent

Identifier	ReturnReference	Explanation
		Part III, Line 8 The Medicare cost report was the costing methodology used to determine the above costs Allowable costs of care reported on line 6 were determined using amounts from Worksheet D, Part V and Worksheet D-1 in the Hays Medical Center, Inc Medicare cost report for fiscal year ended June 30, 2011

Identifier	ReturnReference	Explanation
		Part III, Line 9b Whenever possible, the customer service representatives (CSR's) of Hays Medical Center, Inc try to determine the estimated self-pay balance prior to the patient receiving services Charity care eligibility is first considered at this point in time In addition, if full payment is not received or payment is not made within 30 days, the CSR contacts the patient If it is determined that at least a 2 year payment plan cannot be established with the patient, the CSR will screen for charity care and request that the charity care application be completed by the patient

Identifier	ReturnReference	Explanation
Pawnee Valley Community Hospital, Inc		Part V, Section B, Line 11h Pawnee Valley Community, Inc (PVCH) will proactively seek out applicants who may be in need of financial assistance PVCH will post notice of this policy to all patients/guarantors through its registration, pre-registration, and financial counseling process This policy will also be posted in prominent areas of the hospital

Identifier	ReturnReference	Explanation
Hays Medical Center, Inc		Part V, Section B, Line 13g Hays Medical Center will proactively seek out applicants who may be in need of financial assistance Hays Medical Center will post notice of this policy to all patients/guarantors through its registration, pre-registration, and financial counseling process This policy will also be posted in prominent areas of the hospital

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Information regarding the Hays Medical Center, Inc charity care program is located on the Hays Medical Center, Inc website for patients and community members to view, and the financial assistance application is also on the website to print off and complete In addition, if a customer service representative of Hays Medical Center, Inc contacts a patient about a bill and in visiting with them they determine that patient could possibly qualify the Hospitals charity care policy, they will send the application to the patient as well

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Hays Medical Center, Inc is located in Hays, Kansas, which has a population of approximately 20,000 people, as of the 2010 census One of the State of Kansas Regents universities is also located in Hays, Kansas, so the population includes many college-aged students The median household income of Hays, Kansas is $44,227 Approximately 5 7% of families and 15 6% of the population were below the poverty line Just over 5% of the hospitals revenue is from services provided to patients eligible for Medicaid Hays Medical Center, Inc is the only hospital in the city of Hays In addition, since this is a rural area and because it is the only hospital providing tertiary level care in the region, Hays Medical Center, Inc provides certain services to the whole western half of the State of Kansas

Identifier	ReturnReference	Explanation
		Part VI, Line 6 Hays Medical Center, Inc promotes the health of the community by extending medical privileges to most qualified, local physicians In addition, the majority of the Board of Directors live and work in the city of Hays, but they are not employed by Hays Medical Center Inc

Identifier	ReturnReference	Explanation
		Part VI, Line 7 Hays Medical Center, Inc is not a part of an affiliated health care system

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hays Medical Center Inc

Employer identification number
48-0559088

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☑ Tax idemnification and gross-up payments	☑ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply			
	☑ Compensation committee	☑ Written employment contract		
	☑ Independent compensation consultant	☐ Compensation survey or study		
	☐ Form 990 of other organizations	☑ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**	Yes	
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								
(2)								
(3)								
(4)								
(5)								
(6)								
(7)								
(8)								
(9)								
(10)								
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 1a	Benefits identified include tax indemnification on health claims and health club dues Both benefits are available to the CEO and are included in taxable income
	Part I, Line 4b	Officers and key employees are eligible to participate in a non-qualified retirement plan Contributions from employer are contributed to the plan on an annual basis Contributions to the plan for listed persons are included on Schedule J as a component of deferred compensation Contribution amounts for listed persons for FYE 6-30-11 were officers - $331,403, key employees - $130,088
	Part I, Line 6	A portion of incentive compensation for officers and key employees is determined by net earnings exceeding budget for the fiscal year

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 48-0559088
Name: Hays Medical Center Inc

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Darrell Werth	(I)	598,300	90,063	20,292	13,475	28,242	750,372	359,537
	(II)	0	0	0	0	0	0	0
John Lloyd MD	(I)	322,000	150,251	13,779	13,475	29,542	529,047	260,298
	(II)	0	0	0	0	0	0	0
Ross Buckles DO	(I)	200,000	131,618	3,211	13,475	26,310	374,614	169,289
	(II)	0	0	0	0	0	0	0
Dr Kurt Rider	(I)	227,000	0	10,807	8,470	29,542	275,819	121,000
	(II)	0	0	0	0	0	0	0
Joel Fort MD	(I)	350,000	259,193	773	13,475	26,542	649,983	333,223
	(II)	0	0	0	0	0	0	0
John Jeter MD	(I)	400,726	166,740	25,808	115,727	26,542	735,543	209,673
	(II)	0	0	0	0	0	0	0
William Overbey	(I)	210,672	63,150	3,298	55,537	29,310	361,967	105,250
	(II)	0	0	0	0	0	0	0
Dale Montgomery	(I)	136,914	31,801	12,411	36,209	28,789	246,124	79,104
	(II)	0	0	0	0	0	0	0
Jodi Schmidt	(I)	109,054	35,190	20,027	32,390	17,192	213,853	77,053
	(II)	0	0	0	0	0	0	0
Bryce Young	(I)	212,055	63,120	4,575	55,991	29,310	365,051	105,200
	(II)	0	0	0	0	0	0	0
D Bruce Whittington	(I)	130,594	28,214	15,438	35,549	27,789	237,584	67,675
	(II)	0	0	0	0	0	0	0
Kenneth Lindsey	(I)	275,139	81,120	14,652	67,718	26,542	465,171	0
	(II)	0	0	0	0	0	0	0
Christine Fisher	(I)	600,000	595,822	33,423	13,475	26,542	1,269,262	605,564
	(II)	0	0	0	0	0	0	0
Alex De Carvalho	(I)	500,000	470,564	14,100	13,475	26,542	1,024,681	424,687
	(II)	0	0	0	0	0	0	0
Jeffery Curtis	(I)	409,385	411,283	18,163	13,475	26,542	878,848	361,438
	(II)	0	0	0	0	0	0	0
Robert Bassett	(I)	500,000	240,778	6,500	13,475	26,542	787,295	368,134
	(II)	0	0	0	0	0	0	0
Babar Ali	(I)	533,209	130,392	43,594	13,475	26,542	747,212	331,628
	(II)	0	0	0	0	0	0	0
January Fields-Meehan	(I)	523,462	0	81,332	13,475	31,542	649,811	334,662
	(II)	0	0	0	0	0	0	0
Richard Rajewski MD	(I)	172,000	11,724	1,945	10,329	29,310	225,308	97,244
	(II)	0	0	0	0	0	0	0

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hays Medical Center Inc

Employer identification number
48-0559088

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Kansas Development Finance Authority	48-1066589	48543BGR3	11-12-2003	16,000,878	Construction		X		X		X
B	Kansas Development Finance Authority	48-1066589	48543BJD1	11-22-2005	23,635,944	Construction		X		X		X
C	Kansas Development Finance Authority	48-1066589	48543BLY2	11-02-2010	46,930,167	Refinancing of previous bond and equipment		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	16,300,000		16,300,000	
2	Amount of bonds legally defeased				
3	Total proceeds of issue	16,665,728	23,635,944	29,952,593	
4	Gross proceeds in reserve funds	1,200,024	2,023,250		
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	726,489	316,000	667,574	
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	15,939,215	23,319,944	29,962,593	
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2005	2006	2012	

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X		X		
b	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		X			

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		
2	Is the bond issue a variable rate issue?		X		X		X		
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X		X		
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X		X		X		
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
6	Did the bond issue qualify for an exception to rebate?		X		X		X		

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.**

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hays Medical Center Inc

Employer identification number
48-0559088

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) No	(f) Approved by board or committee? Yes	(f) No	(g) Written agreement? Yes	(g) No
Total . . . . . ▶ $										

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV **Business Transactions Involving Interested Persons.**

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

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

Part V **Supplemental Information**

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

Identifier	Return Reference	Explanation

Additional Data

Software ID:
Software Version:
EIN: 48-0559088
Name: Hays Medical Center Inc

Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction $	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
Blue Cross Blue Shield	Gary Shorman is a director on both HMC's and Blue Cross Blue Shield's Board	56,600,000	The insurance reimbursements received by Hays Medical Center, Inc from Blue Cross Blue Shield of Kansas only represents approximately 2 75% of Blue Cross Blue Sheild's annual disbursements		No
Eagle Communications	Gary Shorman is CEO of Eagle Communications and on the Board of HMC	121,177	Payments for cable/internet		No
Jeter Law Firm	Family member of John Jeter, CEO of HMC	6,112	Payments for legal services		No
John Jeter Board President and CEO	Board President, Pawnee Valley Community Hospital, Inc	0	N/A		No
Bryce Young COO Hays Medical Cent	Board Vice-President Pawnee Valley Community Hospital, Inc	0	N/A		No
William Overbey CFO Hays Medical	Board Sec/Treas Pawnee Valley Community Hospital, Inc	0	N/A		No
Shea Veach Director of Regional Op	Board Member, Pawnee Valley Community Hospital, Inc	0	N/A		No
D G Bickle Board Member Hays Me	D G Bickle, Brother of Lynette Pfannenstiel, employee of HMC	0	N/A		No
Lynette Pfannenstiel employee Resp	Lynette Pfannenstiel, Sister of D G Bickle, Board Member of HMC	72,238	Employee wages		No

