See a Social Security Number? Say Something!
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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
McPherson Hospital, Inc.

Doing Business As

Number and street (or P O box if mail is not delivered to street address) Room/suite
1000 Hospital Drive

City or town, state or country, and ZIP + 4
McPherson, KS 67460-2326

F Name and address of principal officer: Robert Monical
same as C above

D Employer identification number
48-0799105

E Telephone number
(620)241-2250

G Gross receipts $ 24,373,176.

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: ▶ N/A

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

L Year of formation 1972 **M** State of legal domicile KS

Part I Summary

1 Briefly describe the organization's mission or most significant activities: Provision of acute hospital care to patients regardless of ability to pay.

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	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	12
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	373
6	Total number of volunteers (estimate if necessary)	6	120
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0.

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	861,733.	881,268.
9	Program service revenue (Part VIII, line 2g)	23,936,245.	22,832,399.
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	61,650.	89,949.
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	579,293.	566,136.
12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	25,438,921.	24,369,752.
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)	13,013,155.	13,253,883.
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)	12,263,164.	11,466,833.
18	Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	25,276,319.	24,720,716.
19	Revenue less expenses Subtract line 18 from line 12	162,602.	-350,964.

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	21,832,703.	21,117,334.
21	Total liabilities (Part X, line 26)	3,907,510.	3,413,451.
22	Net assets or fund balances. Subtract line 21 from line 20	17,925,193.	17,703,883.

SCANNED JUN 18 2012

RECEIVED MAY 15 2012 OGDEN, UT

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 5/15/2012

▶ Robert Monical, CEO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name: Gary D. Knoll	Preparer's signature	Date: 05/14/12	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

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:
To meet our community's need by providing superior health care and exceptional service for each person, every time.

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 $ 21653086. including grants of $) (Revenue $ 22961494.)
Provision of inpatient and outpatient hospital services.

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** ▶ 21,653,086.

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		
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		X
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		X
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		X
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	52		
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	373		
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			
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			X
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5b			X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5c			
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	6a			X
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?	6b			
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?				
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? **Note.** See the instructions for additional information the organization must report on Schedule O.	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			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	12		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	12		
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		

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 ☒ 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: ▶

Cindy L. Brown, VP of Finance,CFO - (620) 241-2250
1000 Hospital Drive, McPherson, KS 67460-2326

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			
Dean Elliott Director	2.00	X						0.	0.	0.
J. David Ferrell Director	2.00	X						0.	0.	0.
David Buller, M.D. Director	2.00	X						0.	0.	0.
Bill Glazner Secretary	2.00	X		X				0.	0.	0.
Dennis C. Houghton Vice Chairman	2.00	X		X				0.	0.	0.
Tim R. Karstetter Director	2.00	X						0.	0.	0.
Dawn Loving Director	2.00	X						0.	0.	0.
Marsha Silver Director	2.00	X						0.	0.	0.
Paul Taliaferro Director	2.00	X						0.	0.	0.
Brent Wall Chairman	2.00	X		X				0.	0.	0.
James R. Chromik CEO/President	40.00	X		X				168,016.	0.	14,802.
James Prescott M. D. Director	2.00	X						0.	0.	0.
James R. Larzalere, M.D. Director	2.00	X						0.	0.	0.
Cindy Brown VP of Finance/CFO	40.00			X				101,899.	0.	18,280.
Teresa Gehring VP of Operations	40.00			X				81,370.	0.	16,904.
Jill Wenger VP of Human Resources	40.00			X				84,541.	0.	20,106.
Patricia Goad VP of Nursing	40.00			X				90,940.	0.	9,027.

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			
Tyler G. Hughes, M.D. Physician	40.00					X		351,471.	0.	29,662.
Samuel Claassen Physician	40.00					X		160,988.	0.	23,164.
John Worden Pharmacy Director	40.00					X		125,424.	0.	15,722.
Mary Blankenship Pharmacist	40.00					X		105,339.	0.	14,785.
Clayton Fetsch, M.D. Physician	40.00					X		260,076.	0.	29,662.
1b Sub-total ▶								1,530,064.	0.	192,114.
c Total from continuation sheets to Part VII, Section A ▶								0.	0.	0.
d Total (add lines 1b and 1c) ▶								1,530,064.	0.	192,114.

