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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 JUL 1, 2010 **and ending** JUN 30, 2011

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

C Name of organization
Hutchinson Regional Medical Center, Inc.
fka Promise Regional Medical Center

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 1701 E 23rd

Room/suite

City or town, state or country, and ZIP + 4
Hutchinson, KS 67502

F Name and address of principal officer: Kendall E. Johnson
same as C above

D Employer identification number
48-0774005

E Telephone number
(620) 665-2009

G Gross receipts $ 138,611,783.

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.hutchregional.com

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

L Year of formation 1969 **M** State of legal domicile KS

Part I Summary

1 Briefly describe the organization's mission or most significant activities: A 199 bed acute care hospital with the mission to do everything possible to deliver an exceptional

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

3	Number of voting members of the governing body (Part VI, line 1a)	3	19
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	16
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	1502
6	Total number of volunteers (estimate if necessary)	6	191
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	2,253,829.
b	Net unrelated business taxable income from Form 990-T, line 34	7b	764,813.

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		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	775,157.	285,430.
9	Program service revenue (Part VIII, line 2g)	141,582,905.	134,731,311.
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	782,562.	1,429,491.
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	572,335.	2,155,051.
12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	143,712,959.	138,601,283.
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)	58,387,874.	59,807,732.
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)	81,521,042.	81,407,221.
18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	139,908,916.	141,214,953.
19	Revenue less expenses. Subtract line 18 from line 12	3,804,043.	-2,613,670.

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	155,757,293.	162,449,516.
21	Total liabilities (Part X, line 26)	30,665,139.	32,638,262.
22	Net assets or fund balances. Subtract line 21 from line 20	125,092,154.	129,811,254.

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 — Date 3/30/12

▶ Kendall E. Johnson, Vice President Finance/CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name: Eric L. Otting	Preparer's Signature	Date 03/07/12	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 66603-3491			Phone no 7852334226	

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

See Schedule O for Organization Mission Statement Continuation

17-ill

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:
We must do everything possible to deliver an exceptional experience of care for every patient and family member, everytime, in every interaction.

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 $ 119,312,720. including grants of $) (Revenue $ 131,989,238.)
Promise Regional Medical Center Hutchinson is currently licensed to operate 199 general acute beds. All program service expenses were incurred in furtherance of our mission.

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** ▶ 119,312,720.

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	X	
2	Is the organization required to complete Schedule B, Schedule of Contributors?	2	X	
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		X
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		X
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		X
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		X
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		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		X
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		X
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		X
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI*	11a	X	
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	X	
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		X
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		X
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	X	
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	X	
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		X
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	X	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		X
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		X
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 United States? *If "Yes," complete Schedule F, Parts II and IV*	15		X
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 United States? *If "Yes," complete Schedule F, Parts III and IV*	16		X
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*	17		X
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		X
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		X
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	X	
b	If "Yes" to line 20a, did the organization attach its audited financial statements to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	X	

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
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		X
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		X
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23	X	
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 through 24d and complete Schedule K If "No", go to line 25*	24a		X
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		X
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		X
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		X
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		X
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	X	
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b	X	
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	X	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		X
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		X
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		X
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		X
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	X	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35		X
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		X
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		X
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	X	

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	68		
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	X	
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	1502		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b	X	
	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	X	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b	X	
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		X
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		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		X
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		X
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		X
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		X
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		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		X
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?		13a		
	Note. See the instructions for additional information the organization must report on Schedule O.				
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		X
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 line 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 [X]

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	19		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	16		
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		X
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		X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		5		X
6	Does the organization have members or stockholders?		6		X
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		7a		X
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?		7b		X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:				
a	The governing body?		8a	X	
b	Each committee with authority to act on behalf of the governing body?		8b	X	
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		X

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		X
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	X	
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	X	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	X	
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	X	
13	Does the organization have a written whistleblower policy?	13	X	
14	Does the organization have a written document retention and destruction policy?	14	X	
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	X	
b	Other officers or key employees of the organization	15b	X	
	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	X	
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	X	

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ▶ None

18 Section 6104 requires an organization to make its Forms 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 [X] 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.

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

Kendall E. Johnson, Vice President Finance/CFO - (620) 665-2009
1701 E 23rd, Hutchinson, KS 67502

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. 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			
Ann Bush Chair	1.00	X		X				0.	0.	0.
Sue Darby Director	1.00	X						0.	0.	0.
John Deardoff Director	1.00	X						0.	0.	0.
Annasteen Blackim Director	1.00	X						0.	0.	0.
Mike Evans Treasurer	1.00	X		X				0.	0.	0.
Verlin Janzen, MD Director	1.00	X						0.	0.	0.
John Jones Vice Chair	1.00	X		X				0.	0.	0.
Evan Moodie Director	1.00	X						0.	0.	0.
Christine Sanders, MD Director	1.00	X						0.	0.	0.
Mert Sellers Director	1.00	X						0.	0.	0.
John Swearer Director	1.00	X						0.	0.	0.
Kent Tyler Secretary	1.00	X		X				0.	0.	0.
Rex Degner, MD Director	1.00	X						0.	0.	0.
Edward Hobart, MD Director	1.00	X						0.	0.	0.
Linda Harrison President (thru Jan. 2011)	40.00	X		X				383,219.	0.	19,675.
Bruce Buchanan Director	1.00	X						0.	0.	0.
Allen Fee Director	1.00	X						0.	0.	0.

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			
Keith Hughes Director	1.00	X						0.	0.	0.
David Neal Director	1.00	X						0.	0.	0.
David Busatti Vice President of Finance (thru Sept	40.00			X				205,889.	0.	17,355.
James McComas Vice President of Operations (thru M	40.00			X				171,982.	0.	19,721.
Janet Hamous Vice President of Human Re	40.00			X				147,182.	0.	19,279.
Patricia Edwards Vice President Patient Care Services	40.00			X				164,499.	0.	14,499.
Kendall Johnson Vice President Finance	40.00			X				0.	0.	3,200.
William Giersch Vice President Clinical Services	40.00			X				158,714.	0.	17,806.
Robyn Chadwick Vice President Service Excellence	40.00			X				108,129.	0.	2,976.
1b Sub-total ▶								1,339,614.	0.	114,511.
c Total from continuation sheets to Part VII, Section A ▶								869,015.	0.	98,218.
d Total (add lines 1b and 1c) ▶								2,208,629.	0.	212,729.

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 ▶ 29

		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		X
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	X	
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		X

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
Scott Sellers 2510 Linksland, Hutchinson, KS 67502	ER Physician	480,336.
The Strategy Group 8415 East 21st St., #200, Wichita, KS 67206	Marketing	458,974.
Bryan K Henderson 2515 Lundman, Hutchinson, KS 67502	ER Physician	438,395.
Foulston & Siefkin LLP, 1551 N. Waterfront Pkwy. #100, Wichita, KS 67206-4466	Attorneys	437,253.
Mark Ohlde 1300 Bristol Rd., Hutchinson, KS 67502	ER Physician	413,806.

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 ▶ 24

See Part VII, Section A Continuation sheets

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	205,574.				
	e Government grants (contributions)	1e	77,525.				
	f All other contributions, gifts, grants, and similar amounts not included above	1f	2,331.				
	g Noncash contributions included in lines 1a-1f $						
	h **Total.** Add lines 1a-1f			285,430.			
Program Service Revenue		Business Code					
	2a Patient Revenue	900099		130,929,940.	130,929,940.		
	b Non-Patient Lab	621500		1345026.		1,345,026.	
	c Ambulance Services	621910		1059298.	1059298.		
	d Pharmacy consulting an	900099		609,571.		609,571.	
	e Cafeteria & dietary	900099		488,244.			488,244.
	f All other program service revenue	812300		299,232.		299,232.	
	g **Total.** Add lines 2a-2f			134,731,311.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)			1366265.			1,366,265.
	4 Income from investment of tax-exempt bond proceeds						
	5 Royalties						
		(i) Real	(ii) Personal				
	6a Gross Rents		385924.				
	b Less: rental expenses						
	c Rental income or (loss)		385924.				
	d Net rental income or (loss)			385,924.			385,924.
		(i) Securities	(ii) Other				
	7a Gross amount from sales of assets other than inventory	1,233.	72,493.				
	b Less: cost or other basis and sales expenses		10,500.				
	c Gain or (loss)	1,233.	61,993.				
	d Net gain or (loss)			63,226.			63,226.
	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						
	b						
	c						
	d All other revenue		900099	1769127.			1,769,127.
	e **Total.** Add lines 11a-11d			1769127.			
	12 **Total revenue.** See instructions			138,601,283.	131,989,238.	2,253,829.	4,072,786.

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	1,740,483.		1,740,483.	
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	46,022,623.	37,140,626.	8,881,997.	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,932,601.	1,612,615.	319,986.	
9 Other employee benefits	6,386,649.	5,127,248.	1,259,401.	
10 Payroll taxes	3,725,376.	2,906,862.	818,514.	
11 Fees for services (non-employees):				
a Management				
b Legal	695,233.	150,169.	545,064.	
c Accounting				
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other	568,628.	11,600.	557,028.	
12 Advertising and promotion	451,016.	15.	451,001.	
13 Office expenses	562,189.	203,680.	358,509.	
14 Information technology	2,506,277.	16,650.	2,489,627.	
15 Royalties				
16 Occupancy	2,251,074.	2,168,294.	82,780.	
17 Travel	64,835.	33,738.	31,097.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	234,094.		234,094.	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	10,346,431.	10,346,431.		
23 Insurance	1,082,814.	1,061,847.	20,967.	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a Income tax expense	116,123.		116,123.	
b Medical supplies	18,892,044.	18,892,044.		
c Bad debts	11,681,008.	11,681,008.		
d Physician fees	8,743,653.	8,298,315.	445,338.	
e Pharmaceuticals	7,353,141.	7,327,627.	25,514.	
f All other expenses See Sch O	15,858,661.	12,333,951.	3,524,710.	
25 Total functional expenses. Add lines 1 through 24f	141214953.	119312720.	21,902,233.	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		8,112,932.	1	9,857,461.
	2	Savings and temporary cash investments		15,045,159.	2	16,510,017.
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		18,025,194.	4	17,725,611.
	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)			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		4,543,347.	8	4,794,457.
	9	Prepaid expenses and deferred charges		1,679,261.	9	2,071,276.
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 172,904,258.			
	b	Less: accumulated depreciation	10b 105,616,017.	70,466,681.	10c	67,288,241.
	11	Investments - publicly traded securities			11	
	12	Investments - other securities. See Part IV, line 11		34,873,425.	12	39,304,629.
	13	Investments - program-related. See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets. See Part IV, line 11		3,011,294.	15	4,897,824.
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		155,757,293.	16	162,449,516.
Liabilities	17	Accounts payable and accrued expenses		16,194,588.	17	16,694,076.
	18	Grants payable			18	
	19	Deferred revenue		3,634.	19	1,186.
	20	Tax-exempt bond liabilities		13,551,992.	20	12,386,141.
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities. Complete Part X of Schedule D		914,925.	25	3,556,859.
	26	**Total liabilities.** Add lines 17 through 25		30,665,139.	26	32,638,262.
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ [X] and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		104,401,492.	27	105,638,303.
	28	Temporarily restricted net assets		20,690,662.	28	24,172,951.
	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		125,092,154.	33	129,811,254.
	34	Total liabilities and net assets/fund balances		155,757,293.	34	162,449,516.

Form **990** (2010)

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI [X]

1	Total revenue (must equal Part VIII, column (A), line 12)	1	138,601,283.
2	Total expenses (must equal Part IX, column (A), line 25)	2	141,214,953.
3	Revenue less expenses. Subtract line 2 from line 1	3	-2,613,670.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	125,092,154.
5	Other changes in net assets or fund balances (explain in Schedule O)	5	7,332,770.
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	129,811,254.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII [X]

			Yes	No
1	Accounting method used to prepare the Form 990: [ ] Cash [X] 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		X
b	Were the organization's financial statements audited by an independent accountant?	2b	X	
c	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.	2c	X	
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 [X] Consolidated basis [ ] Both consolidated and separate 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		X
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		

Form 990 (2010)

SCHEDULE A (Form 990 or 990-EZ)

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	Employer identification number
Hutchinson Regional Medical Center, Inc. fka Promise Regional Medical Center	48-0774005

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 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									

LHA **For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.**

Schedule A (Form 990 or 990-EZ) 2010

032021 12-21-10

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 section 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 from 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 a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

17a **10% -facts-and-circumstances test - 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 section 501(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 ▶ ☐

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 Hutchinson Regional Medical Center, Inc.
fka Promise Regional Medical Center

Employer identification number 48-0774005

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

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

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

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

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

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

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

		Held at the End of the Tax 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, and not on a historic structure listed in the National Register	2d	

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

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

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

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

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

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

9 In Part 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 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items.