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hays Medical Center Inc

Employer identification number
48-0559088

Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 11		Form 990 was reviewed with the officers and Board Finance committee

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	Officers, directors, and key employees, along with all associates, are required to complete a conflict of interest statement annually The statements are used to monitor and enforce compliance with the policy

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	The CEO, officers and key employees salaries are reviewed annually by an independent consulting group and the Compensation Committee, which is made up of members of the Board

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	These documents are not made available to the public Financial statements are released to bond holders on a quarterly basis

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized gains on investments 10,966,068

Identifier	Return Reference	Explanation
Financial Statements and Reporting	Form 990 Part XII, line 2c	Hays Medical Center, Inc has an audit committee that is responsible for the oversight of the financial statement audit and the selection process of an independent accountant

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Hays Medical Center Inc

Employer identification number
48-0559088

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

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

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Hays Medical Center Foundation 2220 Canterbury Hays, KS 67601 48-1179684	Provide grants and allocations to Hays Medical Center, Inc	KS	501(c)(3)	Line 11a, I			No
(2) HaysMed Partners Inc 2220 Canterbury Hays, KS 67601 27-0877152	Owns management contract for Pawnee Valley Community Hospital	KS	501(c)(3)	Line 3	Hays Medical Center Inc		No
(3) Pawnee Valley Community Hospital Inc 2220 Canterbury Hays, KS 67601 48-1253246	Hospital operated by Hays Medical Center	KS	501(c)(3)	Line 3			No

Part III **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

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

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership

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

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

		Yes	No
1	During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a	Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	**1a**	**No**
b	Gift, grant, or capital contribution to other organization(s)	**1b**	**No**
c	Gift, grant, or capital contribution from other organization(s)	**1c**	**Yes**
d	Loans or loan guarantees to or for other organization(s)	**1d**	**Yes**
e	Loans or loan guarantees by other organization(s)	**1e**	**No**
f	Sale of assets to other organization(s)	**1f**	**Yes**
g	Purchase of assets from other organization(s)	**1g**	**No**
h	Exchange of assets	**1h**	**No**
i	Lease of facilities, equipment, or other assets to other organization(s)	**1i**	**No**
j	Lease of facilities, equipment, or other assets from other organization(s)	**1j**	**Yes**
k	Performance of services or membership or fundraising solicitations for other organization(s)	**1k**	**Yes**
l	Performance of services or membership or fundraising solicitations by other organization(s)	**1l**	**No**
m	Sharing of facilities, equipment, mailing lists, or other assets	**1m**	**No**
n	Sharing of paid employees	**1n**	**Yes**
o	Reimbursement paid to other organization for expenses	**1o**	**No**
p	Reimbursement paid by other organization for expenses	**1p**	**No**
q	Other transfer of cash or property to other organization(s)	**1q**	**No**
r	Other transfer of cash or property from other organization(s)	**1r**	**No**

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)	See Additional Data Table			
(2)				
(3)				
(4)				
(5)				
(6)				

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 48-0559088
Name: Hays Medical Center Inc

Form 990, Schedule R, Part V - Transactions With Related Organizations

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	Hays Medical Center Foundation	C	58,478	
(2)	Hays Medical Center Foundation	P	198,925	
(3)	Pawnee Valley Community Hospital Inc	D	57,169	
(4)	Pawnee Valley Community Hospital Inc	K	485,309	
(5)	Pawnee Valley Community Hospital Inc	N	92,600	
(6)	Pawnee Valley Community Hospital Inc	F	1,000	
(7)	Pawnee Valley Community Hospital Inc	J	77,803	

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Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No 1545-0172

2010

Attachment Sequence No **67**

Name(s) shown on return	Business or activity to which this form relates	**Identifying number**
Hays Medical Center Inc	Form 990 Page 10	48-0559088

Part I **Election To Expense Certain Property Under Section 179**

Note: *If you have any listed property, complete Part V before you complete Part I.*

1 Maximum amount See the instructions for a higher limit for certain businesses	1	500,000
2 Total cost of section 179 property placed in service (see instructions)	2	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,000,000
4 Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	4	
5 Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	5	

6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost

7 Listed property Enter the amount from line 29	7		
8 Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	8		
9 Tentative deduction Enter the **smaller** of line 5 or line 8	9		
10 Carryover of disallowed deduction from line 13 of your 2009 Form 4562	10		
11 Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11		
12 Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	12		
13 Carryover of disallowed deduction to 2011 Add lines 9 and 10, less line 12 ▶	13		

Note: *Do not use Part II or Part III below for listed property. Instead, use Part V.*

Part II **Special Depreciation Allowance and Other Depreciation (Do not** include listed property **)** (See instructions)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	10,390,872

Part III **MACRS Depreciation (Do not** include listed property.**)** (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2010	17	
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ ☐		

Section B—Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27 5 yrs	MM	S/L	
			27 5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV **Summary** (see instructions)

21 Listed property Enter amount from line 28	21	
22 **Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	22	10,390,872
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V **Listed Property** (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: *For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete* ***only*** *24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.*

Section A—Depreciation and Other Information (Caution: *See the instructions for limits for passenger automobiles.***)**

24a Do you have evidence to support the business/investment use claimed? ☐ **Yes** ☐ **No** | **24b** If "Yes," is the evidence written? ☐ **Yes** ☐ **No**

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						**25**		
26 Property used more than 50% in a qualified business use								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1 .						**28**		
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1							**29**	

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person
If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (**do not** include commuting miles) . .												
31 Total commuting miles driven during the year .												
32 Total other personal(noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use? .												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

	Yes	**No**
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

Part VI **Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2010 tax year (see instructions)					
43 Amortization of costs that began before your 2010 tax year				**43**	
44 Total. Add amounts in column (f) See the instructions for where to report . .				**44**	

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

HAYS MEDICAL CENTER, INC.

JUNE 30, 2011 AND 2010

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Brungardt Hower
Ward Elliott & Pfeifer L.C.

CERTIFIED PUBLIC ACCOUNTANTS
and
MANAGEMENT CONSULTANTS

209 East 13th Street P.O. Box 40
Hays, KS 67601-0040

Ph. (785) 628-8238
Fax (785) 625-5766

OFFICES IN HAYS AND GARDEN CITY

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hays Medical Center, Inc.

We have audited the accompanying consolidated balance sheets of Hays Medical Center, Inc. as of June 30, 2011 and 2010, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 Medical Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hays Medical Center, Inc. as of June 30, 2011 and 2010, and the consolidated results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Brungardt Hower
Ward Elliott & Pfeifer L.C.

Hays, Kansas
October 18, 2011

FINANCIAL STATEMENTS

Hays Medical Center, Inc.

CONSOLIDATED BALANCE SHEETS

June 30,

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	$ 7,689,083	$ 9,575,252
Patient accounts receivable, net of allowance for doubtful accounts of $5,904,000 in 2011 and $5,934,542 in 2010	33,526,462	29,824,785
Other receivables	2,031,022	870,677
Inventories	4,387,135	4,024,275
Prepaid expenses	3,985,307	3,444,318
Total current assets	51,619,009	47,739,307
ASSETS WHOSE USE IS LIMITED		
Board-designated for capital expenditures	85,743,922	67,974,150
Under indenture agreements - held by trustee	33,333,695	3,223,274
Foundation assets	19,699,022	15,875,453
Interest in net assets of Hadley Foundation, Inc.	6,931,891	5,769,316
	145,708,530	92,842,193
PROPERTY AND EQUIPMENT, NET	63,207,348	63,682,783
OTHER ASSETS		
Debt issue costs, net of accumulated amortization of $266,284 in 2011 and $438,299 in 2010	1,015,220	951,317
Other	5,009,797	3,805,340
	6,025,017	4,756,657
TOTAL ASSETS	$266,559,904	$209,020,940

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 2,408,202	$ 1,495,000
Accounts payable	6,818,020	6,729,262
Estimated third-party payor settlements	3,603,508	800,162
Accrued compensation	7,393,347	8,086,639
Other liabilities	2,438,338	2,025,040
Total current liabilities	22,661,415	19,136,103
DEFERRED COMPENSATION PAYABLE	4,144,859	2,884,253
LONG-TERM DEBT, less current maturities	78,664,694	50,279,651
DUE TO PAWNEE COUNTY	628,691	-
TOTAL LIABILITIES	106,099,659	72,300,007
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Unrestricted	148,891,035	126,695,267
Temporarily restricted	8,563,707	7,133,630
Permanently restricted	3,005,503	2,892,036
TOTAL NET ASSETS	160,460,245	136,720,933
TOTAL LIABILITIES AND NET ASSETS	$266,559,904	$209,020,940

The accompanying notes are an integral part of these statements.