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 ▶ 7

		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*		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*	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*	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
EMSC, LLC 1985 Cougar Trail, McPherson, KS 67460	ER physician coverage	1,306,992.
National Therapeutic Assoc 11623 Arbor St., Omaha, NE 68144	Physical/occupational therapy	499,324.
Via Christi Health, Inc. 8200 E Thorn, Wichita, KS 67226	Management fees and salary services	496,924.
Shared Medical Services PO Box 330, Cotton Grove, WI 53527	Mobile MRI Services	275,825.
Contemporary Anesthesia Services 1436 N High Dr., McPherson, KS 67460	Anesthesia services	193,841.

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 ▶ 7

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations	1d				
	e Government grants (contributions)	1e	701,592.			
	f All other contributions, gifts, grants, and similar amounts not included above	1f	179,676.			
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f	▶	881,268.			
Program Service Revenue		Business Code				
	2a Patient Service Revenu	900099	22,828,762.	22,828,762.		
	b Lab Services	621500	3,637.	3,637.		
	c					
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a-2f	▶	22,832,399.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)	▶	56,636.			56,636.
	4 Income from investment of tax-exempt bond proceeds	▶				
	5 Royalties	▶				
		(i) Real	(ii) Personal			
	6a Gross Rents	113544.				
	b Less: rental expenses					
	c Rental income or (loss)	113544.				
	d Net rental income or (loss)	▶	113,544.			113,544.
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory		36,737.			
	b Less: cost or other basis and sales expenses		3,424.			
	c Gain or (loss)		33,313.			
	d Net gain or (loss)	▶	33,313.			33,313.
	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 Nonpatient Meals	722210	195,045.			195,045.
	b Fitness Center	713940	68,893.			68,893.
	c Auxiliary	900099	59,559.			59,559.
	d All other revenue	900099	129,095.	129,095.		
	e **Total.** Add lines 11a-11d	▶	452,592.			
	12 **Total revenue.** See instructions	▶	24,369,752.	22,961,494.	0.	526,990.

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	506,182.		506,182.	
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	10,454,228.	9,348,651.	1,105,577.	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	298,406.	271,616.	26,790.	
9 Other employee benefits	1,205,176.	1,077,813.	127,363.	
10 Payroll taxes	789,891.	677,978.	111,913.	
11 Fees for services (non-employees).				
a Management	330,450.		330,450.	
b Legal	194,376.	119,116.	75,260.	
c Accounting				
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other	36,480.	6,400.	30,080.	
12 Advertising and promotion	929.		929.	
13 Office expenses	253,693.	199,033.	54,660.	
14 Information technology	245,577.	118,401.	127,176.	
15 Royalties				
16 Occupancy	367,264.	367,264.		
17 Travel	24,047.	16,426.	7,621.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	107,184.	107,184.		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	1,359,224.	1,359,224.		
23 Insurance	226,264.	76,253.	150,011.	
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 Physician fees	2,835,561.	2,671,905.	163,656.	
b Medical supplies	1,582,008.	1,575,669.	6,339.	
c Bad debts	1,312,631.	1,312,631.		
d Pharmacy supplies	737,756.	737,756.		
e Equipment rental & main	701,173.	681,102.	20,071.	
f All other expenses	1,152,216.	928,664.	223,552.	
25 Total functional expenses. Add lines 1 through 24f	24,720,716.	21,653,086.	3,067,630.	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	879.	1	880.
	2	Savings and temporary cash investments	7,553,132.	2	7,595,183.
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	3,525,302.	4	3,416,087.
	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	538,080.	8	537,104.
	9	Prepaid expenses and deferred charges	329,424.	9	293,812.
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D — 10a: 26,503,567.			
	b	Less: accumulated depreciation — 10b: 18,501,833.	8,707,976.	10c	8,001,734.
	11	Investments - publicly traded securities		11	
	12	Investments - other securities See Part IV, line 11	497.	12	497.
	13	Investments - program-related. See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets. See Part IV, line 11	1,177,413.	15	1,272,037.
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	21,832,703.	16	21,117,334.
Liabilities	17	Accounts payable and accrued expenses	1,456,855.	17	1,463,197.
	18	Grants payable		18	
	19	Deferred revenue	9,033.	19	475.
	20	Tax-exempt bond liabilities	2,430,000.	20	1,800,000.
	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	11,622.	23	4,649.
	24	Unsecured notes and loans payable to unrelated third parties		24	
	25	Other liabilities. Complete Part X of Schedule D	0.	25	145,130.
	26	**Total liabilities.** Add lines 17 through 25	3,907,510.	26	3,413,451.
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	16,679,784.	27	16,323,905.
	28	Temporarily restricted net assets	439,018.	28	531,468.
	29	Permanently restricted net assets	806,391.	29	848,510.
		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	17,925,193.	33	17,703,883.
	34	Total liabilities and net assets/fund balances	21,832,703.	34	21,117,334.