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

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

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

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

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

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

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

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

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

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part 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					
b	Contributions					
c	Net investment earnings, gains, and losses					
d	Grants or scholarships					
e	Other expenditures for facilities and programs					
f	Administrative expenses					
g	End of year balance					

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

a Board designated or quasi-endowment ▶ _____%
b Permanent endowment ▶ _____%
c Term endowment ▶ _____%

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

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

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

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

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,420,204.		1,420,204.
b Buildings		90,187,229.	50,378,607.	39,808,622.
c Leasehold improvements				
d Equipment		74,347,654.	52,782,077.	21,565,577.
e Other		6,949,171.	2,455,333.	4,493,838.
Total. Add lines 1a through 1e. *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)*			▶	67,288,241.

Schedule D (Form 990) 2010

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) Inv. in Hutchinson VHA	124,563.	Cost
(B) Inv. in HHCS	480,000.	Cost
(C) Inv. in ASC	20,000.	Cost
(D) Beneficial interest in		
(E) net assets of Foundation	24,007,842.	End-of-Year Market Value
(F) Vanguard Index 500 Fund	4,170,187.	End-of-Year Market Value
(G) PIMCO Fund	10,502,037.	End-of-Year Market Value
(H)		
(I)		
Total. (Col (b) must equal Form 990, Part X, col (B) line 12) ▶	39,304,629.	

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
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Col (b) must 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)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
Total. *(Column (b) must equal Form 990, Part X, col (B) line 15)* ▶	

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

1. (a) Description of liability	(b) Amount
(1) Federal income taxes	
(2) Agency funds	850,817.
(3) Capital Lease	173,798.
(4) Estimated third party payor	
(5) settlements	2,532,244.
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25.)* ▶	3,556,859.

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 (ASC 740)

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	138,601,283.
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	141,214,953.
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	-2,613,670.
4	Net unrealized gains (losses) on investments	4	860,823.
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV.)	8	6,471,947.
9	Total adjustments (net). Add lines 4 through 8	9	7,332,770.
10	Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9	10	4,719,100.

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	138483714.
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	167,862.		
e	Add lines 2a through 2d			2e	167,862.
3	Subtract line 2e from line 1			3	138315852.
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	285,431.		
c	Add lines 4a and 4b			4c	285,431.
5	Total revenue. Add lines 3 and 4c. *(This must equal Form 990, Part I, line 12)*			5	138601283.

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

1	Total expenses and losses per audited financial statements			1	141214953.
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	0.
3	Subtract line 2e from line 1			3	141214953.
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	0.
5	Total expenses. Add lines 3 and 4c. *(This must equal Form 990, Part I, line 18.)*			5	141214953.

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, line 2; 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.

Part X, Line 2: N/A

Part XI, Line 8 - Other Adjustments:

Transfers between affiliates	2,995,432.
Investment income	254.
Change in beneficial interest in net assets of foundations	3,491,671.
Grant expenses	-15,410.
Total to Schedule D, Part XI, Line 8	6,471,947.

Part XIV Supplemental Information *(continued)*

Part XII, Line 2d - Other Adjustments:

Net assets released from restrictions used for operations	167,862.

Part XII, Line 4b - Other Adjustments:

Contributions and grants received	270,021.
Grant expenses	15,410.
Total to Schedule D, Part XII, Line 4b	285,431.

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 Hutchinson Regional Medical Center, Inc.
fka Promise Regional Medical Center

Employer identification number 48-0774005

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	X	
b If "Yes," was it a written policy?	1b	X	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: ☐ 100% ☒ 150% ☐ 200% ☐ Other _____ %	3a	X	
b Did the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☒ Other 225 %	3b	X	
c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used 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	X	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	X	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		X
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		
6a Did the organization prepare a community benefit report during the tax year?	6a		X
b If "Yes," did the organization make it available to the public?	6b		

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)			1,758,458.	343,550.	1,414,908.	1.09%
b Unreimbursed Medicaid (from Worksheet 3, column a)			9,647,728.	6,041,484.	3,606,244.	2.78%
c Unreimbursed costs - other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			11,406,186.	6,385,034.	5,021,152.	3.87%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			169,871.	10,155.	159,716.	.12%
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			9,359,528.	5,188,615.	4,170,913.	3.22%
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			1,820.		1,820.	.00%
j **Total.** Other Benefits			9,531,219.	5,198,770.	4,332,449.	3.34%
k **Total.** Add lines 7d and 7j			20,937,405.	11,583,804.	9,353,601.	7.21%

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing			4,607.		4,607.	.00%
2	Economic development						
3	Community support						
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	Total			4,607.		4,607.	

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	X	
2	Enter the amount of the organization's bad debt expense (at cost)	2	4,193,836.		
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			
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	51,729,930.
6	Enter Medicare allowable costs of care relating to payments on line 5	6	57,767,674.
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	7	-6,037,744.
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☐ Cost to charge ratio ☒ Other		

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?		9a	X	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI		9b	X	

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 %

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? 1

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 Promise Regional Medical Center 1701 E 23rd Hutchinson, KS 67502	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: Not Required

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 line 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 its community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed and 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 Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care: _____ %			

Part V Facility Information *(continued)* Not Required

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care: _____ %			
11 Explained the basis for calculating amounts charged to patients?	11		
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		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply):			
a ☐ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to 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 on admission to the hospital facility			
f ☐ The policy was available on 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		
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 actions (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to perform any of the following collection actions during the tax year?	16		
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 actions (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in line 16 (check all that apply):			
a ☐ Notified patients of the financial assistance policy on 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)* Not Required

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?		

If "No," indicate 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? If "Yes," explain in Part VI.		
21	Did the hospital facility charge any of its patients an amount equal to the gross charge for any service provided to that patient? 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? 0

Name and address	Type of Facility (describe)

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 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.

Part I, Line 7: Costing methodology used to determine ratio of patient care cost to charges is total operating expenses less bad debt, Medicaid provider taxes and total community benefit expense divided by total charges less community benefit charges.

Part I, Line 7, Column (f): The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is $ 11681008.

Part II: At this time, Hutchinson Regional Medical Center does not sponsor any programs which directly address the root causes of health problems, however the management team is (as a part of their job description) required to participate in community volunteer activities that focus on these issues. As of this writing, members of the management team currently serve on the following notable local, state, and national boards and committees:

Reno County Cancer Council

Red Cross Board

Part VI Supplemental Information

Hutchinson Area Student Services Health Clinic

American Red Cross, Hutchinson Chapter

American Heart Association-Flint Hills Division Board of Directors

Executive Leadership Team for Hutchinson Heart Walk

Kansas Health Ethics Board

Arthritis Foundation (Kansas/Missouri chapter)

Hospice & Home Care of Reno County

Hutchinson Community College Associate Degree Nursing Program Advisory Committee

Hutchinson Community College-RHIT Advisory Board

Ambucs

Many of these boards and committees have a direct and/or indirect impact on the root causes of health issues in our county and surrounding area.

Part III, Line 4: Provisions are made for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. This allowance is estimated based on the aging of accounts receivable and historical collection experience for each type of payor.

The organization follows generally accepted accounting principles in its recognition of bad debt expense. Our aged receibables are valued and subject to an independent audit. The costing methodology is based on the organization's Medicare cost-to-charge ratio. While we recognize that there will most definitely be some bad debt expenses attributable to patients eligible under the organization's charity care policy, we have no

Part VI Supplemental Information

reasonable basis for estimating this figure. If we know the patient is eligible, they would fall under charity care and not bad debt.

Part III, Line 8: Amounts were obtained from the cost report filed with Medicare for the period ending June 30, 2011. The shortfall is a result of unreimbursed costs incurred while providing care for Medicare patients.

Part III, Line 9b: When a patient account is assigned to a collection agency, the agency will inform the patient of Hutchinson Regional's charity care policy and will assist the patient in contacting the Medical Center to apply for assistance. During the process of determining eligibility, collection efforts will be suspended providing the patient cooperates with the eligibility process.

Part VI, Line 2: Hutchinson Regional Medical Center is partnering with the Reno County Health Department to participate in a community health needs assessment and subsequent improvement plans. The committee formed for this purpose, will review statistics, survey data and other forms of information about the community. From this review, the goals and objectives will be identified. The Medical Center will partner with the Reno County Health Department and others to help identify resources and support to meet these objectives.

Additionally, the Medical Center formed two internal response teams to focus on tobacco use cessation and reducing childhood obesity. The tobacco cessation group is collaborating with the Reno County Health Department and others.

Part VI Supplemental Information

Part VI, Line 3: The Medical Center posts notices of charity care in Admissions, the Emergency Department, Financial Services, and on the Medical Center's website. Patients are given a written notice indicating the policy at the time of their admission via the Conditions of Admission form. In case of an emergency, the patient will be notified as soon as possible of the existence of charity care. English translation of this notice will be made available to Spanish-speaking patients. The Medical Center has trained front line staff to answer charity care questions or direct such questions to the appropriate party. Written information regarding the Medical Center's charity care policy as well as other payment options will be made available to any person who requests such information via mail, phone or in person.

Part VI, Line 4: Hutchinson Regional Medical Center is located in Reno County, Kansas in the city of Hutchinson. Reno County has an approximate population of 64,500 residents with population being 68% urban residents and 32% rural residents. The estimated average annual household income is $39,000. Approximately 11% of the population is below the federal poverty annual income level. Of those individuals approximately 14% are under the age of 18 and 9% are 65 or over. Medicare services account for approximately 55% of all of the Medical Center's gross revenue, while Medicaid and self-pay services account for approximately 12% of the Medical Centers gross revenue. Hutchinson Regional Medical Center is the only community based hospital in Reno County and is governed by a Board of Directors in which new members are nominated and selected from the community at large. The Medical Center is deeply invested in the quality of health care deliver and community well-being. Hutchinson

Part VI Supplemental Information

Regional Medical Center aims to be the first and best choice for health care in the surrounding region. Other medical facilities surrounding the Medical Center are located in Halstead, Moundridge, and McPherson. The distances between the Medical Center and these facilities are 23, 24, and 26 miles respectively. There are also two large medical facilities located in Wichita and both are approximately 50 miles away.

Part VI, Line 5: Hutchinson Regional Medical Center is the only community based hospital in Reno County and is governed by a Board of Directors, whose new members are nominated and selected from the community at large. Corporation By-Laws state: "It is the intent and purpose of these By-Laws that the members of the Board shall constitute a balanced representation of the community and the Medical Staff". The board meets monthly with the purpose of guiding the Medical Center and assuring quality medical care for all patients regardless of their ability to pay for services.

Medical Staff privileges are granted by a combined vote of the Medical Executive Committee and Hutchinson Regional Medical Center's Board of Directors. Qualified physicians from Reno County and the surrounding area are encouraged to apply for privileges and are only rejected for licensure or other issues related to quality of care or moral character.

All surplus funds are applied towards investments in plant or equipment to provide state of the art care in the most modern, patient friendly environment possible. Our latest investments include a 64-slice Dual Source CT Scanner, a Tomotherapy Radiation Oncology Unit and plans are currently underway to completely remodel the Medical Ceneter's Emergency

Part VI Supplemental Information

Department.

Hutchinson Regional Medical Center has a strong vision for the future. The Medical Center is deeply invested in the quality of health care delivery and community well-being. Our standard for and commitment to excellence is nothing less than a promise: to be the first and best choice for health care in the surrounding region. Our Mission Statement and Core Values reflect our community minded focus.

Hutchinson Regional Medical Center Mission Statement:
We must do everything possible to deliver an exceptional experience of care for every patient and family member, every time, in ever interaction.

Core Values:
Commitment to love our patients "First, Best, Most."

Exceptional Care

Excellence

Highest Integrity

Regional Leader in Care

Community Minded

Employer of Choice

Legacy Builders

Hutchinson Regional Medical Center proudly serves the needs of our community and makes every effort to deliver the best care possible. As an exempt entity, we understand our obligation and duty to the people we serve.