Hays Medical Center, Inc

CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS

Year ended June 30,

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Net patient service revenue	$189,738,511	$ -	$ -	$189,738,511
Other revenue	10,310,848	-	-	10,310,848
Net assets released from restrictions used for operations	192,552	(192,552)	-	-
Total revenue, gains and other support	200,241,911	(192,552)	-	200,049,359
EXPENSES				
Salaries and wages	75,127,178	-	-	75,127,178
Supplies and other	92,256,549	-	-	92,256,549
Depreciation and amortization	10,390,872	-	-	10,390,872
Provision for bad debts	13,658,012	-	-	13,658,012
Interest	2,937,114	-	-	2,937,114
Loss from extinguishment of debt	525,012	-	-	525,012
Total expenses	194,894,737	-	-	194,894,737
OPERATING INCOME (LOSS)	5,347,174	(192,552)	-	5,154,622
OTHER INCOME (LOSS)				
Gifts and bequests	376,115	438,659	113,467	928,241
Investment income	4,351,744	80,840	-	4,432,584
Investment fees and related expenses	(157,620)	-	-	(157,620)
Gain (loss) on disposal of assets	(138,220)	-	-	(138,220)
Change in interest in net assets of Hadley Foundation, Inc.	-	1,162,575	-	1,162,575
Subsidy from Pawnee County	-	-	-	-
Fundraising and other expenses	(535,001)	-	-	(535,001)
	3,897,018	1,682,074	113,467	5,692,559
EXCESS OF REVENUES OVER EXPENSES	9,244,192	1,489,522	113,467	10,847,181
Change in net unrealized gains and losses	13,520,822	-	-	13,520,822
Increase in amount due to Pawnee County	(628,691)	-	-	(628,691)
Net assets released from restrictions used for purchase of property and equipment	61,256	(61,256)	-	
Tranfers between classifications	(1,811)	1,811	-	-
CHANGE IN NET ASSETS	22,195,768	1,430,077	113,467	23,739,312
NET ASSETS AT BEGINNING OF YEAR	126,695,267	7,133,630	2,892,036	136,720,933
NET ASSETS AT END OF YEAR	$148,891,035	$8,563,707	$3,005,503	$160,460,245

2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$174,235,123	$ -	$ -	$174,235,123
9,568,646	-	-	9,568,646
158,721	(158,721)	-	-
183,962,490	(158,721)	-	183,803,769
71,323,996	-	-	71,323,996
81,933,214	-	-	81,933,214
10,478,045	-	-	10,478,045
11,797,229	-	-	11,797,229
2,449,890			2,449,890
-	-	-	-
177,982,374	-	-	177,982,374
5,980,116	(158,721)	-	5,821,395
268,443	593,206	275,784	1,137,433
2,927,089	49,524	-	2,976,613
(155,230)	-	-	(155,230)
5,604	-	-	5,604
-	517,595	-	517,595
158,669	-	-	158,669
(527,092)	-	-	(527,092)
2,677,483	1,160,325	275,784	4,113,592
8,657,599	1,001,604	275,784	9,934,987
6,642,447	-	-	6,642,447
-	-	-	-
785,909	(785,909)	-	-
-	(76,986)	76,986	-
16,085,955	138,709	352,770	16,577,434
110,609,312	6,994,921	2,539,266	120,143,499
$126,695,267	$7,133,630	$2,892,036	$136,720,933

The accompanying notes are an integral part of these statements

Hays Medical Center, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended June 30,

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$23,739,312	$16,577,434
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	10,390,872	10,478,045
Provision for bad debts	13,658,012	11,797,229
Loss (gain) on disposal of assets	138,220	(5,604)
Loss from extinguishment of debt	525,012	-
Undistributed portion of change in interest in net assets of Hadley Foundation, Inc.	(1,162,575)	(517,595)
Gifts and bequests of assets whose use is limited	(838,145)	(1,098,433)
Net realized and unrealized gains on assets whose use is limited	(14,368,373)	(6,927,335)
Investment income reinvested in assets whose use is limited	(3,392,993)	(2,571,393)
Increase in amount due to Pawnee County	628,691	-
(Increase) decrease in:		
Patient accounts receivable	(17,359,689)	(14,337,448)
Other receivables	(1,160,345)	255,853
Inventories	(362,860)	(375,768)
Prepaid expenses	(540,989)	(548,470)
Increase (decrease) in:		
Accounts payable	88,758	1,160,506
Estimated third-party payor settlements	2,803,346	73,625
Accrued and deferred compensation	567,314	1,559,398
Other liabilities	413,298	18,239
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,766,866	15,538,283
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(10,040,910)	(8,505,179)
Proceeds from disposal of assets	16,200	357,304
Increase in deferred compensation plan assets, net	(1,264,257)	(674,425)
Increase in assets whose use is limited, net	(33,104,251)	(5,289,876)
NET CASH USED IN INVESTING ACTIVITIES	(44,393,218)	(14,112,176)

Hays Medical Center, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Year ended June 30,

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	$46,930,166	$ -
Incurrence of capital lease obligation	1,238,857	-
Payments on long-term debt	(18,370,000)	(1,400,000)
Payments on capital lease obligation	(395,702)	-
Payments of debt issuance costs	(663,138)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	28,740,183	(1,400,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,886,169)	26,107
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,575,252	9,549,145
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,689,083	$ 9,575,252

Supplemental disclosures of cash flow information

Cash paid during the year for:		
Interest, net of amounts capitalized	$ 3,239,611	$ 2,448,874

The accompanying notes are an integral part of these statements.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Organization*

The consolidated financial statements of Hays Medical Center, Inc. (HMC) include the accounts of HMC, Hays Medical Center Foundation (Foundation) and Pawnee Valley Community Hospital (PVCH). HMC is a not-for-profit acute care hospital located in Hays, Kansas. HMC was formed on April 8, 1991 by the merger of Hadley Regional Medical Center, Inc. and St. Anthony Hospital of Hays, Kansas, Inc. The Foundation was formed in May 1996 and receives donations for the benefit of HMC. In March 2010, HMC formed Hays Med Partners, Inc., (HMed), of which HMC is the sole member. HMed then became the sole member of St. Joseph Memorial Hospital, Inc. d/b/a Pawnee Valley Community Hospital (PVCH). PVCH then entered into an affiliation agreement with the County of Pawnee, Kansas (Pawnee County) to operate a critical access hospital located in Larned, Kansas. Pawnee County owns all fixed assets, including land, buildings, and equipment used by PVCH. Under the affiliation agreement, Pawnee County gives PVCH use of those assets and agrees to subsidize any operating losses incurred by PVCH.

HMC, the Foundation and PVCH are all not-for-profit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

2. *Financial reporting*

(a) Accrual basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

(b) Principles of consolidation

Significant intercompany accounts and transactions have been eliminated.

(c) Cash and cash equivalents

HMC considers all highly liquid debt instruments purchased with a maturity of one year or less to be cash equivalents. Assets whose use is limited are not considered cash equivalents.

HMC maintains cash balances at several financial institutions located in Hays, Kansas. Uninsured balances aggregate to approximately $11,000,000 at June 30, 2011. Of that amount, $8,800,000 was invested in an overnight repurchase account collateralized by government securities. HMC has not experienced any losses at such institutions.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Use of estimates

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

(e) Net assets

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities, Presentation of Financial Statements, HMC is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of HMC and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of HMC and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by HMC.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets occur when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed and are reported as reclassifications between the applicable classes of net assets.

3. *Contributions*

HMC has adopted FASB ASC 958-605, Not-for-Profit Entities, Revenue Recognition. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

4. *Inventories*

Inventories are stated at the lower of cost (first-in, first-out) or market.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

5. *Assets whose use is limited*

Assets whose use is limited include funds set aside by the Board of Directors primarily for capital improvements. These funds may be used for other purposes if so designated by the Board of Directors.

6 *Property and equipment*

Property and equipment acquisitions are recorded at cost. Major repairs, improvements, and replacements are capitalized. Gains and losses on disposals of property and equipment are recognized in the year of disposition as a component of other income (loss). Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, using the straight-line method. The estimated lives are generally in accordance with the guidelines established by the American Hospital Association. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Management annually evaluates property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment losses were recorded for the years ended June 30, 2011 and 2010.

7. *Debt issue costs*

Debt issue costs are amortized over the life of the related bonds using the interest method.