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	24,369,752.
2	Total expenses (must equal Part IX, column (A), line 25)	2	24,720,716.
3	Revenue less expenses. Subtract line 2 from line 1	3	-350,964.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	17,925,193.
5	Other changes in net assets or fund balances (explain in Schedule O)	5	129,654.
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	17,703,883.

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: [X] Separate basis [ ] 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		

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
McPherson Hospital, Inc.	48-0799105

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?		
(ii)	A family member of a person described in (i) above?		
(iii)	A 35% controlled entity of a person described in (i) or (ii) above?		

11g(i)		
11g(ii)		
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
McPherson Hospital, Inc.

Employer identification number
48-0799105

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)
- ☐ Preservation of an historically important land area
- ☐ Protection of natural habitat
- ☐ Preservation of a certified historic structure
- ☐ Preservation of open space

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	9,198.	8,015.	10,214.		
b	Contributions					
c	Net investment earnings, gains, and losses	1,326.	1,261.	-2,092.		
d	Grants or scholarships					
e	Other expenditures for facilities and programs					
f	Administrative expenses	-176.	-78.	-107.		
g	End of year balance	10,348.	9,198.	8,015.		

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

a Board designated or quasi-endowment ▶ _____ %
b Permanent endowment ▶ 100.00 %
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) X	
(ii)	related organizations	3a(ii)	X
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		16,312.		16,312.
b	Buildings		10,248,083.	6,612,229.	3,635,854.
c	Leasehold improvements				
d	Equipment		10,623,781.	7,950,801.	2,672,980.
e	Other		5,615,391.	3,938,803.	1,676,588.
Total. Add lines 1a through 1e. *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)*				▶	8,001,734.

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)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total. (Col (b) must equal Form 990, Part X, col (B) line 12) ▶		

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) Other Receivables	101,851.
(2) Unamortized Bond Costs	10,054.
(3) Beneficial interest in net assets of McPherson Healthcare	
(4) Foundation	1,114,303.
(5) Goodwill	45,829.
(6)	
(7)	
(8)	
(9)	
(10)	
Total. *(Column (b) must equal Form 990, Part X, col (B) line 15.)* ▶	1,272,037.

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

1. (a) Description of liability	(b) Amount
(1) Federal income taxes	
(2) Estimated third-party payor	
(3) settlements	145,130.
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25.)* ▶	145,130.

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	24,369,752.
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	24,720,716.
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	-350,964.
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV.)	8	129,654.
9	Total adjustments (net). Add lines 4 through 8	9	129,654.
10	Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9	10	-221,310.

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	24,364,837.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV.)	2d			
e	Add lines **2a** through **2d**			2e	0.
3	Subtract line **2e** from line **1**			3	24,364,837.
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	4,915.		
c	Add lines **4a** and **4b**			4c	4,915.
5	Total revenue Add lines **3** and **4c.** *(This must equal Form 990, Part I, line 12)*			5	24,369,752.

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

1	Total expenses and losses per audited financial statements			1	24,720,716.
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	24,720,716.
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	24,720,716.

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 V, line 4: Scholarships

Part XI, Line 8 - Other Adjustments:

Change in beneficial interest in net assets of Foundation	88,839.
Restricted investment income	3,863.
Assets released for operations	-22,718.
Change in beneficial interest in net assets of Foundation-Permanent	42,119.

Part XIV Supplemental Information *(continued)*

Temporarily restricted contributions	84,736.
Expenditure of restricted assets	-4,000.
Assets released for property and equipment	-63,185.
Total to Schedule D, Part XI, Line 8	129,654.

Part XII, Line 4b - Other Adjustments:

Change in assets to be used for operation of medical library	4,915.

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

McPherson Hospital, Inc.