SCHEDULE J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ **Attach to Form 990.** ▶ **See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization: Hutchinson Regional Medical Center, Inc.
fka Promise Regional Medical Center

Employer identification number: 48-0774005

Part I Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.		
	☐ First-class or charter travel		
	☐ Travel for companions		
	☐ Tax indemnification and gross-up payments		
	☐ Discretionary spending account		
	☐ Housing allowance or residence for personal use		
	☐ Payments for business use of personal residence		
	☒ Health or social club dues or initiation fees		
	☐ Personal services (e.g., maid, chauffeur, chef)		
b	If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain **1b**	X	
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**	X	
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		
	☒ Independent compensation consultant		
	☐ Form 990 of other organizations		
	☒ Written employment contract		
	☒ Compensation survey or study		
	☒ 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**	X	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan? **4b**		X
c	Participate in, or receive payment from, an equity-based compensation arrangement? **4c**		X
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.		
	Only section 501(c)(3) and 501(c)(4) organizations 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**		X
b	Any related organization? **5b**		X
	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**		X
b	Any related organization? **6b**		X
	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**		X
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III **8**		X
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				
1 Linda Harrison	(i)	335,519.	47,700.	0.	16,120.	3,555.	402,894.	169,384.
	(ii)	0.	0.	0.	0.	0.	0.	0.
2 David Busatti	(i)	205,889.	0.	0.	8,153.	9,202.	223,244.	100,221.
	(ii)	0.	0.	0.	0.	0.	0.	0.
3 James McComas	(i)	171,982.	0.	0.	10,777.	8,944.	191,703.	75,619.
	(ii)	0.	0.	0.	0.	0.	0.	0.
4 Janet Hamous	(i)	147,182.	0.	0.	10,077.	9,202.	166,461.	73,476.
	(ii)	0.	0.	0.	0.	0.	0.	0.
5 Patricia Edwards	(i)	156,480.	8,019.	0.	5,297.	9,202.	178,998.	85,745.
	(ii)	0.	0.	0.	0.	0.	0.	0.
6 William Giersch	(i)	158,714.	0.	0.	10,427.	7,379.	176,520.	75,003.
	(ii)	0.	0.	0.	0.	0.	0.	0.
7 Ragu Tirukonda	(i)	172,175.	0.	0.	10,707.	8,786.	191,668.	82,414.
	(ii)	0.	0.	0.	0.	0.	0.	0.
8 Ronald Fenwick	(i)	147,462.	0.	0.	9,380.	3,555.	160,397.	75,990.
	(ii)	0.	0.	0.	0.	0.	0.	0.
9 Patrick Mowder	(i)	144,102.	0.	0.	9,450.	9,202.	162,754.	70,814.
	(ii)	0.	0.	0.	0.	0.	0.	0.
10 Clinton Boor	(i)	133,489.	0.	0.	8,722.	9,201.	151,412.	66,308.
	(ii)	0.	0.	0.	0.	0.	0.	0.
11 Kim Swafford	(i)	144,591.	0.	0.	9,110.	3,554.	157,255.	66,821.
	(ii)	0.	0.	0.	0.	0.	0.	0.
12	(i)							
	(ii)							
13	(i)							
	(ii)							
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(i)							
	(ii)							

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.

Part I, Line 1a: Country club and social club dues are paid for the CEO.

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, line 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 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: Hutchinson Regional Medical Center, Inc.
fka Promise Regional Medical Center

Employer identification number: 48-0774005

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) Loan to or from the organization? From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) In default? No	(f) Approved by board or committee? Yes	(f) Approved by board or committee? No	(g) Written agreement? Yes	(g) Written agreement? No
Total ▶ $										

Part III Grants or Assistance Benefiting 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 and type of assistance

LHA **For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.** **Schedule L (Form 990 or 990-EZ) 2010**

032131 12-21-10

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	(e) Sharing of organization's revenues? No
Mert Sellers, Director of	5% owner of Luminou	5,616.	Purchase of		X
Rex Degner MD, Director of	Member of Reno Path	300,000.	Physicians		X
Erma Giersch	Wife of an officer	4,784.	Employed by		X
Amy Chase	Step-daughter of an	88,660.	Employed by		X
Morgan Blackim	Granddaughter of a	16,035.	Employed by		X
Ann Bush, Chair of Hutchin	President, City Bev	10,081.	Beverage su		X
Bruce Buchanan, Director o	Director of Harris	10,810.	Advertising		X
Allen Fee, Director of Hut	Owner of Fee Insura	542,015.	Insurance p		X
John Swearer, Director of	Partner of Martinde	30,844.	Provider of		X
Edward Hobart, Director of	33% owner of Radiol	4,002.	Radiology s		X

Part V Supplemental Information

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

Sch L, Part IV, Business Transactions Involving Interested Persons:

(a) Name of Interested Person:

Mert Sellers, Director of Hutchinson Regional Medical Cntr Brd of Directors

(b) Relationship Between Interested Person and Organization:

5% owner of Luminous Neon

(c) Amount of Transaction $ 5,616.

(d) Description of Transaction: Purchase of signs and services

(e) Sharing of Organization Revenues? = No

(a) Name of Interested Person:

Rex Degner MD, Director of Hutchinson Regional Med Cntr Brd of Director

(b) Relationship Between Interested Person and Organization:

Member of Reno Pathology Assoc. P. A.

(c) Amount of Transaction $ 300,000.

(d) Description of Transaction: Physicians fees lab work

(e) Sharing of Organization Revenues? = No

(a) Name of Person: Erma Giersch

(b) Relationship Between Interested Person and Organization:

Wife of an officer of Hutchinson Regional Medical Center, Inc.

Part V **Supplemental Information**

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

(c) Amount of Transaction $ 4,784.

(d) Description of Transaction: Employed by Hutchinson Regional Medical Center, Inc. as an LPN III in Radiation Therapy

(e) Sharing of Organization Revenues? = No

(a) Name of Person: Amy Chase

(b) Relationship Between Interested Person and Organization: Step-daughter of an officer of Hutchinson Regional Medical Center, Inc.

(c) Amount of Transaction $ 88,660.

(d) Description of Transaction: Employed by Hutchinson Regional Medical Center, Inc. as an Ultrasound Technologist in Imaging Services

(e) Sharing of Organization Revenues? = No

(a) Name of Person: Morgan Blackim

(b) Relationship Between Interested Person and Organization: Granddaughter of a director of Hutchinson Regional Medical Center, Inc.

(c) Amount of Transaction $ 16,035.

(d) Description of Transaction: Employed by Hutchinson Regional Medical Center, Inc. as a Communication Clerk on Oncology

(e) Sharing of Organization Revenues? = No

(a) Name of Interested Person: Ann Bush, Chair of Hutchinson Regional Medical Center Board of Directors

(b) Relationship Between Interested Person and Organization: President, City Beverage

(c) Amount of Transaction $ 10,081.

(d) Description of Transaction: Beverage supplier

(e) Sharing of Organization Revenues? = No

Part V Supplemental Information

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

(a) Name of Interested Person:

Bruce Buchanan, Director of Hutchinson Regional Med Cntr Board of Directors

(b) Relationship Between Interested Person and Organization:

Director of Harris Enterprises, which owns Hutchinson News

(c) Amount of Transaction $ 10,810.

(d) Description of Transaction: Advertising services

(e) Sharing of Organization Revenues? = No

(a) Name of Interested Person:

Allen Fee, Director of Hutchinson Regional Med Cntr Board of Directors

(b) Relationship Between Interested Person and Organization:

Owner of Fee Insurance

(c) Amount of Transaction $ 542,015.

(d) Description of Transaction: Insurance provider

(e) Sharing of Organization Revenues? = No

(a) Name of Interested Person:

John Swearer, Director of Hutchinson Regional Med Cntr Board of Directors

(b) Relationship Between Interested Person and Organization:

Partner of Martindell, Swearer & Shaffer

(c) Amount of Transaction $ 30,844.

(d) Description of Transaction: Provider of legal services

(e) Sharing of Organization Revenues? = No

(a) Name of Interested Person:

Edward Hobart, Director of Hutchinson Regional Med Cntr Board of Directors

(b) Relationship Between Interested Person and Organization:

Part V **Supplemental Information**

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

33% owner of Radiology Professionals of Hutchinson

(c) Amount of Transaction $ 4,002.

(d) Description of Transaction: Radiology services for the hospital

(e) Sharing of Organization Revenues? = No

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 990-EZ 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	Employer identification number
Hutchinson Regional Medical Center, Inc. fka Promise Regional Medical Center	48-0774005

Form 990, Part I, Line 1, Description of Organization Mission:

experience of care for every patient and family member, everytime, in every interaction.

Form 990, Part VI, Section B, line 11: A copy of Form 990 is made available to the governing board prior to it being filed.

Form 990, Part VI, Section B, Line 12c: All employees are required to sign a compliance certification at least annually stating that they acknowledge that the Corporate Compliance Program and Corporate Code of Conduct have been explained and that they are in compliance with its requirements - which include conflict of interest. Board of Directors are also required annually to sign a Form 990 Board questionnaire.

Form 990, Part VI, Section B, Line 15: Executive compensation is handled with the assistance of an independent compensation consultant who works with the Board of Directors to establish executive pay and benefits. A national consulting firm was engaged to conduct a comprehensive wage study, which included executive level positions. They gathered and analyzed comparative compensation data and made a recommendation to the chairperson of the board for use with the executive board, which serves as the compensation committee. The CEO base pay is determined by the Board based on market data and executive performance. The CEO bonus is determined by the Board based on hospital and CEO performance, in accordance with the guidelines outlined in the employment agreement.

Name of the organization: Hutchinson Regional Medical Center, Inc. fka Promise Regional Medical Center

Employer identification number: 48-0774005

Form 990, Part VI, Section C, Line 19: The Organization provides Form 990 to the public upon request. The Organization does not currently provide access to governing documents, conflict of interest policy or financial statements.

Form 990, Part IX, Line 24f, All Other Functional Expenses:

Purchased services:	
Program service expenses	2,869,720.
Management and general expenses	862,384.
Fundraising expenses	0.
Total expenses	3,732,104.
Medicare interest and penalties:	
Program service expenses	2,000,000.
Management and general expenses	0.
Fundraising expenses	0.
Total expenses	2,000,000.
Maintenance service agreements:	
Program service expenses	1,463,156.
Management and general expenses	76,429.
Fundraising expenses	0.
Total expenses	1,539,585.
Blood supplies & storage:	
Program service expenses	1,425,360.
Management and general expenses	0.
Fundraising expenses	0.

Name of the organization Hutchinson Regional Medical Center, Inc. fka Promise Regional Medical Center

Employer identification number 48-0774005

Total expenses	1,425,360.
Meals & dietary supplies:	
Program service expenses	1,186,721.
Management and general expenses	23,533.
Fundraising expenses	0.
Total expenses	1,210,254.
Medicaid provider assessment tax:	
Program service expenses	1,082,246.
Management and general expenses	0.
Fundraising expenses	0.
Total expenses	1,082,246.
Repairs & maintenance:	
Program service expenses	413,410.
Management and general expenses	629,889.
Fundraising expenses	0.
Total expenses	1,043,299.
Minor equipment and supplies:	
Program service expenses	348,309.
Management and general expenses	471,495.
Fundraising expenses	0.
Total expenses	819,804.
Abandoned projects:	
Program service expenses	724,075.

Name of the organization Hutchinson Regional Medical Center, Inc. fka Promise Regional Medical Center

Employer identification number 48-0774005

Management and general expenses	0.
Fundraising expenses	0.
Total expenses	724,075.
Equipment rental:	
Program service expenses	508,863.
Management and general expenses	1,249.
Fundraising expenses	0.
Total expenses	510,112.
Collection fees:	
Program service expenses	40,115.
Management and general expenses	353,338.
Fundraising expenses	0.
Total expenses	393,453.
Taxes and property taxes:	
Program service expenses	58,066.
Management and general expenses	187,438.
Fundraising expenses	0.
Total expenses	245,504.
Books & subscriptions:	
Program service expenses	16,781.
Management and general expenses	144,155.
Fundraising expenses	0.
Total expenses	160,936.

Name of the organization Hutchinson Regional Medical Center, Inc. fka Promise Regional Medical Center

Employer identification number 48-0774005

Sterilizing chemicals & supplies:	
Program service expenses	5,350.
Management and general expenses	144,257.
Fundraising expenses	0.
Total expenses	149,607.
Membership & dues:	
Program service expenses	29,925.
Management and general expenses	118,981.
Fundraising expenses	0.
Total expenses	148,906.
Postage:	
Program service expenses	0.
Management and general expenses	125,191.
Fundraising expenses	0.
Total expenses	125,191.
Automotive & gas:	
Program service expenses	90,966.
Management and general expenses	27,936.
Fundraising expenses	0.
Total expenses	118,902.
Housekeeping & laundry:	
Program service expenses	15,762.
Management and general expenses	99,365.
Fundraising expenses	0.

Total expenses	115,127.
Miscellaneous:	
Program service expenses	22,274.
Management and general expenses	79,152.
Fundraising expenses	0.
Total expenses	101,426.
Employee recruitment:	
Program service expenses	0.
Management and general expenses	87,627.
Fundraising expenses	0.
Total expenses	87,627.
Education & tuition:	
Program service expenses	30,586.
Management and general expenses	50,877.
Fundraising expenses	0.
Total expenses	81,463.
Bank service charges:	
Program service expenses	0.
Management and general expenses	29,682.
Fundraising expenses	0.
Total expenses	29,682.
Employee & volunteer recognition:	
Program service expenses	2,266.

Name of the organization: Hutchinson Regional Medical Center, Inc. fka Promise Regional Medical Center

Employer identification number: 48-0774005

Management and general expenses	11,732.
Fundraising expenses	0.
Total expenses	13,998.
Total Other Expenses on Form 990, Part IX, line 24f, Col A	15,858,661.

Form 990, Part XI, line 5, Changes in Net Assets:

Net unrealized gains on investments:	860,823.
Transfers between affiliates	2,995,432.
Investment income	254.
Change in beneficial interest in net assets of foundations	3,491,671.
Grant expenses	-15,410.
Total to Form 990, Part XI, Line 5	7,332,770.

Form 990, part XII, line 2c

Financial statement reporting

The Finance Committee is responsible for oversight of the financial statement audit and approval of the accounting firm performing the audit.