8. *Net patient service revenue and patient accounts receivable*

Patient service revenue is recorded at HMC's established rates with contractual adjustments from third-party payors, charity allowances and other discounts deducted to arrive at net patient service revenue. Patient accounts receivable represent an estimate of net realizable amounts due from patients, third-party payors, and others for unpaid patient services, which is determined on historical payment experience.

Retroactively calculated contractual adjustments arising under reimbursement agreements with Medicare and other third-party payors are accrued on an estimated basis in the periods the related services are rendered and adjusted in future periods as final settlements are determined. Medicare is HMC's most significant third party payor.

9. *Charity care*

HMC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because HMC does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

10. *Excess of revenues over expenses*

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets).

11. *Due to Pawnee County*

In the event the affiliation agreement entered into between PVCH and Pawnee County is ever terminated, PVCH has agreed to transfer all of its net assets to Pawnee County, excluding any property and equipment purchased and owned by PVCH for which it received no reimbursement from Pawnee County. Any such property and equipment owned by PVCH at the time of termination is to be purchased from PVCH by Pawnee County for a price equal to the book value of those assets as reflected on the financial statements of PVCH. Accordingly, PVCH has recorded an obligation for the estimated liability due to Pawnee County at termination of the affiliation agreement.

12. *Subsequent events*

HMC has evaluated subsequent events through October 18, 2011, which is the date the financial statements were available to be issued.

NOTE B - ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consist of assets set aside by the Board of Directors for future capital improvements, assets held by a trustee under terms of indenture agreements and Foundation funds which are to be used for the benefit of the Medical Center. The composition of assets whose use is limited is set forth below. Investments are stated at fair value. Fair value of investments may fluctuate significantly from year to year depending on investment decisions, capital market conditions and other relevant factors.

	2011	2010
Board-designated for capital expenditures		
Cash and cash equivalents	$ 7,352,176	$ 6,927,546
U.S. Government and agency obligations	5,297,023	4,773,237
Corporate bonds	6,595,620	6,302,484
Equity investments	55,225,003	40,845,256
Commodity mutual fund	4,411,534	3,258,969
Hedge funds	6,758,682	5,760,500
Interest receivable	103,884	106,158
	$ 85,743,922	$ 67,974,150
Under indenture agreements - held by trustee		
Cash and cash equivalents	$ 6,457,987	$ 3,223,274
U.S. Government and agency obligations	26,696,589	-
Interest receivable	179,119	-
	$ 33,333,695	$ 3,223,274
Foundation assets		
Cash and cash equivalents	$ 1,485,146	$ 1,047,770
U.S. Government and agency obligations	1,112,734	1,031,502
Corporate bonds	1,385,527	1,361,974
Equity investments	12,680,566	9,685,037
Commodity mutual fund	926,721	704,267
Hedge funds	1,419,781	1,244,851
Pledges receivable - net	553,894	653,303
Beneficial interest in remainder trust	112,371	108,131
Oil royalty interests	-	16,104
Interest receivable	22,282	22,514
	$ 19,699,022	$ 15,875,453
Interest in net assets of Hadley Foundation, Inc.	$ 6,931,891	$ 5,769,316

Assets limited to use by indenture agreements are held by the trustee in the following accounts:

Construction project account	$ 30,110,421	$ -
Debt service reserve account	3,223,274	3,223,274
	$33,333,695	$ 3,223,274

NOTE B - ASSETS WHOSE USE IS LIMITED - continued

Investment income is comprised of the following for the years ended June 30

	2011	2010
From assets limited as to use:		
Investment income	$ 3,440,864	$ 2,554,854
Realized gains (losses) on sales	916,370	362,986
	4,357,234	2,917,840
From other cash and other assets	75,350	58,773
Total investment income	$ 4,432,584	$ 2,976,613

NOTE C - INTEREST IN NET ASSETS OF HADLEY FOUNDATION, INC.

FASB ASC 958-20, Not-for-Profit Entities, Financially Interrelated Entities, requires that an interest in a financially interrelated organization be accounted for similar to the equity method of accounting. The provisions of this statement have been applied with respect to the Hadley Foundation, Inc. (Hadley Foundation).

The Hadley Foundation was established to raise funds to support the purposes of religious, charitable, scientific, literary and educational organizations that are exempt under Section 501(c)(3) of the Internal Revenue Code. HMC has been the primary beneficiary of the assets. Distributions are made at the discretion of the Board of Directors of the Hadley Foundation.

NOTE D - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, follows:

	2011	2010
Land	$ 350,356	$ 350,356
Land improvements	10,023,262	5,280,088
Buildings	56,596,581	55,883,852
Fixed equipment	35,863,687	35,610,400
Major movable equipment	73,047,237	68,741,957
	175,881,123	165,866,653
Less accumulated depreciation	114,345,881	105,757,101
	61,535,242	60,109,552
Construction in progress	1,672,106	3,573,231
	$ 63,207,348	$ 63,682,783

Subsequent to year end, the Medical Center has agreed to terms and started on the construction of an approximately $15,000,000 Medical Office and Patient Tower expansion project.

NOTE E - LONG-TERM DEBT

Long-term debt at June 30 consists of the following:

	2011	2010
2.0% to 5.0% KDFA Health Facilities Revenue Bonds, Series 2010Q with varying maturities through May 15, 2035 (plus unamortized premium of $171,454 at June 30, 2011) - collateralized by unrestricted receivables, funds held by trustee and property and equipment of the bond obligated group.	$ 45,881,454	$ -
4.0% to 5.25% KDFA Health Facilities Revenue Bonds, Series 2005L with varying maturities through November 15, 2022 (plus unamortized premium of $229,004 at June 30, 2011 and $296,093 at June 30, 2010) - collateralized by unrestricted receivables, funds held by trustee, and property and equipment of the bond obligated group.	18,284,004	19,421,093
5.1% to 5.125% KDFA Health Facilities Revenue Bonds, Series 2003L with varying maturities through November 15, 2033 (less unamortized discount of $360,717 at June 30, 2011 and $371,442 at June 30, 2010) - collateralized by unrestricted receivables, funds held by trustee, and property and equipment of the bond obligated group.	16,064,283	16,053,558
Capital lease with PNC Equipment Finance dated September 3, 2010 for a term of 27 months, with annual payments of $389,952 - collateralized by the specific lease equipment with a cost of $1,169,857.	779,905	-
Capital leases with Americorp Financial, LLC dated March 25, 2011 for a term of 36 months, with monthly payments of $2,245 - collateralized by the specific lease equipment with a cost of $69,000.	63,250	-
Variable rate KDFA Health Facilities Revenue Bonds, Series 2005M with varying maturities through May 15, 2026, - collateralized by unrestricted receivables, funds held by trustee, and property and equipment of the bond obligated group.	-	16,300,000
	81,072,896	51,774,651
Less current maturities	2,408,202	1,495,000
	$ 78,664,694	$ 50,279,651

NOTE E -LONG-TERM DEBT - continued

Maturities of long-term debt are as follows.

Year ending June 30	
2012	$ 2,408,202
2013	2,429,953
2014	2,130,000
2015	2,225,000
2016	2,330,000
Later years	69,510,000
	81,033,155
Unamortized bond premium and discount	39,741
	$ 81,072,896

The Series 2005M Bonds were initially issued as auction rate bonds. The bonds were converted to long-term rate bonds under provisions of the bond agreement on March 20, 2008. This conversion rate period is effective until November, 2010, at such time the bonds may be converted to additional interest rate options provided in the bond agreement. In November 2010, the Series 2005M bonds were fully refunded with proceeds from the Series 2010Q Bonds.

The terms of the KDFA Bonds require, among other provisions, maintenance of an adequately funded debt service fund, certain restrictions on incurring new debt and, on Series 2005M, the maintenance of a bond insurance policy.

The bond obligated group consists of Hays Medical Center, Inc. and the Hays Medical Center Foundation.

A summary of interest cost and investment income on borrowed funds held by the trustee under the KDFA Bond indentures and capital leases during the year ended June 30 follows:

	2011	2010
Interest cost		
Capitalized	$ 524,085	$ -
Charged to operations	2,937,114	2,449,890
Total	$ 3,461,199	$ 2,449,890
Investment income		
Capitalized	$ 59,270	$ -

NOTE F - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30.

	2011	2010
Interest in net assets of Hadley Foundation, Inc.	$ 6,931,891	$ 5,769,316
Pledges receivable	553,894	653,303
Investments designated for purchases of property and equipment and other	1,077,922	711,011
	$ 8,563,707	$ 7,133,630

Permanently restricted net assets consist of the following at June 30:

	2011	2010
Endowments whose income is to be used for specific purposes designated by donors	$ 3,005,503	$ 2,892,036

NOTE G - ENDOWMENT FUNDS

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring 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 of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is 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 organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization.