Employer identification number

48-0799105

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 175 %	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		X
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	X	

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)			298,077.	72,369.	225,708.	.96%
b Unreimbursed Medicaid (from Worksheet 3, column a)			2,087,412.	964,994.	1,122,418.	4.80%
c Unreimbursed costs - other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			2,385,489.	1,037,363.	1,348,126.	5.76%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			8,667.		8,667.	.04%
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			3,430,497.	2,739,792.	690,705.	2.95%
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			1,378.		1,378.	.01%
j **Total.** Other Benefits			3,440,542.	2,739,792.	700,750.	3.00%
k **Total.** Add lines 7d and 7j			5,826,031.	3,777,155.	2,048,876.	8.76%

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						
2	Economic development						
3	Community support			157.		157.	.00%
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			157.		157.	

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)	2 667,604.			
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 0.			
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 5,428,353.			
6	Enter Medicare allowable costs of care relating to payments on line 5	6 6,533,849.			
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	7 -1,105,496.			
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 McPherson Hospital, Inc. 1000 Hospital Drive McPherson, KS 67460	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?	18		
	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	20		
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.	21		

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, 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 $ 1312631.

Part II: The community building activities promote the health of McPherson, Kansas by developing community responses for potential disasters and by servicing the needy of the community through participation in the United Way.

Part III, Line 4: The Hospital provides 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. The Hospital estimates this allowance based on the aging of its accounts receivable and its historical collection experience for each type of payor.

Part III, Line 3

Part VI Supplemental Information

McPherson Hospital, Inc. is unable to determine the amount of bad debt expense attributable to patients eligible under its charity care policy for the year covered by this return. Suggested methods for estimation were either not in place or proved to be unreliable. For example, the number of financial assistance applications distributed but not returned was not tracked. Using demographic data to estimate an amount did not provide reasonable results. Rather than provide an estimate that can't be substantiated, McPherson Hospital, Inc. has chosen to report zero dollars as bad debt expense attributable to charity care patients.

Part III, Line 8: Amounts were obtained from the cost report filed with Medicare for the period ending June 30, 2011. The total amount of shortfall between Medicare revenue received and relating allowable costs is considered community benefit.

Part III, Line 9b: Patients who have qualified for financial assistance are considered qualified for six months. Updated information must be provided for any subsequent account balances. Patients who have qualified for partial financial assistance are to make payment arrangements for any remaining balance according to the policies that apply to other patients.

Part VI, Line 2: McPherson Hospital, Inc. does not have a formal community needs assessment process at this time.

Part VI, Line 3: All self-pay patients are screened by a contractor for eligibility under federal, state, or local government programs. Notice of the Hospital's financial assistance program is posted in patient registration areas and on the Hospital's website. The availability of

financial assistance is also communicated to patients with the first billing statement and at any time during the collection process if an inability to pay is expressed by the patient/guarantor.

Part VI, Line 4: McPherson Hospital, Inc.'s primary service area is McPherson, Kansas, a rural community of approximately 13,000. According to the 2010 census, the per capita income for McPherson, Kansas was $26,801. The percent of individuals below poverty level was 9.6. For the year ending June 30, 2011, 13 percent of the Hospital's inpatient admissions were Medicaid recipients and 6 percent were uninsured. Larger hospitals in Hutchinson, Salina, and Newton also provide services to the residents of McPherson, Kansas. The distances between these facilities and McPherson Hospital, Inc. are approximately 23, 29, and 28 miles respectively. There are no federally-designated medically underserved areas or populations in McPherson, Kansas.

Part VI, Line 5: McPherson Hospital, Inc.'s governing body is comprised of individuals who reside in the primary service area. No board members are employed by the Hospital. The CEO is employed by Via Christi Health, Inc. who provides management services to the Hospital. Annually, all trustees sign a conflict of interest statement and disclose any potential conflicts of interest. With limited exceptions for hospital-based services, the Hospital extends medical staff privileges to all qualified physicians in the community. Surplus funds are used by the Hospital to update facilities and equipment, recruit needed physicians and staff, and otherwise improve patient care.

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: McPherson Hospital, Inc.