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: Hutchinson Regional Medical Center, Inc.
fka Promise Regional Medical Center

Employer identification number: 48-0774005

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to 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" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
Hospice of Reno County, Inc. - 48-0927101 1701 E 23rd Hutchinson, KS 67502	Hospice and Home Care	Kansas	501(c)(3)	9	Promise Regional Medical Center Hutchinson, Inc.		X
Horizons Mental Health Center - 48-0970362 1600 N Lorraine Hutchinson, KS 67501	Licensed community mental health center	Kansas	501(c)(3)	3	Promise Regional Medical Center Hutchinson, Inc.		X
Main Line, Inc. - 48-6111813 1701 E 23rd Hutchinson, KS 67502	Leases personal and real property to healthcare organizations	Kansas	501(c)(3)	11b	Promise Regional Medical Center Hutchinson, Inc.		X
Living Center, Inc. dba Dillon Living Center - 48-1066643, 1901 E 23rd, Hutchinson, KS 67502	Long term care facility	Kansas	501(c)(3)	9	Promise Regional Medical Center Hutchinson, Inc.		X

Part II **Continuation of Identification of Related Tax-Exempt Organizations**

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization? Yes	(g) Section 512(b)(13) controlled organization? No
Promise Regional Medical Center Hutchinson Foundation - 48-0891435, 1701 E 23rd, Hutchinson, KS 67502	To raise funds to facilitate the accomplishment of the	Kansas	501(c)(3)	11b	N/A		X

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? 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" to 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
Hutchinson Health Care Services, Inc. - 48-0970364 803 E 30th Hutchinson, KS 67502	Durable Medical Equipment	KS	Promise Regional Medical Center	C CORP	-19,562.	2,199,676.	100.00%

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

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

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) Horizons Mental Health Center	N	104,969.	
(2) Horizons Mental Health Center	P	39,651.	
(3) Hutchinson Health Care Services, Inc.	N	87,496.	
(4) Hutchinson Health Care Services, Inc.	M	2,762.	
(5) Hutchinson Health Care Services, Inc.	P	8,240.	
(6) Hospice of Reno County	N	117,390.	

Part V **Continuation of Transactions With Related Organizations** (Schedule R (Form 990), Part V, line 2)

(a) Name of other organization	(b) Transaction type (a-r)	(c) Amount involved	(d) Method of determining amount involved
(7) Hospice of Reno County	P	12,059.	
(8) Living Center, Inc.	N	941,990.	
(9) Living Center, Inc.	P	36,637.	
(10) Living Center, Inc.	I	204,568.	
(11) Main Line, Inc.	N	85,625.	
(12) Main Line, Inc.	M	892.	
(13) Main Line, Inc.	P	72,612.	
(14) Promise Regional Medical Center Hutchinson Foundation	N	68,386.	
(15) Promise Regional Medical Center Hutchinson Foundation	M	307.	
(16) Promise Regional Medical Center Hutchinson Foundation	P	95.	
(17) Hutchinson Health Care Services, Inc.	J	65,380.	
(18) Main Line, Inc.	R	1,700,000.	
(19) Main Line, Inc.	R	1,500,000.	
(20) Promise Regional Medical Center Hutchinson Foundation	C	89,985.	
(21)			
(22)			
(23)			
(24)			

Part VI Unrelated Organizations Taxable as a Partnership (Complete if the organization answered "Yes" to 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? Yes	(d) No	(e) Share of end-of-year assets	(f) Disproportionate allocations? Yes	(f) No	(g) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner? Yes	(h) No

Part VII Supplemental Information

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

SCHEDULE O (Form 1120)

Department of the Treasury
Internal Revenue Service

Consent Plan and Apportionment Schedule for a Controlled Group

▶ Attach to Form 1120, 1120-C, 1120-F, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, or 1120-RIC.
▶ See separate instructions.

OMB No 1545-0123

2010

Name

Hutchinson Regional Medical Center, Inc.

Employer identification number

48-0774005

Part I Apportionment Plan Information

1 Type of controlled group
- a [X] Parent-subsidiary group
- b [ ] Brother-sister group
- c [ ] Combined group
- d [ ] Life insurance companies only

2 This corporation has been a member of this group
- a [X] For the entire year
- b [ ] From _____ , until _____

3 This corporation consents and represents to
- a [ ] Adopt an apportionment plan All the other members of this group are adopting an apportionment plan effective for the current tax year which ends on _____ , and for all succeeding tax years
- b [ ] Amend the current apportionment plan All the other members of this group are currently amending a previously adopted plan, which was in effect for the tax year ending _____ , and for all succeeding tax years
- c [ ] Terminate the current apportionment plan and not adopt a new plan All the other members of this group are not adopting an apportionment plan.
- d [ ] Terminate the current apportionment plan and adopt a new plan All the other members of this group are adopting an apportionment plan effective for the current tax year which ends on _____ , and for all succeeding tax years

4 If you checked box 3c or 3d above, check the applicable box below to indicate if the termination of the current apportionment plan was
- a [ ] Elected by the component members of the group
- b [ ] Required for the component members of the group

5 If you did not check a box on line 3 above, check the applicable box below concerning the status of the group's apportionment plan (see instructions)
- a [ ] No apportionment plan is in effect and none is being adopted
- b [X] An apportionment plan is already in effect. It was adopted for the tax year ending 6-30-83 , and for all succeeding tax years

6 If all the members of this group are adopting a plan or amending the current plan for a tax year after the due date (including extensions) of the tax return for this corporation, is there at least one year remaining on the statute of limitations from the date this corporation filed its amended return for such tax year for assessing any resulting deficiency? See instructions
- a [ ] Yes
  - (i) [ ] The statute of limitations for this year will expire on _____ .
  - (ii) [ ] On _____ , this corporation entered into an agreement with the Internal Revenue Service to extend the statute of limitations for purposes of assessment until _____
- b [X] No The members may not adopt or amend an apportionment plan

7 Required information and elections for component members Check the applicable box(es) (see instructions)
- a [ ] The corporation will determine its tax liability by applying the maximum tax rate imposed by section 11 to the entire amount of its taxable income
- b [ ] The corporation and the other members of the group elect the FIFO method (rather than defaulting to the proportionate method) for allocating the additional taxes for the group imposed by section 11(b)(1)
- c [ ] The corporation has a short tax year that does not include December 31

Part II Taxable Income Apportionment (See instructions)

Caution: Each total in Part II, column (g) for each component member must agree with Form 1120, page 1, line 30 or the comparable line of such member's tax return.

	(a) Group member's name and employer identification number		(b) Tax year end (Yr-Mo)	Taxable Income Amount Allocated to Each Bracket (c) 15%	(d) 25%	(e) 34%	(f) 35%	(g) Total (add columns (c) through (f))
1	Hutchinson Health Care Services, Inc.	48-0970364	11-06	0.	0.	0.	0.	0.
2	Hospice of Reno County	48-0927101	11-06	0.	0.	0.	0.	0.
3	Hutchinson Regional Medical Center, Inc.	48-0774005	11-06	50,000.	25,000.	25,000.	664,813.	764,813.
4								
5								
6								
7								
8								
9								
10								
11								
12								
Total				50,000.	25,000.	25,000.	664,813.	764,813.

Part III Income Tax Apportionment (See instructions)

(a) Group member's name	Income Tax Apportionment (b) 15%	(c) 25%	(d) 34%	(e) 35%	(f) 5%	(g) 3%	(h) Total income tax (combine lines (b) through (g))
1 Hutchinson Health Care Services, Inc.	0.	0.	0.	0.	0.		
2 Hospice of Reno County	0.	0.	0.	0.	0.		
3 Hutchinson Regional Medical Center, Inc.	7,500.	6,250.	8,500.	232,685.	11,750.		266,685.
4							
5							
6							
7							
8							
9							
10							
11							
12							
Total	7,500.	6,250.	8,500.	232,685.	11,750.		266,685.

Part IV Other Apportionments (See instructions)

(a) Group member's name	Other Apportionments (b) Accumulated earnings credit	(c) AMT exemption amount	(d) Phaseout of AMT exemption amount	(e) Penalty for failure to pay estimated tax	(f) Other
1 Hutchinson Health Care Services, Inc.					
2 Hospice of Reno County					
3 Hutchinson Regional Medical Center, Inc.					
4					
5					
6					
7					
8					
9					
10					
11					
12					
Total					

Schedule O (Form 1120) (2010)

- If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II** and check this box ▶ [X]

Note. Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.

- If you are filing for an **Automatic 3-Month Extension, complete only Part I** (on page 1).

Part II **Additional (Not Automatic) 3-Month Extension of Time.** Only file the original (no copies needed).

Type or print	Name of exempt organization	Employer identification number
File by the extended due date for filing your return See instructions	Hutchinson Regional Medical Center, Inc.	48-0774005
	Number, street, and room or suite no. If a P.O. box, see instructions. C/O Wendling Noe Nelson & Johnson LLC - 534 S Kansas, Suite 1500	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. Topeka, KS 66603	

Enter the Return code for the return that this application is for (file a separate application for each return) 01

Application Is For	Return Code	Application Is For	Return Code
Form 990	01		
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	03	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in the care of ▶ Kendall E. Johnson, Vice President Finance/CFO 1701 E 23rd - Hutchinson, KS 67502
  Telephone No. ▶ (620) 665-2009 FAX No. ▶
- If the organization does not have an office or place of business in the United States, check this box ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ▶ [ ]. If it is for part of the group, check this box ▶ [ ] and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until May 15, 2012.

5 For calendar year _____, or other tax year beginning JUL 1, 2010, and ending JUN 30, 2011.

6 If the tax year entered in line 5 is for less than 12 months, check reason: [ ] Initial return [ ] Final return [ ] Change in accounting period

7 State in detail why you need the extension
Per Notice 2012-4 the IRS has delayed electronic filing of Form 990 until March 1, 2012.

8a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	8a	$	0.
b	If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	8b	$	0.
c	**Balance due.** Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	8c	$	0.

Signature and Verification

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

Signature ▶ Title ▶ CPA Date ▶

Form **8868**
(Rev January 2011)
Department of the Treasury
Internal Revenue Service

Application for Extension of Time To File an Exempt Organization Return

▶ **File a separate application for each return.**

OMB No 1545-1709

- If you are filing for an **Automatic 3-Month Extension, complete only Part I** and check this box . . . ▶ [X]
- If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II** (on page 2 of this form).

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868

Electronic filing (e-file). You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions) For more details on the electronic filing of this form, visit *www.irs.gov/efile* and click on *e-file for Charities & Nonprofits*

Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed)

A corporation required to file Form 990-T and requesting an automatic 6-month extension - check this box and complete Part I only . . . . . ▶ [ ]

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Type or print	Name of exempt organization	Employer identification number
File by the due date for filing your return See instructions	Promise Regional Medical Center Hutchinson	48-0774005
	Number, street, and room or suite no If a P.O box, see instructions. 1701 E 23rd	
	City, town or post office, state, and ZIP code For a foreign address, see instructions. Hutchinson, KS 67502	

Enter the Return code for the return that this application is for (file a separate application for each return) . . [0 1]

Application Is For	Return Code	Application Is For	Return Code
Form 990	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	03	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

- The books are in the care of ▶ Kendall E. Johnson, Vice President Finance/CFO 1701 E 23rd - Hutchinson, KS 67502
  Telephone No ▶ (620) 665-2009 FAX No ▶ _____
- If the organization does not have an office or place of business in the United States, check this box . . . . . ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ▶ [ ]. *If it is for part of the group, check this box* ▶ [ ] *and attach a list with the names and EINs of all members the extension is for*

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until February 15, 2012, to file the exempt organization return for the organization named above The extension is for the organization's return for:
▶ [ ] calendar year _____ or
▶ [X] tax year beginning JUL 1, 2010, and ending JUN 30, 2011

2 If the tax year entered in line 1 is for less than 12 months, check reason [ ] Initial return [ ] Final return
[ ] Change in accounting period

3a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions	3a	$	0.
b	If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made Include any prior year overpayment allowed as a credit.	3b	$	0.
c	**Balance due.** Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System) See instructions.	3c	$	0.

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

LHA **For Paperwork Reduction Act Notice, see Instructions.** Form **8868** (Rev 1-2011)

023841
01-03-11

53-5C

2-917-3

RESTATED AND AMENDED

ARTICLES OF INCORPORATION

OF

PROMISE REGIONAL MEDICAL CENTER - HUTCHINSON, INC.

formerly HUTCHINSON HOSPITAL CORPORATION
(Nonstock) (Id. No. 002-917-3)
Originally incorporated October 10, 1969

The following Restated and Amended Articles of Incorporation, duly adopted under the authority and provisions of K.S.A. 17-6605 by a majority of the members of the Board of Directors of the Corporation, and in accordance with the provisions of K.S.A. 17-6602(c)(3) requiring only one meeting of the governing body, supersede and take the place of the existing articles of incorporation of Promise Regional Medical Center – Hutchinson, Inc., formerly Hutchinson Hospital Corporation, a Corporation NOT FOR PROFIT organized under the laws of the State of Kansas, originally filed with the Kansas Secretary of State on October 10, 1969, and amendments to the articles as follows:

FIRST: The name of the Corporation is:

HUTCHINSON REGIONAL MEDICAL CENTER, INC.