NOTE G - ENDOWMENT FUNDS - continued

Board and donor endowed net asset composition by type of fund as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 267,618	$ 3,005,503	$3,273,121
Board-designated endowment funds	5,766,551	476,956	-	6,243,507
Total funds	$5,766,551	$ 744,574	$ 3,005,503	$9,516,628

Changes in Board and donor endowed net assets for the fiscal year ended June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$5,567,587	$ 652,679	$2,892,036	$ 9,112,302
Net investment income	209,218	80,840	-	290,058
Contributions	6,329	76,922	113,467	196,718
Appropriation of endowment assets for expenditure	(14,772)	(67,678)	-	(82,450)
Transfers and other	(1,811)	1,811	-	-
Endowment net assets, end of year	$5,766,551	$ 744,574	$3,005,503	$ 9,516,628

Board and donor endowed net asset composition by type of fund as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 255,384	$ 2,892,036	$3,147,420
Board-designated endowment funds	5,567,587	397,295	-	5,964,882
Total funds	$5,567,587	$ 652,679	$ 2,892,036	$9,112,302

NOTE G - ENDOWMENT FUNDS - continued

Changes in Board and donor endowed net assets for the fiscal year ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$5,370,180	$ 693,838	$2,539,266	$ 8,603,284
Net investment income	184,677	49,524	-	234,201
Contributions	2,499	53,780	275,784	332,063
Appropriation of endowment assets for expenditure	(330)	(56,916)	-	(57,246)
Transfers and other	10,561	(87,547)	76,986	-
Endowment net assets, end of year	$5,567,587	$ 652,679	$2,892,036	$ 9,112,302

Return Objectives and Risk Parameters

The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield of the S&P 500 index while assuming a moderate level of investment risk.

Endowed funds are credited with earnings equal to the average total investment portfolio return for the past three years. A portion of the annual endowed fund investment earnings are also designated as an increase to the corpus to maintain the purchasing power of the original gift. This annual designation is determined by the Consumer Price Index for all Urban Consumers (CPI-U). The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately CPI-U plus 5%.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation based upon time horizon, risk tolerances, performance expectations and asset class preferences as identified by the Board.

NOTE H - NET PATIENT SERVICE REVENUE

Net patient service revenue for the year ended June 30 is computed as follows:

	2011	2010
Patient service revenue	$486,731,739	$427,262,678
Contractual adjustments	(286,108,621)	(243,428,978)
Charity care	(7,603,145)	(6,768,517)
Administrative discounts	(3,281,462)	(2,830,060)
	$189,738,511	$174,235,123

NOTE I - REIMBURSEMENT PROGRAMS

HMC and PVCH have agreements with third-party payors that provide for payments to them at amounts different from their established charge rates. The amounts reported on the balance sheets as estimated third-party payor settlements consist of the estimated differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows.

Medicare - Inpatient acute care and rehabilitation services rendered to Medicare program beneficiaries by HMC are generally paid at prospectively determined rates per discharge. Physician services are paid based on a prospectively determined fee schedule, except for those rendered in a rural health clinic setting, which are paid for using a cost reimbursement methodology. Outpatient services are paid at prospectively determined rates per occasion of service. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. HMC is paid for cost reimbursable and other items at tentative rates. Final settlement for services rendered to Medicare beneficiaries is determined after submission of annual cost reports by HMC and audits or reviews thereof by the Medicare fiscal intermediary. HMC's Medicare cost reports have been audited or reviewed by the Medicare fiscal intermediary through June 30, 2007. HMC's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.

PVCH is a critical access hospital for purposes of the Medicare program. Hospital services rendered to Medicare beneficiaries by PVCH are paid under cost reimbursement methodologies. Physician services rendered to Medicare beneficiaries are paid based on a prospectively determined fee schedule. PVCH is paid for cost reimbursable items at tentative rates with final settlements determined after submission of annual cost reports by PVCH and audits or reviews thereof by the Medicare fiscal intermediary. PVCH's Medicare cost reports have been audited or reviewed by the Medicare fiscal intermediary through June 30, 2010. PVCH's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.

NOTE I - REIMBURSEMENT PROGRAMS - continued

Medicaid - Inpatient acute care services rendered to Medicaid program beneficiaries by HMC are paid at prospectively determined rates per discharge These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. All other services rendered to Medicaid beneficiaries by HMC are paid at prospective rates determined on either a per diem or a fee for service basis.

Hospital services rendered by PVCH to Medicaid beneficiaries not enrolled in a Medicaid managed care plan are paid under costs reimbursement methodologies. Hospital services rendered by PVCH to all other Medicaid beneficiaries are paid at prospectively determined rates. PVCH is paid for cost reimbursable items at tentative rates with final settlements determined after submission of annual cost reports by PVCH and reviews thereof by the Medicaid fiscal intermediary. PVCH's Medicaid cost reports have been audited or reviewed by the Medicaid fiscal intermediary through June 30, 2008.

Blue Cross and Blue Shield - All services rendered to patients who are insured by Blue Cross-Blue Shield are paid on the basis of prospectively determined rates per discharge or discounts from established charges.

HMC and PVCH have also entered into payment arrangements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to them under these arrangements includes prospectively determined rates per discharge or occasion of service, discounts from established charges, and prospectively determined per diem rates.

Revenue from the Medicare and Medicaid programs accounted for approximately 40 percent and 41 percent of HMC's net patient revenue for the years ended June 30, 2011 and 2010, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Under the Medicare Recovery Audit Contractor (RAC) program, HMC has received document requests on patient claims from prior years during and subsequent to June 30, 2011. HMC intends to exhaust all appeal levels which ultimately could take several years. HMC intends to appeal all demands with the assistance of outside legal counsel if necessary. At June 30, 2011 no provision for any allowance due to the RAC program has been recorded as HMC believes they will be successful in the appeal process.

NOTE J - FUNCTIONAL EXPENSES

Operating expenses by functional categories for the year ended June 30 are as follows:

	2011	2010
Patient care	$ 149,799,383	$ 132,334,836
General and administrative	45,095,354	45,647,538
	$ 194,894,737	$ 177,982,374

NOTE K - PENSION PLANS

The Hays Medical Center, Inc. Employees' Pension Plan, a defined contribution pension plan with a money purchase and a 403(b) arrangement, provides for employer contributions equal to 3-1/2% of participants' eligible wages and additional employer contributions matching participant contributions, not to exceed 2% of the participants' eligible wages. Additionally, participants may contribute up to the 403(b) elective deferral limits allowed by law. The contributions are invested as directed by the participants. To be eligible, participants must have completed six months of service and be at least 21 years of age. Pension plan expense was $3,154,449 for the year ended June 30, 2011 and $3,105,149 for the year ended June 30, 2010.

HMC also maintains a nonqualified executive benefit plan to provide certain key employees with life and disability insurance and deferred compensation benefits in excess of normal pension benefits. Insurance benefits are based on annual salary amounts and deferred compensation benefits are contributed by HMC at 15% of annual compensation. Deferred compensation contributions by HMC were $292,797 for the year ended June 30, 2011 and $272,714 for the year ended June 30, 2010.

In 2003, HMC established a nonqualified 457(b) deferred compensation plan. This plan allows certain key employees the option of deferring compensation of $16,500 for calendar year 2011 and 2010 in addition to the employees' contributions to the pension plan.

The amounts contributed and deferred under the nonqualified plans remain general assets of HMC until distributed to the participants.

NOTE L - FAIR VALUE OF FINANCIAL INSTRUMENTS

HMC has adopted FASB ASC 820, Fair Value Measurements and Disclosures. FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

FASB ASC 820 defines fair value as 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. FASB ASC 820 also establishes a fair value hierarchy that requires the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

Level 2 Inputs - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

NOTE L - FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

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

Financial instruments valued on a recurring basis

Marketable securities - Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid exchange traded equities, corporate bonds, U.S. Treasuries, federal agency obligations, and mutual funds. If quoted market prices are not available, then Level 2 fair values are estimated by using pricing models or quoted prices of securities with similar characteristics. Level 3 securities include four hedge funds. They were classified within Level 3 of the valuation hierarchy due to their illiquid nature and lack of an active market.