Employer identification number: 48-0799105

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	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax indemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e.g., maid, chauffeur, chef)		
b	If any of the boxes 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		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.			
	☒ Compensation committee	☒ Written employment contract		
	☒ Independent compensation consultant	☒ Compensation survey or study		
	☐ Form 990 of other organizations	☒ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	4a		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 James R. Chromik	(i)	168,016.	0.	0.	7,964.	6,838.	182,818.	93,366.
	(ii)	0.	0.	0.	0.	0.	0.	0.
2 Tyler G. Hughes, M.D.	(i)	351,471.	0.	0.	12,564.	17,098.	381,133.	190,616.
	(ii)	0.	0.	0.	0.	0.	0.	0.
3 Samuel Claassen	(i)	160,988.	0.	0.	7,584.	15,580.	184,152.	84,219.
	(ii)	0.	0.	0.	0.	0.	0.	0.
4 Clayton Fetsch, M.D.	(i)	260,076.	0.	0.	12,564.	17,098.	289,738.	145,561.
	(ii)	0.	0.	0.	0.	0.	0.	0.
5	(i)							
	(ii)							
6	(i)							
	(ii)							
7	(i)							
	(ii)							
8	(i)							
	(ii)							
9	(i)							
	(ii)							
10	(i)							
	(ii)							
11	(i)							
	(ii)							
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.

Via Christi Health, Inc.

8200 E. Thorn

Wichita, KS 67226

Payments to:

Cindy Brown, CFO	53,348
James Chromik, CEO	82,302
Total Benefits CEO and CFO	15,926

Total compensation and benefits	151,576
	=======

SCHEDULE K (Form 990)
Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax-Exempt Bonds

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

OMB No 1545-0047
2010
Open to Public Inspection

Name of the organization: McPherson Hospital, Inc.

Employer identification number: 48-0799105

Part I Bond Issues See Part V for Column (f) Continuations

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased Yes	(g) Defeased No	(h) On behalf of issuer Yes	(h) On behalf of issuer No	(i) Pooled financing Yes	(i) Pooled financing No
A	City of McPherson, Kansas	48-6019780	582672BQ3	10/28/03	2315000.	Refunding of Series 1998 Bonds		X		X		X
B												
C												
D												

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	2,315,000.			
2	Amount of bonds legally defeased	150,000.			
3	Total proceeds of issue				
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	69,725.			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds				
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2003			

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

Part III Private Business Use

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

Part III Private Business Use (Continued)

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

Part IV Arbitrage

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

Part V Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K.

Schedule K, Part I, Bond Issues:
(a) Issuer Name: City of McPherson, Kansas
(f) Description of Purpose: Refunding of Series 1998 Bonds

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: McPherson Hospital, Inc.

Employer identification number: 48-0799105

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
Cindy Brown-VP of Finance/	Spousal Relationshi	0.	Employee		X
Ronald Brown, RN, BSN-Staf	Spousal Relationshi	56,270.	Employee -		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 Person: Cindy Brown-VP of Finance/CFO

(b) Relationship Between Interested Person and Organization:

Spousal Relationship

(a) Name of Person: Ronald Brown, RN, BSN-Staff Nurse, Surgery

(b) Relationship Between Interested Person and Organization:

Spousal Relationship

(d) Description of Transaction: Employee - wages

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: McPherson Hospital, Inc.

Employer identification number: 48-0799105

Form 990, Part VI, Section A, line 3: The Hospital entered into a management agreement with Via Christi Health, Inc. on January 1, 2011. Under the agreement, Via Christi Health, Inc. is responsible for the daily management and administration of the Hospital.

Form 990, Part VI, Section A, line 4: The name of the organization changed from Memorial Hospital, Inc. to McPherson Hospital, Inc. during the fiscal year ended 06/30/11.

Form 990, Part VI, Section A, line 6: Organization's sole member is MACCO Healthcare, Inc.

Form 990, Part VI, Section A, line 7a: MACCO Healthcare, Inc. approves members of the governing body of the organization (McPherson Hospital, Inc.).

Form 990, Part VI, Section B, line 11: A copy of the Form 990 is provided to members of the organization's Finance Committee with an opportunity to comment or ask questions prior to filing.

Form 990, Part VI, Section B, Line 12c: The conflict of interest policy is reviewed annually by the governing body. Updated individual disclosure forms are also required annually.

Form 990, Part VI, Section B, Line 15: Organization participates annually in salary surveys sponsored by the State Hospital Association and uses MGMA

Name of the organization: McPherson Hospital, Inc.

Employer identification number: 48-0799105

and other national references in establishing physician compensation. Terms of employment contracts are approved by the governing body.

Compensation amounts for the CEO and the VP of Finance are determined by Via Christi Health, Inc. and subject to approval by McPherson Hospital's Board of Trustees.

Form 990, Part VI, Section C, Line 19: The Organization makes its governing documents, conflict of interest policy, and financial statements available to the public upon written request.