SECOND: The location of its registered office in the State of Kansas is:

1701 East 23rd Avenue
Hutchinson, Kansas 67502

THIRD: The name and address of its Resident Agent in the State of Kansas is:

Kendall E. Johnson
1701 East 23rd Avenue
Hutchinson, Kansas 67502

FOURTH: The Corporation is organized NOT for profit and the objects or purposes to be transacted and carried on shall NOT be transacted and carried on for profit, but the Corporation is organized exclusively for charitable, scientific and educational purposes and the funds and property of the Corporation shall at all times be handled, administered, operated and distributed by the Corporation exclusively for such purposes. In order to accomplish the purposes, and to attain the objects for which this Corporation is formed and for which the funds and property of the Corporation shall be handled, administered, operated and distributed, as hereinafter set forth, the Corporation shall possess and exercise all powers, authorities and

privileges granted to Corporations by the laws of Kansas and, in addition, shall have the following powers, authorities and privileges:

(1) To establish, maintain, support and operate a public hospital or hospitals and other public health care facilities in Reno County, Kansas, and in furtherance thereof to provide all necessary general administrative organization; to acquire, by purchase and/or gift; such land and improvements as may be required; to erect such additional buildings and other physical facilities as may be needed; to furnish, supply, and staff the same in such manner as may be considered to be advisable, including the recruitment and employment of competent administrators, nurses, physicians, surgeons and medical, hospital, laboratory and other administrative personnel; and to provide and/or operate supporting services including, but not limited to, a school or school for nurses training, clinics and medical research departments.

(2) To receive, lease, manage, take and hold real and personal property, in or outside the State of Kansas by purchase, exchange, lease, gift, devise or bequest and to convey, sell, exchange, lease, assign, transfer, improve, reinvest and otherwise deal in and with all of the property held by the corporation, and all additions thereto, if in the discretion of the Board of Directors, it be determined most appropriate to promote and accomplish the purposes of the Corporation.

(3) To invest any money which it may have at any time in such bonds, stocks, funds, common trust funds, notes, real estate, mortgages or other securities, or in such other property, real or personal, as the Board of Directors shall deem proper.

(4) To hold all shares of stock and other securities belonging to it at any time in its own name, or in the name of any nominee of the Corporation; to vote any of its shares of stock through any of its duly authorized officers, or by proxy; to assent to or waive any stockholders' right or privilege in respect thereof, including any right or privilege to subscribe for or otherwise acquire any additional stock; to assent to any merger, consolidation or reorganization of any property, corporation or other enterprise in which this corporation may be interested, or whose obligations or securities may be held by this Corporation, and to join therein and exchange the securities held by it for such other securities as may be issued pursuant to such action or arrangement; to unite with other owners of similar properties or securities in any plan, agreement or deposit designed to effectuate any such purpose, and to pay all assessments, or expenses, incidental thereto, and to consent to any lease or other corporate act.

(5) To compromise, arbitrate or otherwise adjust claims in favor of or against the Corporation and to join in, maintain, compromise, defend or otherwise dispose of any litigation in any manner arising in connection with the property belonging to the Corporation, upon such terms as the Board of Directors of the Corporation shall deem advisable; and, in the exercise of these powers, to execute and deliver any and all receipts, releases or instruments necessary or advisable.

(6) To borrow money, issue notes or other obligations, and secure the payment of same by mortgage, pledge, deed of trust or other instrument of writing.

(7) In general to have and exercise all powers conferred upon non-profit Corporations by the laws of the State of Kansas, now or hereafter in effect, for the accomplishment of the purposes and the carrying on and promotion of the business and objects of this Corporation, subject however, to the limitations of Sections 503 and 504 of the U.S. Internal Revenue Code and applicable regulations as the same now exist or may be hereafter amended.

(8) To institute such suits and proceedings at law or in equity as the Board of Directors may deem necessary or advisable for the proper protection of its property and affairs and to pay the costs of prosecuting such suit or proceeding out of the funds and property belonging to the Corporation.

(9) To mortgage any real estate at any time constituting any portion of its property, on such terms and conditions as may seem to the Board of Directors proper for the payment of taxes and assessments, or for the replacement or other liens, or for the repair, construction or alteration of building thereon and for expenses incidental thereto.

(10) By and through its officers, to execute and deliver any and all proxies, powers of attorney, contracts, deeds and other instruments, necessary or proper in the administration of its property and affairs.

(11) Notwithstanding anything herein to the contrary, the Corporation shall exercise only such powers as are in furtherance of and consistent with the exempt purposes of organizations set forth in Section 501(c)(3) of the U.S. Internal Revenue Code and its Regulations as the same now exist or as they may be hereafter amended from time to time.

FIFTH: No part of the net earnings of the Corporation shall inure to the benefit of any private shareholder or individual. In the event of the liquidation or dissolution of the Corporation, whether voluntary or involuntary, no member shall be entitled to any distribution or division of its remaining property or its proceeds, and the balance of all money and other property received by the Corporation from any source, after the payment of all debts and obligations of the Corporation, shall be distributed to one or more organizations organized and operated exclusively for charitable, scientific, literary or educational purposes within the meaning of Section 501(c)(3) of the U.S. Internal Revenue Code and its Regulations, as the same now exist or as they may be hereafter amended from time to time, as the Board of Directors of the Corporation shall determine. Any such assets not so distributed shall be distributed pursuant to an order of the District Court of Reno County, Kansas, to another organization or organizations, to be used exclusively for charitable, scientific, literary or educational purposes within the meaning of the aforesaid provisions of the Internal Revenue Code.

SIXTH: The Corporation shall NOT have the authority to issue capital stock.

SEVENTH: The Corporation is incorporated for a perpetual existence without limitation as to number of years.

EIGHTH: The Corporation will not have members as such, but in lieu thereof, shall have a Board of Directors consisting of at least three (3) members but no more than nineteen (19)

Restated and Amended AWB

members, the exact number to be fixed from time to time by a resolution of the Board of Directors of the Corporation. In the Board of Directors there shall be vested all of the power and authority to supervise, control, direct and manage the property, affairs and activities of the Corporation. The rights, powers and privileges of the Directors shall be fixed in the By-Laws. The By-Laws of the Corporation may, from time to time, be altered, amended, suspended or repealed or new By-Laws may be adopted by resolution, which resolution shall be adopted by a majority of the full Board of Directors at a meeting thereof, so long as they are not inconsistent with the provisions of these Articles.

NINTH: There shall be no personal liability of a Director to the Corporation for monetary damages for breach of fiduciary duty as a Director, provided, however, that this provision shall not eliminate or limit the liability of a Director for (a) any breach of the Director's duty of loyalty to the Corporation, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, or (c) for any transaction from which the Director derived an improper personal benefit.

I hereby certify that the foregoing restated and amended Articles of Incorporation were duly approved by a majority of the Board Members of Hutchinson Regional Medical Center, Inc., formerly Promise Regional Medical Center – Hutchinson, Inc., and formerly Hutchinson Hospital Corporation on the 19th day of October, 2011.

Secretary

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

(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			
Todd Laffoon Vice President Marketing	40.00			X				127,196.	0.	16,551.
Ragu Tirukonda Senior Medical Physicist	40.00					X		172,175.	0.	19,493.
Ronald Penwick Pharmacist	40.00					X		147,462.	0.	12,935.
Patrick Mowder Director of Pharmacy	40.00					X		144,102.	0.	18,652.
Clinton Boor Pharmacist	40.00					X		133,489.	0.	17,923.
Kim Swafford Pharmacist	40.00					X		144,591.	0.	12,664.
Total to Part VII, Section A, line 1c								869,015.		98,218.

COMBINED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

PROMISE REGIONAL MEDICAL CENTER -
HUTCHINSON, INC., AND AFFILIATES
JUNE 30, 2011 AND 2010

CONTENTS

Wendling Noe & Nelson & Johnson LLC

Certified Public Accountants
and Management Consultants

Brian J Florea, CPA
Derek H Hart, CPA
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Gary D Knoll CPA
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Heather R Eichem, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Promise Regional Medical Center -
Hutchinson, Inc.

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Promise Regional Medical Center - Hutchinson, Inc., and Affiliates as of June 30, 2011 and 2010, and the combined results of their 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.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
October 12, 2011

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FINANCIAL STATEMENTS

PROMISE REGIONAL MEDICAL CENTER - HUTCHINSON, INC., AND AFFILIATES

COMBINED BALANCE SHEETS

JUNE 30,

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	$ 17,164,344	$ 13,630,882
Temporary investments	117,431	117,931
Assets limited as to use	3,915,413	3,520,134
Patient accounts receivable, less allowance for uncollectible accounts of $12,349,000 in 2011 and $16,115,000 in 2010	20,864,205	20,710,155
Other receivables	738,382	408,723
Net investment in direct financing leases	1,583,936	1,665,158
Loans receivable	190,379	179,037
Estimated third-party payor settlements		179,914
Inventories	5,092,952	4,919,259
Prepaid expenses	2,249,851	1,825,567
Total current assets	51,916,893	47,156,760
ASSETS LIMITED AS TO USE		
Internally designated		
For capital improvements	22,604,339	20,783,323
For self-funded employee health, workers' compensation, and professional liability insurance	7,566,090	7,078,646
Beneficial interests in net assets of foundations	24,801,202	21,127,991
	54,971,631	48,989,960
Less amounts required to meet current obligations	3,915,413	3,520,134
	51,056,218	45,469,826
PROPERTY AND EQUIPMENT, net	76,816,855	78,758,582
OTHER ASSETS		
Net investment in direct financing leases	23,155,665	26,309,658
Loans receivable	2,609,527	2,800,107
Agency funds	850,817	774,124
Long-term investments	1,490,566	64,775
Other	51,056	315,231
	28,157,631	30,263,895
Total assets	$207,947,597	$201,649,063

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES		
Current portion of long-term debt	$ 1,233,239	$ 1,165,851
Current portion of capital lease obligations	59,752	33,744
Accounts payable	5,363,862	8,788,659
Accrued liabilities	12,957,664	8,446,632
Deferred revenue	1,186	3,634
Estimated third-party payor settlements	2,532,244	
Total current liabilities	22,147,947	18,438,520
LONG-TERM DEBT, less current portion	11,152,902	12,386,141
CAPITAL LEASE OBLIGATIONS, less current portion	114,046	33,308
AGENCY FUNDS	850,817	774,124
Total liabilities	34,265,712	31,632,093
NET ASSETS		
Unrestricted	149,374,232	149,205,863
Temporarily restricted	24,307,653	20,811,107
Total net assets	173,681,885	170,016,970
Total liabilities and net assets	$207,947,597	$201,649,063

PROMISE REGIONAL MEDICAL CENTER - HUTCHINSON, INC., AND AFFILIATES

COMBINED STATEMENTS OF OPERATIONS

Year ended June 30,

	2011	2010
Unrestricted revenues, gains, and other support		
Net patient service revenue	$152,014,098	$156,378,574
Other operating revenues	11,467,264	11,726,646
Net assets released from restrictions used for operations	189,475	276,596
Total revenues, gains, and other support	163,670,837	168,381,816
Expenses		
Salaries and wages	61,686,877	59,627,996
Employee benefits	15,920,766	15,278,479
Purchased services, supplies, and other	65,272,763	64,447,246
Interest	236,184	252,940
Depreciation	11,351,119	10,733,726
Provision for uncollectible accounts	12,412,594	15,022,517
Abandoned project costs	724,075	
Total expenses	167,604,378	165,362,904
Income (loss) from operations	(3,933,541)	3,018,912
Other income and expenses		
Investment income	1,446,000	815,071
Contributions	242,876	180,813
Other	1,434,821	167,307
	3,123,697	1,163,191
Excess of revenues over (under) expenses	(809,844)	4,182,103
Net assets released from restrictions used for purchase of property and equipment	117,390	442,803
Change in net unrealized gains on investments	860,823	1,035,063
Change in unrestricted net assets	$ 168,369	$ 5,659,969

The accompanying notes are an integral part of these statements.

PROMISE REGIONAL MEDICAL CENTER - HUTCHINSON, INC., AND AFFILIATES

COMBINED STATEMENTS OF CHANGES IN NET ASSETS

Year ended June 30,

	2011	2010
Unrestricted net assets		
Excess of revenues over (under) expenses	$ (809,844)	$ 4,182,103
Net assets released from restrictions used for purchase of property and equipment	117,390	442,803
Change in net unrealized gains on investments	860,823	1,035,063
Change in unrestricted net assets	168,369	5,659,969
Temporarily restricted net assets		
Contributions and grants received	208,868	656,444
Investment income	254	497
Repayment of contribution restricted for property and equipment		(83,499)
Change in beneficial interests in net assets of foundations	3,594,289	2,265,041
Net assets released from restrictions used for operations	(189,475)	(276,596)
Net assets released from restrictions used for purchase of property and equipment	(117,390)	(442,803)
Change in temporarily restricted net assets	3,496,546	2,119,084
Change in net assets	3,664,915	7,779,053
Net assets, beginning of year	170,016,970	162,237,917
Net assets, end of year	$173,681,885	$170,016,970

The accompanying notes are an integral part of these statements.