The following table sets forth HMC's and the Foundation's financial assets and liabilities by level within the fair value hierarchy that were measured at fair value on a recurring basis as of June 30, 2011 and 2010:

	Fair Value Measurements at June 30, 2011			
	Level 1	Level 2	Level 3	Fair Value
U.S. Government and agency obligations	$ 33,106,346	$ -	$ -	$ 33,106,346
Corporate bonds	7,981,147	-	-	7,981,147
Large U.S. equity funds	18,537,524	-	-	18,537,524
Small/Mid U.S. equity funds	6,396,967	-	-	6,396,967
International funds	18,201,303	-	-	18,201,303
Fixed income funds	9,138,000	-	-	9,138,000
Private equity funds	5,754,775	-	-	5,754,775
Corporate stocks	9,877,000	-	-	9,877,000
Commodity funds	5,338,255	-	-	5,338,255
Hedge funds	-	-	8,178,463	8,178,463
	$114,331,317	$ -	$8,178,463	$122,509,780

NOTE L - FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

	Fair Value Measurements at June 30, 2010			
	Level 1	Level 2	Level 3	Fair Value
U.S. Government and agency obligations	$ 5,804,739	$ -	$ -	$ 5,804,739
Corporate bonds	7,664,458	-	-	7,664,458
Large U.S. equity funds	13,337,619	-	-	13,337,619
Small/Mid U.S. equity funds	4,725,586	-	-	4,725,586
International funds	13,747,425	-	-	13,747,425
Fixed income funds	7,907,021	-	-	7,907,021
Private equity funds	3,883,385	-	-	3,883,385
Corporate stocks	6,929,257	-	-	6,929,257
Commodity funds	3,963,236	-	-	3,963,236
Hedge funds	-	-	7,005,351	7,005,351
	$ 67,962,726	$ -	$ 7,005,351	$ 74,968,077

The changes in assets measured at fair value using level 3 hierarchy on a recurring basis as of June 30, 2011, are summarized as follows:

	Hedge funds
Balance at June 30, 2010	$ 7,005,351
Transfers into Level 3	580,000
Unrealized gains	593,112
Balance at June 30, 2011	$ 8,178,463

FASB ASC 825-50, Financial Instruments, Disclosure, requires disclosure of estimated fair value information for financial instruments held by HMC. Such information is based on the requirements set forth in FASB ASC 825-50 and does not purport to represent the aggregate net fair value of HMC. Further, the fair value estimates are based on various assumptions, methodologies and subjective considerations, which vary widely among different entities and are subject to change. The following methods and assumptions were used by HMC in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Patient accounts receivable: The carrying amount reported in the balance sheet for patient accounts receivable approximates it fair value.

Other receivables: The carrying amount reported in the balance sheet for other receivables approximates its fair value.

Assets whose use is limited: These assets consist primarily of cash, short-term investments, pledge receivables, and interest receivable. The carrying amount reported in the balance sheet is fair value.

Accounts payable: The carrying amount reported in the balance sheet for accounts payable approximates its fair value.

Long-term debt: Fair values of HMC's revenue bonds are based on current market value.

NOTE L - FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

The carrying amounts and estimated fair values of HMC's financial instruments as of June 30 are as follows:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	$ 7,689,083	$ 7,689,083	$ 9,575,252	$ 9,575,252
Patient accounts receivable	33,526,462	33,526,462	29,824,785	29,824,785
Other receivables	2,031,022	2,031,022	870,677	870,677
Assets whose use is limited	145,708,530	145,708,530	92,842,193	92,842,193
Financial liabilities				
Accounts payable	6,818,020	6,818,020	6,729,262	6,729,262
Long-term debt	81,072,896	82,454,524	51,774,651	53,189,872

NOTE M - OPERATING LEASES

A portion of the HMC's facilities and equipment are leased. All of these are under operating leases, which expire over the next several years. Management expects that in the normal course of business, most leases will be renewed or replaced by other leases.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2011:

Year ending June 30	
2012	$ 995,853
2013	824,723
2014	572,357
2015	295,781
2016	264,696
Thereafter	582,482
	$ 3,535,892

Total rental expense for all short-term and long-term operating leases for the years ended June 30, 2011 and 2010 was $2,620,263 and $2,103,988, respectively.

NOTE N - CONCENTRATIONS OF CREDIT RISK

HMC grants credit without collateral to its patients, most of whom are local and regional residents and are insured under third-party payor agreements The approximate mix of patient accounts receivable from patients and third-party payors is summarized as follows:

	2011	2010
Medicare	39%	41%
Medicaid	4	5
Blue Cross	21	19
Other insurors	20	16
Patients	16	19
	100%	100%

NOTE O - PLEDGED ASSETS

At June 30, 2011 and 2010, $395,000 in certificates of deposit were pledged to the State of Kansas as security against future unemployment claims.

NOTE P - COMMITMENTS AND CONTINGENCIES

HMC is involved in litigation arising in the normal course of business. After consulting with legal counsel, it is management's opinion that these matters will be resolved without material adverse effect to HMC's financial position or results of operations.

NOTE Q - MEDICAL MALPRACTICE INSURANCE

For the years ended June 30, 2011 and 2010 HMC was insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of $200,000 per occurrence up to an annual aggregate of $600,000 for all claims made during the policy year. HMC is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to $800,000 pursuant to any one judgment or settlement against HMC for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of $2,400,000. The policy provided by the independent insurance carrier provides for umbrella liability in excess of the underlying limits set forth above in the amount of $1,000,000 per occurrence with an aggregate amount in any policy year of $3,000,000. HMC also carries excess liability coverage for general liability and professional liability of $10,000,000 for each occurrence and in the aggregate. All coverage is on a claims-made basis. The above policies have been renewed for the policy period from January 1, 2011 to January 1, 2012. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified under HMC's incident reporting system has been made because the amount is not reasonably estimable Based on historical experience and present conditions, it is the opinion of management that any claims or expenses related to periods prior to June 30, 2011, will have no material effect on the financial statements of HMC.

SUPPLEMENTARY INFORMATION

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Ward Elliott & Pfeifer L.C.

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OFFICES IN HAYS AND GARDEN CITY

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors
Hays Medical Center, Inc.

We have audited the consolidated financial statements of Hays Medical Center, Inc as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated October 18, 2011, which contained an unqualified opinion on these financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements The information has been subjected to the audit procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Brungardt Hower
Ward Elliott & Pfeifer L.C.

Hays, Kansas
October 18 2011

CONSOLIDATING BALANCE SHEETS

Hays Medical Center, Inc

CONSOLIDATING BALANCE SHEET

June 30, 2011

ASSETS	Bond Obligated Group			
	Hays Medical Center, Inc	Hays Medical Center Foundation	Eliminating and Consolidating Entries	Subtotal
CURRENT ASSETS				
Cash and cash equivalents	$ 5,009,685	$ -	$ -	$ 5,009,685
Patient accounts receivable, net of allowance for doubtful accounts of $5,449,000 and $455,000	31,647,122	-	-	31,647,122
Other receivables	2,030,381	-	-	2,030,381
Intercompany receivables	166,922	-	(109,753)	57,169
Inventories	4,191,623	-	-	4,191,623
Prepaid expenses	3,918,946	-	-	3,918,946
Total current assets	46,964,679	-	(109,753)	46,854,926
ASSETS WHOSE USE IS LIMITED				
Board-designated for capital expenditures	85,743,922	-	-	85,743,922
Under indenture agreements - held by trustee	33,333,695	-	-	33,333,695
Foundation assets	-	19,711,022	(12,000)	19,699,022
Interest in net assets of Hadley Foundation, Inc	6,931,891	-	-	6,931,891
	126,009,508	19,711,022	(12,000)	145,708,530
PROPERTY AND EQUIPMENT, NET	63,207,348	-	-	63,207,348
OTHER ASSETS				
Debt issue costs, net of accumulated amortization of $266,284	1,015,220	-	-	1,015,220
Other	5,009,797	-	-	5,009,797
	6,025,017	-	-	6,025,017
TOTAL ASSETS	$242,206,552	$19,711,022	$ (121,753)	$261,795,821

Pawnee Valley Community Hospital	Eliminating and Consolidating Entries	Consolidated Totals
$ 2,679,398	$ -	$ 7,689,083
1,879,340	-	33,526,462
641	-	2,031,022
-	(57,169)	-
195,512	-	4,387,135
66,361	-	3,985,307
4,821,252	(57,169)	51,619,009
-	-	85,743,922
-	-	33,333,695
-	-	19,699,022
-	-	6,931,891
-	-	145,708,530
-	-	63,207,348
-	-	1,015,220
-	-	5,009,797
-	-	6,025,017
$ 4,821,252	$ (57,169)	$266,559,904

Hays Medical Center, Inc

CONSOLIDATING BALANCE SHEET - CONTINUED

June 30, 2011

	Bond Obligated Group			
	Hays Medical Center, Inc	Hays Medical Center Foundation	Eliminating and Consolidating Entries	Subtotal
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current maturities of long-term debt	$ 2,408,202	$ -	$ -	$ 2,408,202
Accounts payable	6,539,582	30,165	-	6,569,747
Estimated third-party payor settlements	146,057	-	-	146,057
Accrued compensation	6,963,679	-	-	6,963,679
Other liabilities	2,438,338	-	-	2,438,338
Intercompany payables	12,000	109,753	(121,753)	-
Total current liabilities	18,507,858	139,918	(121,753)	18,526,023
DEFERRED COMPENSATION PAYABLE	4,144,859	-	-	4,144,859
LONG-TERM DEBT, less current maturities	78,664,694	-	-	78,664,694
DUE TO PAWNEE COUNTY	-	-	-	-
TOTAL LIABILITIES	101,317,411	139,918	(121,753)	101,335,576
COMMITMENTS AND CONTINGENCIES	-	-	-	-
NET ASSETS				
Unrestricted	133,957,250	14,921,785	12,000	148,891,035
Temporarily restricted	6,931,891	1,643,816	(12,000)	8,563,707
Permanently restricted	-	3,005,503	-	3,005,503
TOTAL NET ASSETS	140,889,141	19,571,104	-	160,460,245
TOTAL LIABILITIES AND NET ASSETS	$242,206,552	$19,711,022	$ (121,753)	$261,795,821