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

Change in beneficial interest in net assets of Foundation	88,839.
Restricted investment income	3,863.
Assets released for operations	-22,718.
Change in beneficial interest in net assets of Foundation-Permanent	42,119.
Temporarily restricted contributions	84,736.
Expenditure of restricted assets	-4,000.
Assets released for property and equipment	-63,185.
Total to Form 990, Part XI, Line 5	129,654.

FORM 990 PART XII, LINE 2C:

Review of financial statements

The Finance Committee reviews the audit prior to submitting to the Board.

Name of the organization: McPherson Hospital, Inc.

Employer identification number: 48-0799105

Schedule K, Part I Bond Issues:

Bond

(a) Issuer Name: City of McPherson, Kansas

(f) Description of Purpose: Refunding of Series 1998 Bonds

(8) Reporting period for the bond information is July 1, 2010 through June 30, 2011.

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
McPherson Hospital, Inc.

Employer identification number
48-0799105

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
MACCO Healthcare, Inc. - 48-1059194 1000 Hospital Drive McPherson, KS 67460	Sole Member of Memorial Hopsital, Inc. and McPherson Healthcare FDN,	Kansas	501(c)(3)	170(b)(1)(A)(vi)			X
McPherson Healthcare Foundation, Inc. - 48-1043952, 1016 N. Main, McPherson, KS 67460	Raise Funds to support the operation of Memorial Hopsital, Inc.	Kansas	501(c)(3)	170(b)(1)(A)(vi)			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

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

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.		Yes	No
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) McPherson Healthcare Foundation, Inc.	C	26,181.	
(2)			
(3)			
(4)			
(5)			
(6)			

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).

Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization (Including Information on Listed Property) 990

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

OMB No 1545-0172

2010

Attachment Sequence No **67**

Name(s) shown on return	Business or activity to which this form relates	Identifying number
McPherson Hospital, Inc.	Form 990 Page 10	48-0799105

Part I **Election To Expense Certain Property Under Section 179 Note** *If you have any listed property, complete Part V before you complete Part I.*

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

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

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

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

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

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	1,359,224.

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

Section A

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

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

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

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

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

Part IV **Summary** (See instructions.)

21	Listed property. Enter amount from line 28	21	
22	**Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instr.	22	1,359,224.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

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

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

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

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

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

Section B - Information on Use of Vehicles

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

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

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

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

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use?		

Note: *If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.*

Part VI **Amortization**

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

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	Memorial Hospital, Inc.	48-0799105
	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-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 ▶ Cindy L. Brown, VP of Finance,CFO 1000 Hospital Drive - McPherson, KS 67460-2326
  Telephone No ▶ (620) 241-2250 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.

- 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	McPherson Hospital, Inc.	48-0799105
	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) 0 1

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 ▶ Cindy L. Brown, VP of Finance,CFO 1000 Hospital Drive - McPherson, KS 67460-2326
  Telephone No. ▶ (620) 241-2250 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 ▶ [signature] Title ▶ CPA Date ▶ 2/13/12

023842
01-24-11

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
MCPHERSON HOSPITAL, INC.
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
John R Helms, CPA
Darrell D Loyd, CPA
Eric L Otting, CPA

Jere Noe, CPA
John E Wendling, CPA
Gary D Knoll, CPA
Adam C Crouch, CPA
Heather R Eichem, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
McPherson Hospital, Inc.

We have audited the accompanying balance sheets of McPherson Hospital, Inc., as of June 30, 2011 and 2010, and the related statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital'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 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 financial position of McPherson Hospital, Inc., as of June 30, 2011 and 2010, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
November 16, 2011

Bank of America Tower, 534 S Kansas Ave , Suite 1500, Topeka, Kansas 66603-3491
(785) 233-4226 1-888-272-9665 FAX (785) 233-6830
www wnnjcpa com E-MAIL wnnj@wnnjcpa com

FINANCIAL STATEMENTS

MCPHERSON HOSPITAL, INC.