PROMISE REGIONAL MEDICAL CENTER - HUTCHINSON, INC., AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS

Year ended June 30,

	2011	2010
Cash flows from operating activities		
Change in net assets	$ 3,664,915	$ 7,779,053
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	11,351,119	10,733,726
Amortization of deferred financing costs	2,799	2,799
Provision for uncollectible accounts	12,412,594	15,022,517
Loss on disposal of equipment	86,850	63,604
Abandoned project costs, net of payments	606,684	
Other changes	2,609	
Net assets released from restrictions used for purchase of property and equipment	(117,390)	(442,803)
Change in net unrealized gains on investments	(860,823)	(1,035,063)
Equity in income of uncombined affiliate	(882,401)	(132,489)
Change in beneficial interests in net assets of foundations	(3,594,289)	(2,265,041)
Changes in assets and liabilities		
Patient accounts receivable	(12,566,644)	(13,265,584)
Other receivables	(224,870)	4,098
Inventories	(173,693)	(100,450)
Prepaid expenses and deposits	(424,284)	(296,254)
Accounts payable	(448,687)	20,085
Accrued liabilities	4,511,032	257,008
Deferred revenue	(2,448)	(64,182)
Estimated third-party payor settlements	2,712,158	(481,411)
Net cash provided by operating activities	16,055,231	15,799,613
Cash flows from investing activities		
Acquisition of property and equipment	(11,257,708)	(12,974,900)
Proceeds from sale of equipment	72,494	17,298
Net cash outflows for property and equipment	(11,185,214)	(12,957,602)
Decrease (increase) temporary investments	500	(9)
Increase in assets limited as to use	(1,462,032)	(628,906)
Principal payments received on leases	1,929,575	1,755,277
Principal payments received on loans	179,238	158,590
Direct financing leases funded	(321,058)	(365,118)
Increase in long-term investments	(537,352)	
Transfer of funds to foundations, net	(183,711)	(118,217)
Net cash used by investing activities	(11,580,054)	(12,155,985)

The accompanying notes are an integral part of these statements.

PROMISE REGIONAL MEDICAL CENTER - HUTCHINSON, INC., AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS - CONTINUED

Year ended June 30,

	2011	2010
Cash flows from financing activities		
Repayment of long-term debt	$ (1,165,851)	$ (1,083,096)
Repayment of capital lease obligations	(38,254)	(34,874)
Capital lease obligations incurred	145,000	101,926
Payment of deferred financing costs		(257,186)
Net assets released from restrictions used for purchase of property and equipment	117,390	442,803
Net cash used by financing activities	(941,715)	(830,427)
Net change in cash and cash equivalents	3,533,462	2,813,201
Cash and cash equivalents, beginning of year	13,630,882	10,817,681
Cash and cash equivalents, end of year	$ 17,164,344	$ 13,630,882
Cash paid during the year for interest	$ 223,787	$ 247,066
Cash paid during the year for income taxes	$ 117,240	$ -

The accompanying notes are an integral part of these statements.

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

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

1. Organization

Promise Regional Medical Center - Hutchinson, Inc., (the Medical Center) is a Kansas not-for-profit membership corporation organized for the purpose of owning and operating a health care facility located in Hutchinson, Kansas. The Medical Center is the sole member or sole shareholder of the following corporations:

Not-for-profit
- Horizons Mental Health Center, Inc. (HMHC)
- Main Line, Inc. (MLI)
- Hospice of Reno County, Inc. (HoRC)
- The Living Center, Inc. (TLC)

For profit
- Hutchinson Health Care Services, Inc. (HHCSI)

2. Principles of combination

The combined financial statements of Promise Regional Medical Center - Hutchinson, Inc., and Affiliates (the Promise Group) include the accounts of the Medical Center and the above wholly-owned or controlled corporate entities. All of the corporate entities in the Promise Group were organized under the laws of the State of Kansas and are under common control and management. Significant intercompany accounts and transactions have been eliminated.

3. Cash and cash equivalents

For purposes of the combined statements of cash flows, the Promise Group considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents, except for amounts classified as temporary investments or assets limited as to use by either Board designation or other arrangements.

4. Allowance for uncollectible accounts

Provisions are made for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. This allowance is estimated based on the aging of accounts receivable and historical collection experience for each type of payor.

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Loans and loan interest income

Loans receivable are reported at their outstanding unpaid principal balances. Interest income is accrued on the unpaid principal balance. The Promise Group does not charge loan origination fees and has no deferred fees or costs. The Promise Group charges off loans when collection of interest or principal becomes doubtful.

6. Inventories

Inventories are stated at cost, which is determined generally on a first-in, first-out basis.

7. Assets limited as to use

Assets limited as to use include assets set aside by the Board of Directors under self-insurance arrangements for employee health, workers' compensation, and professional liability insurance, and for replacement of capital assets or for purchase of additional capital assets, over which the Board retains control and may at its discretion subsequently use for other purposes, and the Promise Group's beneficial interests in the net assets of foundations.

8. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in other income and expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over (under) expenses unless the investments are trading securities.

9. Beneficial interests in net assets of foundations

The Promise Group and Promise Regional Medical Center - Hutchinson Foundation (the Foundation) are financially interrelated organizations. As such, the Promise Group recognizes as an asset its interest in the net assets of the Foundation. At the end of each reporting period, it adjusts the interest for its share of the change in net assets of the Foundation occurring during that period. Transactions occurring between the two organizations have been eliminated during the preparation of these financial statements.

The Promise Group is also the beneficiary of funds held by Hutchinson Community Foundation (HCF). The Promise Group recognizes as an asset its interest in the net assets held by HCF for the benefit of the Promise Group and adjusts this interest for changes in the net assets held by HCF occurring during each reporting period.

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Property and equipment

Property and equipment are stated at cost, if acquired, or fair value at date of gift, if donated. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets. The estimated lives are generally in accordance with the guidelines established by the American Hospital Association.

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals, and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. Gains and losses on disposition of property and equipment are included in other income and expenses.

11. Deferred financing costs

Deferred financing costs incurred in connection with the issuance of long-term debt are amortized over the term of the related debt utilizing either the principal outstanding or the straight-line method.

12. Self-insurance

The Promise Group has established a Health Care Benefits Trust Agreement in which to fund the cost of health benefits for its employees. The trust provides medical and dental benefits for all eligible employees and dependents and is funded by both employer and employee contributions. Under the terms of the agreement, the assets held by the trust revert back to the Promise Group upon its termination or revocation. The Promise Group purchases third-party insurance coverage for certain excess claims and accrues a liability for settling reported and unreported claims as of the balance sheet date.

The Promise Group also self-insures a portion of its workers' compensation and professional liability (see Note M) claims risk and accrues a liability for the estimated cost of settling all reported and unreported claims as of the balance sheet date. The Promise Group contracts with third-party administrators to provide claims management services. The Promise Group has commercial stop-loss coverage through third-party insurance companies which provides additional coverage for workers' compensation and professional liability claims.

13. Temporarily restricted net assets

Temporarily restricted net assets are those whose use by the Promise Group has been limited by donors to a specific time period or purpose.

14. Statement of operations

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as other income and expenses.

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. Net patient service revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

16. Excess of revenues over (under) expenses

The statement of operations includes *excess of revenues over (under) expenses*. Changes in unrestricted net assets which are excluded from *excess of revenues over (under) expenses*, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, 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).

17. Charity care

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

18. Donor-restricted gifts

Unconditional promises to give cash and other assets to the Promise Group are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

19. Income taxes

The Medical Center and each of its not-for-profit affiliates are not-for-profit corporations as described in Sections 501(c)(2) or 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. However, they are subject to taxation on unrelated business income. HHCSI is a taxable corporation which pays taxes at prevailing corporate rates.

The Promise Group's policy is to evaluate uncertain tax positions annually. Management has evaluated the Promise Group's tax positions and has concluded that there are no uncertain tax positions that require adjustment or disclosure in the financial statements.

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

20. Subsequent events

Subsequent events have been evaluated through the date of the independent accountants' report, which is the date the financial statements were available to be issued.

NOTE B - NET PATIENT SERVICE REVENUE

Several of the individual corporations of the Promise Group have agreements with third-party payors that provide for payments to the Promise Group at amounts different from its established charge rates. The amounts reported on the balance sheet as estimated third-party payor settlements consist of the estimated differences between contractual amounts for providing covered services and interim payments received for those services, as well amounts related to the settlement of prior year claims. A summary of payment arrangements that the Promise Group has with major third-party payors follows:

Medicare - Inpatient acute care, inpatient rehabilitation, inpatient psychiatric, skilled nursing care, and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per occasion of service.

Prospectively determined payment rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The Promise Group is paid for cost reimbursable and other items at tentative rates with final settlement determined after submission of annual cost reports by the Promise Group and audits or reviews thereof by the Medicare fiscal intermediary. The Medical Center's Medicare cost reports have been audited or reviewed by the Medicare fiscal intermediary through June 30, 2009. The Promise Group'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.

Medicaid - Inpatient acute care services rendered to Medicaid program beneficiaries 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 are paid at prospective rates determined on either a per diem or a fee-for-service basis.

The Kansas Medicaid plan includes provisions for a provider assessment program. Under that program, all hospitals, other than critical access hospitals, pay an assessment. The program then distributes the assessments and additional federal monies to Kansas Medicaid providers. Assessments incurred under the program are included in operating expenses. Distributions received from the program are included in net patient service revenue.

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.

NOTE B - NET PATIENT SERVICE REVENUE - Continued

The Promise Group has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Promise Group under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

A summary of gross and net patient service revenue follows:

	2011	2010
Gross patient service revenue	$366,185,992	$340,911,794
Contractual adjustments	(205,826,595)	(178,974,723)
Other discounts and allowances	(8,345,297)	(5,358,907)
	$152,014,100	$156,578,164

The Medical Center generated approximately 86 percent of the net patient service revenue for the Promise Group during the year ended June 30, 2011. Revenue from the Medicare and Medicaid programs accounted for approximately 44 percent and 4 percent, respectively, of the Medical Center's net patient service revenue during 2011, and 44 percent and 3 percent, respectively, of the Medical Center's net patient service revenue during 2010. 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 could change by a material amount in the near term. Net patient service revenue for 2011 and 2010 was reduced by $1,472,679 and $169,708, respectively, to reflect changes in an estimated allowance for refunds of claims relating to services rendered during prior years.

NOTE C - TEMPORARY INVESTMENTS

Temporary investments are stated at fair value. The composition of temporary investments is as follows:

	2011	2010
Money market accounts	$ 117,431	$ 117,931

NOTE D - ASSETS LIMITED AS TO USE

Assets limited as to use that are required and available to meet obligations classified as current liabilities are reported in current assets. Investments are stated at fair value. The composition of internally designated limited use assets is as follows:

	2011	2010
For capital improvements		
Money market accounts	$ 5,305,422	$ 5,268,234
Certificates of deposit	1,500,000	1,200,000
Mutual funds		
Equity	5,029,639	3,840,596
Bonds	10,767,198	10,164,011
U.S. Government and Agency obligations		300,045
Accrued interest	2,080	10,437
	$ 22,604,339	$ 20,783,323
For self-funded employee health, workers' compensation, and professional liability insurance		
Money market accounts	$ 3,877,887	$ 3,486,470
Bond mutual funds	324,951	450,000
U.S. Government and Agency obligations	3,363,252	3,142,176
	$ 7,566,090	$ 7,078,646

The Promise Regional Medical Center - Hutchinson Foundation (the Foundation) was organized as a separate not-for-profit corporation in 1979, dedicated to the support of the Medical Center and its not-for-profit affiliates. The Medical Center's two predecessor operating entities transferred their interest as beneficiaries in certain estates to the Foundation in 1979. The Foundation's operations are managed by a Board of Directors (separate from the Board of Directors of the Medical Center) comprised of former board members of the Medical Center and its not-for-profit affiliates.