Pawnee Valley Community Hospital	Eliminating and Consolidating Entries	Consolidated Totals
$ -	$ -	$ 2,408,202
248,273	-	6,818,020
3,457,451	-	3,603,508
429,668	-	7,393,347
-	-	2,438,338
57,169	(57,169)	-
4,192,561	(57,169)	22,661,415
-	-	4,144,859
-	-	78,664,694
628,691	-	628,691
4,821,252	(57,169)	106,099,659
-	-	
-	-	148,891,035
-	-	8,563,707
-	-	3,005,503
-	-	160,460,245
$ 4,821,252	$ (57,169)	$266,559,904

Hays Medical Center, Inc

CONSOLIDATING BALANCE SHEET

June 30, 2010

ASSETS	Bond Obligated Group			
	Hays Medical Center, Inc	Hays Medical Center Foundation	Eliminating and Consolidating Entries	Subtotal
CURRENT ASSETS				
Cash and cash equivalents	$ 9,403,702	$ -	$ -	$ 9,403,702
Patient accounts receivable, net of allowance for doubtful accounts of $5,660,000 and $274,542	27,864,083	-	-	27,864,083
Other receivables	870,387	-	-	870,387
Intercompany receivables	1,559,747	-	(16,693)	1,543,054
Inventories	3,910,829	-	-	3,910,829
Prepaid expenses	3,392,473	-	-	3,392,473
Total current assets	47,001,221	-	(16,693)	46,984,528
ASSETS WHOSE USE IS LIMITED				
Board-designated for capital expenditures	67,974,150	-	-	67,974,150
Under indenture agreements - held by trustee	3,223,274	-	-	3,223,274
Foundation assets	-	15,887,453	(12,000)	15,875,453
Interest in net assets of Hadley Foundation, Inc	5,769,316	-	-	5,769,316
	76,966,740	15,887,453	(12,000)	92,842,193
PROPERTY AND EQUIPMENT, NET	63,682,783	-	-	63,682,783
OTHER ASSETS				
Debt issue costs, net of accumulated amortization of $438,299	951,317	-	-	951,317
Other	3,805,340	-	-	3,805,340
	4,756,657	-	-	4,756,657
TOTAL ASSETS	$192,407,401	$15,887,453	$ (28,693)	$208,266,161

Pawnee Valley Community Hospital	Eliminating and Consolidating Entries	Consolidated Totals
$ 171,550	$ -	$ 9,575,252
1,960,702	-	29,824,785
290	-	870,677
-	(1,543,054)	-
113,446	-	4,024,275
51,845	-	3,444,318
2,297,833	(1,543,054)	47,739,307
-	-	67,974,150
-	-	3,223,274
-	-	15,875,453
-	-	5,769,316
-	-	92,842,193
-	-	63,682,783
-	-	951,317
-	-	3,805,340
-	-	4,756,657
$ 2,297,833	$ (1,543,054)	$ 209,020,940

Hays Medical Center, Inc

CONSOLIDATING BALANCE SHEET - CONTINUED

June 30, 2010

	Bond Obligated Group			
	Hays Medical Center, Inc	Hays Medical Center Foundation	Eliminating and Consolidating Entries	Subtotal
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current maturities of long-term debt	$ 1,495,000	$ -	$ -	$ 1,495,000
Accounts payable	6,485,919	38,089	-	6,524,008
Estimated third-party payor settlements	460,162	-	-	460,162
Accrued compensation	7,877,114	-	-	7,877,114
Other liabilities	2,025,040	-	-	2,025,040
Intercompany payables	12,000	16,693	(28,693)	-
Total current liabilities	18,355,235	54,782	(28,693)	18,381,324
DEFERRED COMPENSATION PAYABLE	2,884,253	-	-	2,884,253
LONG-TERM DEBT, less current maturities	50,279,651	-	-	50,279,651
TOTAL LIABILITIES	71,519,139	54,782	(28,693)	71,545,228
COMMITMENTS AND CONTINGENCIES	-	-	-	-
NET ASSETS				
Unrestricted	115,118,946	11,564,321	12,000	126,695,267
Temporarily restricted	5,769,316	1,376,314	(12,000)	7,133,630
Permanently restricted	-	2,892,036	-	2,892,036
TOTAL NET ASSETS	120,888,262	15,832,671	-	136,720,933
TOTAL LIABILITIES AND NET ASSETS	$192,407,401	$15,887,453	$ (28,693)	$208,266,161

Pawnee Valley Community Hospital	Eliminating and Consolidating Entries	Consolidated Totals
$ -	$ -	$ 1,495,000
205,254	-	6,729,262
340,000	-	800,162
209,525	-	8,086,639
-	-	2,025,040
1,543,054	(1,543,054)	-
2,297,833	(1,543,054)	19,136,103
-	-	2,884,253
-	-	50,279,651
2,297,833	(1,543,054)	72,300,007
-	-	
-	-	126,695,267
-	-	7,133,630
-	-	2,892,036
-	-	136,720,933
$ 2,297,833	$ (1,543,054)	$209,020,940

Hays Medical Center, Inc

CONSOLIDATING STATEMENT OF OPERATIONS
AND CHANGES IN NET ASSETS

Year ended June 30, 2011

	Bond Obligated Group			
	Hays Medical Center, Inc	Hays Medical Center Foundation	Eliminating and Consolidating Entries	Subtota.
REVENUES, GAINS AND OTHER SUPPORT				
Net patient service revenue	$ 178,947,341	$ -	$ -	$ 178,947,341
Other revenue	10,709,339	-	-	10,709,339
Net assets released from restrictions used for operations	-	-	-	-
Total revenue, gains and other support	189,657,280	-	-	189,657,280
EXPENSES				
Salaries and wages	72,287,321	-	-	72,287,321
Supplies and other	86,688,883	-	-	86,688,883
Depreciation and amortization	10,390,872	-	-	10,390,872
Provision for bad debts	12,249,562	-	-	12,249,562
Interest	2,899,603	-	-	2,899,603
Loss from extinguishment of debt	525,012	-	-	525,012
Total expenses	185,041,253	-	-	185,041,253
OPERATING INCOME (LOSS)	4,616,027	-	-	4,616,027
OTHER INCOME (LOSS)				
Gifts and bequests	58,478	838,145	(58,478)	838,145
Investment income	3,493,571	939,013	-	4,432,584
Investment fees and related expenses	(157,620)	-		(157,620)
Loss on disposal of assets	(138,220)	-	-	(138,220)
Change in interest in net assets of Hadley Foundation, Inc	1,162,575	-	-	1,162,575
Subsidy from Pawnee County	-	-	-	-
Fundraising and other expenses	-	(593,479)	58,478	(535,001)
	4,418,784	1,183,679	-	5,602,463
EXCESS OF REVENUES OVER EXPENSES	9,034,811	1,183,679	-	10,218,490
Change in net unrealized gains and losses	10,966,068	2,554,754	-	13,520,822
Increase in amount due to Pawnee County	-	-	-	-
Net assets released from restrictions used for purchase of property and equipment	-	-	-	-
Transfers between classifications	-	-		-
CHANGE IN NET ASSETS	20,000,879	3,738,433		23,739,312
NET ASSETS AT BEGINNING OF YEAR	120,888,262	15,832,671	-	136,720,933
NET ASSETS AT END OF YEAR	$ 140,889,141	$ 19,571,104	$	$ 160,460,245

Pawnee Valley Community Hospital	Eliminating and Consolidating Entries	Consolidated Totals	Consolidated Totals			
			Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 10,790,570	$ -	$ 189,738,511	$ 189,738,511	$ -	$ -	$ 189,738,511
124,329	(522,820)	10,310,848	10,310,848	-	-	10,310,848
-	-	-	192,552	(192,552)	-	
10,914,899	(522,820)	200,049,359	200,241,911	(192,552)	-	200,049,359
2,839,857	-	75,127,178	75,127,178	-	-	75,127,178
6,090,466	(522,820)	92,256,549	92,256,549	-	-	92,256,549
-	-	10,390,872	10,390,872	-	-	10,390,872
1,408,450	-	13,658,012	13,658,012	-		13,658,012
37,511		2,937,114	2,937,114	-	-	2,937,114
-	-	525,012	525,012	-	-	525,012
10,376,304	(522,820)	194,894,737	194,894,737	-	-	194,894,737
538,595	-	5,154,622	5,347,174	(192,552)	-	5,154,622
90,096	-	928,241	376,115	438,659	113,467	928,241
-	-	4,432,584	4,351,744	80,840	-	4,432,584
-	-	(157,620)	(157,620)	-	-	(157,620)
-	-	(138,220)	(138,220)	-	-	(138,220)
-	-	1,162,575	-	1,162,575		1,162,575
-	-	-	-	-	-	-
-	-	(535,001)	(535,001)	-	-	(535,001)
90,096	-	5,692,559	3,897,018	1,682,074	113,467	5,692,559
628,691	-	10,847,181	9,244,192	1,489,522	113,467	10,847,181
-	-	13,520,822	13,520,822			13,520,822
628,691)		(628,691)	(628,691)	-		(628,691)
-	-	-	61,256	(61,256)	-	-
	-	-	(1,811)	1,811	-	
-	-	23,739,312	22,195,768	1,491,077	113,467	23,739,312
-	-	136,720,933	126,695,267	7,133,630	2,892,036	136,720,933
$ -	$ -	$ 160,460,245	$ 148,891,035	$ 8,563,707	$ 3,005,503	$ 160,460,245