NOTE D - ASSETS LIMITED AS TO USE - Continued

The following is a summary of the assets, liabilities, net assets, revenues, expenses, and changes in net assets of the Foundation as of June 30, 2011 and 2010, and for the years then ended:

	2011	2010
Cash and investments	$ 23,613,446	$ 19,679,012
Note receivable	966,053	1,251,905
Other assets	28,180	45,164
	$ 24,607,679	$ 20,976,081
Accounts and grants payable	$ 152,057	$ 78,570
Assets held under agency agreement	447,780	381,340
Net assets		
Unrestricted	23,701,598	20,256,636
Temporarily restricted	281,244	234,535
Permanently restricted	25,000	25,000
	$ 24,607,679	$ 20,976,081
Revenues and gains		
Contributions	$ 12,494	$ 139,353
Investment income	1,304,500	1,031,530
Net change in unrealized gains on investments	2,340,601	1,124,558
Other	52,916	83,904
	3,710,511	2,379,345
Expenses and losses		
Contributions to the Promise Group	102,618	62,318
Other	162,931	130,693
	265,549	193,011
Change in unrestricted net assets	3,444,962	2,186,334
Change in temporarily restricted net assets	46,709	23,735
Change in net assets	$ 3,491,671	$ 2,210,069

HoRC transferred assets to the Hutchinson Community Foundation (HCF) to establish the Hospice of Reno County Fund (Fund) and designated HoRC as the beneficiary of the Fund. HCF invests the assets and allocates investment earnings and administration fees to the Fund. HoRC controls any distributions from the Fund as directed by the HoRC Board of Directors. The net assets of the Fund at June 30, 2011 and 2010, were $793,360 and $611,820, respectively, and are included in beneficial interests in net assets of foundations. The change in the net assets of the Fund for the years ended June 30, 2011 and 2010, was an increase of $99,839 and $54,435, respectively, and is included in other income and expenses.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2011	2010
Land	$ 1,853,173	$ 1,853,173
Land improvements	4,026,757	3,879,435
Buildings	65,480,214	62,850,880
Building service equipment	28,316,045	27,216,124
Fixed equipment	6,550,900	6,316,482
Major movable equipment	81,888,254	78,112,217
	188,115,343	180,228,311
Less accumulated depreciation	114,957,126	104,085,704
	73,158,217	76,142,607
Construction in progress	3,658,638	2,615,975
Property and equipment, net	$ 76,816,855	$ 78,758,582

Construction in progress at June 30, 2011, consists mainly of costs incurred to date to replace and upgrade information system hardware and software and to renovate certain space in the Medical Center. Outstanding construction commitments as of June 30, 2011, totaled approximately $351,000.

The Medical Center has entered into a contract to replace and upgrade its information system hardware and software. The contract includes costs for implementation and ongoing support fees. The support fees generally commence twelve months after the first productive use of a specific application. The contract expires on September 30, 2017. Estimated future payments under this contract are as follows:

	Property and equipment	Training and support	Total
2012	$ 434,122	$ 931,202	$ 1,365,324
2013	122,330	584,880	707,210
2014	959,043	722,222	1,681,265
2015	70,705	715,359	786,064
2016		713,987	713,987
Later		892,483	892,483
	$ 1,586,200	$ 4,560,133	$ 6,146,333

NOTE F - ASSETS AND LIABILITIES HELD AS AGENCY FUNDS

Assets and liabilities held as agency funds represent cash held by the Medical Center on behalf of various donors to be used to assist indigent patients in paying their hospital charges. The gifts are recorded as agency funds at the date of donation, with an offsetting liability recorded as an agency fund liability.

NOTE G - NET INVESTMENT IN DIRECT FINANCING LEASES

MLI leases substantially all of its assets to local physician groups or other related health care entities. It has also constructed buildings and acquired equipment, most of which are leased. The majority of the leases are accounted for as direct financing leases.

The master facilities lease entered into during 1998 with Hutchinson Clinic expires June 30, 2028. The lessee may extend the lease for five years beyond any expiration date. The lessee may also purchase the building at fair market value at any time. In November 2005, a supplement to the master facilities lease was entered into. The supplement lease covers a medical office building completed in March 2006 and expires on March 1, 2036.

The building lease with the ambulatory surgery center expires March 31, 2021. The lessee may extend the lease for five years beyond any expiration date. The lessee may also purchase the building at fair market value at any time.

The master equipment lease entered into during 1998 with Hutchinson Clinic expired June 30, 2003. The lessee has exercised two options to extend the lease for an additional five-year term with the current lease expiring on June 30, 2013. The lessee may also purchase the leased equipment at fair market value at any time.

The master equipment lease with the ambulatory surgery center expired December 31, 2008. The lessee has exercised its option to extend the lease for another five years until December 31, 2013. The lessee may also purchase the leased equipment at fair market value at any time. MLI is required to provide an allowance to the lessee for additional equipment purchases as the lessee desires, not to exceed $200,000 per year for a period not to exceed five years.

During 2007, MLI entered into a site lease, a facilities lease, and a master equipment lease with an outpatient renal dialysis facility. On June 1, 2011, these leases were terminated with the sale of the renal dialysis group. The site lease and the facilities lease were replaced by a new facility lease with the newly formed renal dialysis group effective June 1, 2011, which is accounted for as an operating lease. The values of the previous site lease and facilities lease were transferred to property, plant, and equipment on June 1, 2011.

Monthly payments are adjusted to reflect amounts expended by MLI for building improvements and equipment acquisitions after inception of the leases. MLI's net investment in direct financing leases that were used for new building construction, building improvements, and equipment acquisitions added to the property subject to these leases, increased by $321,058 and $365,118, respectively, during 2011 and 2010.

NOTE G - NET INVESTMENT IN DIRECT FINANCING LEASES - Continued

The following lists the components of the net investment in direct financing leases:

	2011	2010
Total minimum lease payments to be received	$ 42,904,727	$ 50,098,036
Unguaranteed equipment residual values	241,714	315,550
Unearned leasing income	(18,406,840)	(22,438,770)
	24,739,601	27,974,816
Less current portion	1,583,936	1,665,158
Net investment, excluding current portion	$ 23,155,665	$ 26,309,658

Minimum lease payments to be received during future fiscal years are as follows:

2012	$ 3,434,805
2013	2,850,343
2014	2,581,680
2015	2,438,987
2016	2,367,441
Thereafter	29,231,471
	$ 42,904,727

NOTE H - LOANS RECEIVABLE

MLI has entered into loan agreements with local physician practices to finance construction of medical office buildings. The loans bear interest at a rate of 5.50 to 5.80 percent, and mature in April 2022 through July 2022. The loans are secured by the real estate purchased with the loan proceeds. Loans receivable are summarized as follows:

	2011	2010
Mortgage loans	$ 2,799,906	$ 2,979,144
Less current portion	190,379	179,037
Loans receivable excluding current portion	$ 2,609,527	$ 2,800,107

NOTE H - LOANS RECEIVABLE - Continued

Principal payments to be received during future fiscal years are as follows:

2012	$ 190,379
2013	201,030
2014	212,275
2015	224,150
2016	236,690
Thereafter	1,735,382
	$ 2,799,906

NOTE I - LONG-TERM INVESTMENTS

In 2011, long-term investments consisted of the Medical Center's 20 percent interest in Hutchinson Ambulatory Surgical Center LLC (HASC), a 13.3 percent interest in Bladon Dialysis, LLC (Bladon), a 49 percent interest in The Dialysis Center of Hutchinson, LLC (DCoH), and preferred stock of Voluntary Hospitals of America, Inc. (VHA). The Medical Center accounts for its investment in HASC and Bladon Dialysis, LLC, under the cost method. The Medical Center's 49 percent interest in DCoH, is accounted for under the equity method. On June 1, 2011, the DCoH agreed to contribute certain agreed-upon assets to Bladon for an interest in Bladon. The remaining assets and liabilities not transferred by DCoH will be liquidated in the upcoming year. The transaction resulted in a gain of $1,419,753 during 2011, which is included in other nonoperating revenues. During 2010, the Medical Center exchanged one share of VHA common stock for 186 shares of VHA preferred stock. The VHA preferred stock will be redeemed by VHA for $186,000 in August 2019 and is carried at its estimated net present value.

The surgical facility's building and equipment are leased from MLI (see Note G). The net investment in the two leases is $2,239,145 and $2,456,277 at June 30, 2011 and 2010, respectively. Leasing income for these two leases was $139,620 and $151,616 for the years ended June 30, 2011 and 2010, respectively.

The Dialysis Center's building and equipment were leased from MLI through May 31, 2011 (see Note G), at which time it was converted to an operating lease with Bladon Dialysis, LLC. Leasing income for these leases was $127,529 and $141,481 for the years ended June 30, 2011 and 2010, respectively.

NOTE J - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-term debt and capital lease obligations are summarized as follows:

	2011	2010
Florida Health Care Facility Loan Program participant loan, variable interest rate (1.268% as of June 30, 2011), principal and interest payable monthly through November 2020	$ 11,420,087	$ 12,300,087
Promissory note with the Foundation, variable interest rate (4.25% as of June 30, 2011), principal and interest payable monthly through July 2015	966,054	1,251,905
	12,386,141	13,551,992
Less current portion	1,233,239	1,165,851
Long-term debt, excluding current portion	$ 11,152,902	$ 12,386,141
Capital lease obligation, imputed interest rates from 4.55% to 6.53%, collateralized by leased equipment with an amortized cost of $216,585 at June 30, 2011	$ 173,798	$ 67,052
Less current portion of capital lease obligations	59,752	33,744
Capital lease obligations, excluding current portion	$ 114,046	$ 33,308

Scheduled principal repayments on long-term debt and payments on capital lease obligations for the next five years and thereafter are as follows:

	Long-term debt	Capital lease obligations
2012	$ 1,233,239	$ 59,752
2013	1,301,165	27,864
2014	1,374,650	29,159
2015	1,147,000	30,514
2016	1,180,000	26,509
Thereafter	6,150,087	
	$ 12,386,141	$ 173,798

NOTE J - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS - Continued

In December 2000, the Medical Center entered into a loan agreement to borrow up to $30,000,000 under a participating loan program funded through the Florida Health Care Facility Loan Program. The loan bears interest at a variable rate equal to the monthly Bond Market Association Municipal Swap Index plus an adjustment for ongoing fees and expenses. The Medical Center used the funds to purchase property and equipment.

The Medical Center's loan agreement contains various restrictive covenants, including, but not limited to, a minimum required level of cash on hand, a minimum required capitalization ratio, restrictions on incurrence of additional debt, restrictions on disposition of property and equipment, and restrictions on transfers of cash other than for payment of operating costs or debt service.

NOTE K - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Promise Group has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 820, *Fair Value Measurements and Disclosures,* which 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 gives highest priority to use of observable inputs and lowest priority to use of unobservable inputs. The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Promise Group has the ability to access.

Level 2 inputs to the valuation methodology are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs to the valuation methodology are unobservable, supported by little or no market activity, and are significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used by the Promise Group for assets measured at fair value on a recurring basis:

Money market accounts, equity mutual funds, and debt mutual funds are valued at unadjusted quoted prices for identical securities in active markets.

U.S. Government and Agency debt securities are valued at prices provided by an independent pricing service. Preferred stock is valued at the present value of the mandatory redemption price.

NOTE K - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

HoRC's beneficial interest in net assets transferred to Hutchinson Community Foundation is valued at HoRC's proportionate interest in Hutchinson Community Foundation's pooled investments.

The following tables set forth, by level, the Promise Group's assets measured at fair value on a recurring basis:

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Money market accounts	$ 117,431	$ -	$ -	$ 117,431
Total temporary investments	117,431	-	-	117,431
Money market accounts	5,305,422			5,305,422
Mutual funds				
Equity	5,029,639			5,029,639
Bond	10,767,198			10,767,198
Total assets limited as to use for capital improvements	21,102,259	-	-	21,102,259
Money market accounts	3,877,887			3,877,887
Bond mutual funds	324,951			324,951
U.S. Government and Agency obligations		3,363,252		3,363,252
Total assets limited as to use for self-funded employee health, workers' compensation and professional liability insurance	4,202,838	3,363,252	-	7,566,090
Beneficial interest in net assets of Hutchinson Community Foundation	-	793,360	-	793,360
Preferred stock	-	124,563	-	124,563
Total long-term investments	-	124,563	-	124,563
Total assets measured at fair value on a recurring basis	$ 25,422,528	$ 4,281,175	$ -	$ 29,703,703

NOTE K - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
Money market accounts	$ 117,931	$ -	$ -	$ 117,931
Total temporary investments	117,931	-	-	117,931
Money market accounts	5,268,234			5,268,234
Mutual funds				
Equity	3,840,596			3,840,596
Bond	10,164,011			10,164,011
U.S. Government and Agency obligations		300,045		300,045
Total assets limited as to use for capital improvements	19,272,841	300,045	-	19,572,886
Money market accounts	3,486,470			3,486,470
Bond mutual funds	450,000			450,000
U.S. Government and Agency obligations		3,142,176		3,142,176
Total assets limited as to use for self-funded employee health, workers' compensation and professional liability insurance	3,936,470	3,142,176	-	7,078,646
Beneficial interest in net assets of Hutchinson Community Foundation	-	611,820	-	611,820
Preferred stock	-	118,525	-	118,525
Total long-term investments	-	118,525	-	118,525
Total assets measured at fair value on a recurring basis	$23,327,242	$4,172,566	$ -	$27,499,808

The following methods and assumptions were used by the Promise Group in estimating the fair value of its financial instruments, other than financial instruments measured at fair value on a recurring basis:

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

Certificates of deposit: The carrying amount reported in the balance sheet for certificates of deposit approximates their fair value.

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

Net investment in direct financing leases: The net investment in direct financing leases is reported at the outstanding unpaid principal balance. It is not deemed practicable to estimate the fair value of this investment because there is no market that trades these leases.

NOTE K - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Loans receivable: Loans receivable are reported at their outstanding unpaid principal balances. It is not deemed practicable to estimate the fair value of these loans because there is no market that trades these loans.

Accounts payable, accrued expenses, and other current liabilities: The carrying amount reported in the balance sheet for accounts payable, accrued expenses, and other current liabilities approximates their fair value.