Hays Medical Center, Inc

CONSOLIDATING STATEMENT OF OPERATIONS
AND CHANGES IN NET ASSETS

Year ended June 30, 2010

	Bond Obligated Group			
	Hays Medical Center, Inc	Hays Medical Center Foundation	Eliminating and Consolidating Entries	Subtota.
REVENUES, GAINS AND OTHER SUPPORT				
Net patient service revenue	$ 171,914,512	$ -	$ -	$ 171,914,512
Other revenue	9,680,448	-	-	9,680,448
Net assets released from restrictions used for operations	-	-	-	
Total revenue, gains and other support	181,594,960	-	-	181,594,960
EXPENSES				
Salaries and wages	70,800,915	-	-	70,800,915
Supplies and other	80,341,257	-	-	80,341,257
Depreciation and amortization	10,478,045	-	-	10,478,045
Provision for bad debts	11,522,687	-	-	11,522,687
Interest	2,441,992	-	-	2,441,992
Total expenses	175,584,896	-	-	175,584,896
OPERATING INCOME (LOSS)	6,010,064	-	-	6,010,064
OTHER INCOME (LOSS)				
Gifts and bequests	680,601	1,098,433	(671,601)	1,107,433
Investment income	2,318,341	658,272	-	2,976,613
Investment fees and related expenses	(155,230)	-		(155,230)
Gain on disposal of assets	5,604	-	-	5,604
Change in interest in net assets of Hadley Foundation, Inc	517,595	-	-	517,595
Subsidy from Pawnee County	-	-	-	-
Fundraising and other expenses	-	(1,198,693)	671,601	(527,092)
	3,366,911	558,012	-	3,924,923
EXCESS OF REVENUES OVER EXPENSES	9,376,975	558,012	-	9,934,987
Change in net unrealized gains and losses	5,231,916	1,410,531	-	6,642,447
Net assets released from restrictions used for purchase of property and equipment	-	-	-	-
Transfers between classifications	-	-	-	-
CHANGE IN NET ASSETS	14,608,891	1,968,543	-	16,577,434
NET ASSETS AT BEGINNING OF YEAR	106,279,371	13,864,128	-	120,143,499
NET ASSETS AT END OF YEAR	$ 120,888,262	$ 15,832,671	$ -	$ 136,720,933

Pawnee Valley Community Hospital	Eliminating and Consolidating Entries	Consolidated Totals	Consolidated Totals			
			Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 2,320,611	$ -	$ 174,235,123	$ 174,235,123	$ -	$ -	$ 174,235,123
5,456	(117,258)	9,568,646	9,568,646	-	-	9,568,646
-	-	-	158,721	(158,721)	-	
2,326,067	(117,258)	183,803,769	183,962,490	(158,721)	-	183,803,769
523,081	-	71,323,996	71,323,996	-	-	71,323,996
1,709,215	(117,258)	81,933,214	81,933,214	-	-	81,933,214
-	-	10,478,045	10,478,045	-	-	10,478,045
274,542	-	11,797,229	11,797,229	-		11,797,229
7,898	-	2,449,890	2,449,890	-	-	2,449,890
2,514,736	(117,258)	177,982,374	177,982,374	-	-	177,982,374
(188,669)	-	5,821,395	5,980,116	(158,721)	-	5,821,395
30,000	-	1,137,433	268,443	593,206	275,784	1,137,433
-	-	2,976,613	2,927,089	49,524	-	2,976,613
-	-	(155,230)	(155,230)	-	-	(155,230)
-	-	5,604	5,604	-	-	5,604
-	-	517,595	-	517,595	-	517,595
158,669	-	158,669	158,669	-	-	158,669
-	-	(527,092)	(527,092)	-	-	(527,092)
188,669	-	4,113,592	2,677,493	1,160,325	275,784	4,113,592
-	-	9,934,987	8,657,599	1,001,604	275,784	9,934,987
-	-	6,642,447	6,642,447	-	-	6,642,447
-	-		785,409	(785,409)	-	
-	-		-	(76,986)	76,986	
-	-	16,577,434	16,085,955	138,409	352,770	16,577,434
-	-	110,143,439	110,609,312	6,994,921	2,539,216	120,143,449
$	$ -	$ 136,720,933	$ 126,695,267	$ 7,133,330	$ 2,892,036	$ 136,720,933

Hays Medical Center, Inc

SCHEDULE OF FOUNDATION ASSETS, LIABILITIES & NET ASSETS

June 30,

ASSETS

	2011	2010
Cash and cash equivalents	$ 1,485,146	$ 1,047,770
U.S. Treasury and agency obligations	1,112,734	1,031,502
Corporate bonds	1,385,527	1,361,974
Equity investments	12,680,566	9,685,037
Commodity mutual fund	926,721	704,267
Hedge funds	1,419,781	1,244,851
Pledges receivable (net of allowance for uncollectible pledges of $25,000 in 2011 and 2010)	565,894	665,303
Beneficial interest in remainder trust	112,371	108,131
Oil royalty interests (net of accumulated depletion of $80,516 in 2011 and $64,412 in 2010)	-	16,104
Interest receivable	22,282	22,514
Total assets	$19,711,022	$15,887,453

LIABILITIES AND NET ASSETS

Accounts payable	$ 30,165	$ 38,089
Intercompany payables	109,753	16,693
Total liabilities	139,918	54,782
NET ASSETS		
Unrestricted	14,921,785	11,564,321
Temporarily restricted	1,643,816	1,376,314
Permanently restricted	3,005,503	2,892,036
Total net assets	19,571,104	15,832,671
Total liabilities and net assets	$19,711,022	$15,887,453

Hays Medical Center, Inc

SCHEDULE OF PAWNEE VALLEY COMMUNITY HOSPITAL
ASSETS, LIABILITIES AND NET ASSETS

June 30,

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	$ 2,679,398	$ 171,550
Patient accounts receivable, net of allowance for doubtful accounts of $455,000 in 2011 and $274,542 in 2010	1,879,340	1,960,702
Other receivables	641	290
Inventories	195,512	113,446
Prepaid expenses	66,361	51,845
Total current assets	4,821,252	2,297,833
TOTAL ASSETS	$ 4,821,252	$ 2,297,833
LIABILITITES AND NET ASSETS		
CURRENT LIABALITIES		
Accounts payable	$ 248,273	$ 205,254
Estimated third-party payor settlements	3,457,451	340,000
Accrued compensation	429,668	209,525
Due to Hays Medical Center	57,169	1,543,054
Total current liabilities	4,192,561	2,297,833
DUE TO PAWNEE COUNTY	628,691	-
TOTAL LIABILITITES	4,821,252	2,297,833
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS	-	-
TOTAL LIABILITITES AND NET ASSETS	$ 4,821,252	$ 2,297,833

Hays Medical Center, Inc.

SCHEDULE OF PAWNEE VALLEY COMMUNITY HOSPITAL OPERATIONS
AND CHANGES IN NET ASSETS

Year ended June 30,

	2011	2010
REVENUES, GAINS AND OTHER SUPPORT		
Net patient service revenue	$10,790,570	$ 2,320,611
Other revenue	124,329	5,456
Total revenue, gains and other support	10,914,899	2,326,067
EXPENSES		
Salaries and wages	2,839,857	523,081
Supplies and other	6,090,486	1,709,215
Provision for bad debts	1,408,450	274,542
Interest	37,511	7,898
Total expenses	10,376,304	2,514,736
OPERATING INCOME (LOSS)	538,595	(188,669)
OTHER INCOME (LOSS)		
Gifts and bequests	90,096	30,000
Subsidy from Pawnee County	-	158,669
	90,096	188,669
EXCESS OF REVENUES OVER EXPENSES	628,691	-
Increase in amount due to Pawnee County	(628,691)	-
CHANGE IN NET ASSETS	-	-
NET ASSETS AT BEGINNING OF YEAR	-	
NET ASSETS AT END OF YEAR	$ -	$ -