Long-term debt and capital lease obligations: Long-term debt and capital lease obligations are reported at the outstanding unpaid principal balance. It is not deemed practicable to estimate the fair value of these liabilities because there is no market that trades this debt or the capital lease obligations.

NOTE L - PENSION PLAN

The Promise Group sponsors a defined contribution pension plan that covers substantially all full-time employees who have completed one year of service. Annual contributions to the plan are based on a percentage of eligible employee compensation. The total expense of the plan for the years ended June 30, 2011 and 2010, was $2,542,442 and $2,363,711, respectively.

NOTE M - PROFESSIONAL MALPRACTICE INSURANCE

For the years ended June 30, 2011 and 2010, the Promise Group was insured for professional liability under a self-insured professional liability plan with limits of $200,000 per occurrence up to an annual aggregate of $600,000 for all claims made during the plan year. The Promise Group is further covered by the Kansas Health Care Stabilization Fund for claims in excess of the self-insured professional liability plan limits up to $800,000 pursuant to any one judgment or settlement against it for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy or plan year in the amount of $2,400,000. The Promise Group is also covered by a liability policy provided by an independent insurance carrier that provides for umbrella liability in excess of the underlying limits set forth above in the amount of $20,000,000 per occurrence with an aggregate amount in any policy year of $20,000,000. All coverage is on a claims-made basis. The policies provided by the independent insurance carrier are currently in effect through December 2, 2011.

The Promise Group has established an agency account at a local bank to fund expected future malpractice losses and claims expenses. The agency account is funded based on the findings of an actuary. The balance of the agency account, which is included in assets limited as to use, was $1,545,681 at June 30, 2011. The Promise Group has included in accrued liabilities an accrual of $1,538,250 for the estimated present value of expected future malpractice losses and claims expenses. The Promise Group has estimated these losses and expenses based on an actuary's findings.

NOTE N - CONCENTRATION OF CREDIT RISK

Approximately $8,400,000 of the Promise Group's bank deposits were in excess of FDIC insurance limits as of June 30, 2011. The Promise Group also invests funds in repurchase agreements and money market accounts with various banks which are generally collateralized by or invested in U.S. government or other highly liquid securities. The total of these other liquid asset investments was approximately $4,800,000 as of June 30, 2011. While not insured or guaranteed by the U.S. government, management believes the credit risk related to these other liquid asset investments is minimal.

MLI's direct financing leases are all either directly with Hutchinson Clinic or indirectly with companies majority-owned by Hutchinson Clinic.

The Promise Group grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is summarized as follows:

	2011	2010
Medicare/Medicaid	54%	51%
Commercial insurance	14	11
Blue Cross	9	9
Private pay	23	29
	100%	100%

NOTE O - FUNCTIONAL EXPENSES

The Promise Group provides services to residents of its service area. Expenses related to providing these services are as follows (in thousands):

	2011	2010
Health care services	$138,548	$137,172
General and administrative services	29,056	28,191
	$167,604	$165,363

NOTE P - CHARITY CARE

The Promise Group maintains records to identify and monitor the level of charity care it provides. The amounts of charges foregone for services and supplies furnished under its charity care policy for 2011 and 2010 were $2,258,352 and $1,839,508, respectively. The Medical Center also implemented an uninsured discount policy during the year ended June 30, 2010, under which approximately $7,000,000 and $4,000,000 in charges were foregone for 2011 and 2010, respectively.

NOTE Q - COMMITMENTS AND CONTINGENCIES

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

The Medical Center is the focus of an investigation by the U.S. Attorney's Office and Health and Human Services Office of Inspector General (OIG) related to the billing of hyperbaric oxygen therapy services. The Medical Center has started the process of refunding claims and is in settlement discussions with the OIG. The Medical Center has determined that it is probable that it has some liability. An estimate has been accrued at June 30, 2011, but the actual amount is the subject of current negotiations with the U.S. Attorney's Office.

HASC (see Note I) has a $1,000,000 line of credit with a local bank. The Medical Center has guaranteed $200,000 of this line of credit and is contingently liable under the guarantee should HASC fail to make payments on the line of credit as they become due. The Medical Center has an open letter of credit in the amount of $2,671,000 with a local bank at June 30, 2011. HHCSI has an available line of credit with a local bank for $200,000. There were no borrowings outstanding against the line of credit at June 30, 2011. Borrowings outstanding against the line of credit were $62,312 at June 30, 2010, and are included in accounts payable.

NOTE R - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2011	2010
As directed by the Foundation	$ 24,007,842	$ 20,516,171
For Hospice of Reno County Services	134,702	120,445
Other Medical Center purposes	165,109	174,491
	$ 24,307,653	$ 20,811,107

NOTE S - SUBSEQUENT EVENTS

In September 2011, the Board of Directors approved a name change to Hutchinson Regional Medical Center from Promise Regional Medical Center. The name change is expected to be effective after revision of bylaws and other corporate documents.

	Promise Regional Medical Center-Hutchinson, Inc.	Horizons Mental Health Center, Inc.	Hutchinson Health Care Services, Inc.	Hospice of Reno County, Inc.	The Living Center, Inc.	Main Line, Inc.	Eliminations and reclassifications	Combined
CURRENT ASSETS								
Cash and cash equivalents	$ 9,903,106	$4,385,749	$ 104,438	$ 327,356	$ 681,621	$ 1,762,074	$ -	$ 17,164,344
Temporary investments	117,431							117,431
Assets limited as to use	3,915,413							3,915,413
Patient accounts receivable, net	17,725,611	754,676	771,676	578,723	1,036,656		(3,137)	20,864,205
Other receivables	3,523,150	3,534	4,110	57,642	44	202,869	(3,052,967)	738,382
Net investment in direct financing leases						1,583,936		1,583,936
Loans receivable						190,379		190,379
Inventories	4,794,457		285,997		12,498			5,092,952
Prepaid expenses	2,071,276	382,307	94,014	82,301	124,825		(504,872)	2,249,851
Total current assets	42,050,444	5,526,266	1,260,235	1,046,022	1,855,644	3,739,258	(3,560,976)	51,916,893
ASSETS LIMITED AS TO USE								
Internally designated								
For capital improvements	22,604,339							22,604,339
For self-funded employee health, workers' compensation, and professional liability insurance	7,566,090							7,566,090
Beneficial interests in net assets of foundations	24,007,842			793,360				24,801,202
	54,178,271			793,360				54,971,631
Less amounts required to meet current obligations	3,915,413							3,915,413
	50,262,858	-	-	793,360	-	-	-	51,056,218
PROPERTY AND EQUIPMENT, net	67,288,240	262,854	939,441	965,816	340,034	7,020,470	-	76,816,855
OTHER ASSETS								
Net investment in direct financing leases						23,155,665		23,155,665
Loans receivable						2,609,527		2,609,527
Agency funds	850,817							850,817
Investments in subsidiary	480,000						(480,000)	
Long-term investments	1,490,566							1,490,566
Other	26,591					24,465		51,056
	2,847,974	-	-	-	-	25,789,657	(480,000)	28,157,631
Total assets	$162,449,516	$5,789,120	$2,199,676	$2,805,198	$2,195,678	$36,549,385	$(4,040,976)	$207,947,597

	Promise Regional Medical Center-Hutchinson, Inc.	Horizons Mental Health Center, Inc.	Hutchinson Health Care Services, Inc.	Hospice of Reno County, Inc.	The Living Center, Inc.	Main Line, Inc.	Eliminations and reclassifications	Combined
CURRENT LIABILITIES								
Current portion of long-term debt	$ 1,233,239	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,233,239
Current portion of capital lease obligations	59,752							59,752
Accounts payable	4,809,679	138,899	277,921	705,005	2,278,902	185,410	(3,031,954)	5,363,862
Accrued liabilities	11,884,397	943,361	177,102	369,045	112,781		(529,022)	12,957,664
Deferred revenue	1,186							1,186
Estimated third-party payor settlements	2,532,244							2,532,244
Total current liabilities	20,520,497	1,082,260	455,023	1,074,050	2,391,683	185,410	(3,560,976)	22,147,947
LONG-TERM DEBT, less current portion	11,152,902							11,152,902
CAPITAL LEASE OBLIGATIONS, less current portion	114,046							114,046
AGENCY FUNDS	850,817							850,817
Total liabilities	32,638,262	1,082,260	455,023	1,074,050	2,391,683	185,410	(3,560,976)	34,265,712
NET ASSETS								
Unrestricted	105,638,303	4,706,860	1,744,653	1,596,446	(196,005)	36,363,975	(480,000)	149,374,232
Temporarily restricted	24,172,951			134,702				24,307,653
Total net assets	129,811,254	4,706,860	1,744,653	1,731,148	(196,005)	36,363,975	(480,000)	173,681,885
Total liabilities and net assets	$162,449,516	$5,789,120	$2,199,676	$2,805,198	$2,195,678	$36,549,385	$(4,040,976)	$207,947,597

	Promise Regional Medical Center-Hutchinson, Inc	Horizons Mental Health Center, Inc.	Hutchinson Health Care Services, Inc	Hospice of Reno County, Inc.	The Living Center, Inc.	Main Line, Inc.	Eliminations and reclassifications	Combined
Unrestricted revenues, gains, and other support								
Net patient service revenue	$130,929,940	$ 9,328,710	$1,901,573	$5,142,729	$4,711,146	$ -	$ -	$152,014,098
Other operating revenues	4,570,069	2,265,265	2,555,471		24,366	2,741,550	(689,457)	11,467,264
Net assets released from restrictions used for operations	167,862			21,613				189,475
Total revenues, gains, and other support	135,667,871	11,593,975	4,457,044	5,164,342	4,735,512	2,741,550	(689,457)	163,670,837
Expenses								
Salaries and wages	47,571,985	6,701,052	1,400,824	2,957,959	2,953,453	101,604		61,686,877
Employee benefits	12,235,747	1,698,189	443,782	658,907	884,141			15,920,766
Purchased services, supplies, and other	58,421,613	1,742,116	1,974,054	1,559,883	1,615,502	649,052	(689,457)	65,272,763
Interest	234,094		2,090					236,184
Depreciation	10,346,431	95,527	331,441	102,423	54,599	420,698		11,351,119
Provision for uncollectible accounts	11,681,008	345,371	205,304	18,843	162,068			12,412,594
Abandoned project costs	724,075							724,075
Total expenses	141,214,953	10,582,255	4,357,495	5,298,015	5,669,763	1,171,354	(689,457)	167,604,378
Income (loss) from operations	(5,547,082)	1,011,720	99,549	(133,673)	(934,251)	1,570,196	-	(3,933,541)
Other income and expenses								
Investment income	1,367,498	76,869		176	1,309	148		1,446,000
Contributions				242,876				242,876
Other	1,448,345		(119,111)	99,839		5,748		1,434,821
	2,815,843	76,869	(119,111)	342,891	1,309	5,896	-	3,123,697
Excess of revenues over (under) expenses	(2,731,239)	1,088,589	(19,562)	209,218	(932,942)	1,576,092		(809,844)
Net assets released from restrictions used for purchase of property and equipment	111,795			5,595				117,390
Change in net unrealized gains on investments	860,823							860,823
Transfers between affiliates	2,995,432				204,568	(3,200,000)		
Change in unrestricted net assets	$ 1,236,811	$ 1,088,589	$ (19,562)	$ 214,813	$ (728,374)	$ (1,623,908)	$ -	$ 168,369

	Promise Regional Medical Center-Hutchinson, Inc.	Horizons Mental Health Center, Inc.	Hutchinson Health Care Services, Inc.	Hospice of Reno County, Inc.	The Living Center, Inc.	Main Line, Inc.	Eliminations and reclassifications	Combined
Unrestricted net assets								
Net assets, beginning of year	$104,401,492	$3,618,271	$1,764,215	$1,381,633	$ 532,369	$37,987,883	$ (480,000)	$149,205,863
Excess of revenues over (under) expenses	(2,731,239)	1,088,589	(19,562)	209,218	(932,942)	1,576,092		(809,844)
Net assets released from restrictions used for purchase of property and equipment	111,795			5,595				117,390
Change in net unrealized gains on investments	860,823							860,823
Transfers between affiliates	2,995,432				204,568	(3,200,000)		
Net assets, end of year	$105,638,303	$4,706,860	$1,744,653	$1,596,446	$ (196,005)	$36,363,975	$ (480,000)	$149,374,232
Temporarily restricted net assets								
Net assets, beginning of year	$ 20,690,662	$ -	$ -	$ 120,445	$ -	$ -	$ -	$ 20,811,107
Contributions and grants received	270,021			41,465			(102,618)	208,868
Investment income	254							254
Change in beneficial interests in net assets of foundations	3,491,671						102,618	3,594,289
Net assets released from restrictions used for operations	(167,862)			(21,613)				(189,475)
Net assets released from restrictions used for purchase of property and equipment	(111,795)			(5,595)				(117,390)
Net assets, end of year	$ 24,172,951	$ -	$ -	$ 134,702	$ -	$ -	$ -	$ 24,307,653