BALANCE SHEETS

June 30,

ASSETS

	2011	2010
CURRENT ASSETS		
Cash	$ 6,569,425	$ 6,579,314
Assets limited as to use	422,078	399,567
Patient accounts receivable, net of allowance for uncollectible accounts of $1,691,452 in 2011 and $1,604,352 in 2010	3,416,087	3,525,302
Estimated third-party payor settlements		88,279
Other receivables	101,851	7,840
Inventories	537,104	538,080
Prepaid expenses	293,812	329,424
Total current assets	11,340,357	11,467,806
ASSETS LIMITED AS TO USE		
Under indenture agreements - held by trustee	760,963	738,814
Under donor-imposed restrictions	265,675	235,883
Beneficial interest in net assets of the Foundation	1,114,303	1,009,526
	2,140,941	1,984,223
Less amount required to meet current liabilities	422,078	399,567
	1,718,863	1,584,656
PROPERTY AND EQUIPMENT, NET	8,001,734	8,707,976
OTHER ASSETS		
Unamortized bond costs	10,054	19,313
Other	46,326	52,952
	56,380	72,265
	$ 21,117,334	$ 21,832,703

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES		
Current installments of long-term debt	$ 665,000	$ 630,000
Current portion of capital lease obligations	4,649	6,973
Accounts payable	616,963	654,592
Accrued salaries, wages, and benefits	396,283	356,280
Accrued compensated absences	439,269	432,071
Accrued interest	10,682	13,912
Deferred revenue	475	9,033
Estimated third-party payor settlements	145,130	
Total current liabilities	2,278,451	2,102,861
LONG-TERM DEBT, excluding current installments	1,135,000	1,800,000
CAPITAL LEASE OBLIGATIONS, excluding current portion	-	4,649
Total liabilities	3,413,451	3,907,510
NET ASSETS		
Unrestricted	16,323,905	16,679,784
Temporarily restricted	531,468	439,018
Permanently restricted	848,510	806,391
	17,703,883	17,925,193
	$ 21,117,334	$ 21,832,703

MCPHERSON HOSPITAL, INC.

STATEMENTS OF OPERATIONS

Year ended June 30,

	2011	2010
Unrestricted revenues, gains, and other support		
Net patient service revenue	$ 22,828,762	$ 23,929,871
Other revenues	1,364,625	1,353,484
Net assets released from restrictions used for operations	22,718	35,987
Total revenues, gains, and other support	24,216,105	25,319,342
Expenses		
Salaries and wages	10,891,817	10,881,408
Employee benefits	2,393,279	2,157,588
Purchased services, supplies, and other	8,649,955	9,237,613
Depreciation and amortization	1,365,849	1,361,922
Interest	107,185	138,210
Provision for bad debts	1,312,631	1,499,578
Total expenses	24,720,716	25,276,319
Income (loss) from operations	(504,611)	43,023
Other income (expenses)		
Contributions	550	330
Investment income	51,684	63,399
Gain (loss) on disposal of equipment	33,313	(2,826)
Fund-raising		(18,580)
	85,547	42,323
Excess of revenues over (under) expenses	(419,064)	85,346
Net assets released from restrictions used for acquisition of property and equipment	63,185	76,638
Change in unrestricted net assets	$ (355,879)	$ 161,984

The accompanying notes are an integral part of these statements.

MCPHERSON HOSPITAL, INC.

STATEMENTS OF CHANGES IN NET ASSETS

Years ended June 30, 2011 and 2010

	Unrestricted	Temporarily restricted	Permanently restricted
Net assets at June 30, 2009	$16,517,800	$ 418,329	$ 526,018
Excess of revenues over expenses	85,346		
Net change in assets to be used for operation of medical library		618	
Restricted investment income		2,595	
Assets released from restrictions used for operations		(35,987)	
Contributions		81,082	
Change in beneficial interest in net assets of the Foundation		53,919	280,373
Expenditure of restricted assets		(4,900)	
Assets released from restrictions used for acquisition of property and equipment	76,638	(76,638)	
Change in net assets	161,984	20,689	280,373
Net assets at June 30, 2010	16,679,784	439,018	806,391
Excess of expenses over revenues	(419,064)		
Net change in assets to be used for operation of medical library		4,916	
Restricted investment income		3,862	
Assets released from restrictions used for operations		(22,718)	
Contributions		84,736	
Change in beneficial interest in net assets of the Foundation		88,839	42,119
Expenditure of restricted assets		(4,000)	
Assets released from restrictions used for acquisition of property and equipment	63,185	(63,185)	
Change in net assets	(355,879)	92,450	42,119
Net assets at June 30, 2011	$16,323,905	$ 531,468	$ 848,510

The accompanying notes are an integral part of these statements.

MCPHERSON HOSPITAL, INC.

STATEMENTS OF CASH FLOWS

Year ended June 30,

	2011	2010
Cash flows from operating activities		
Change in net assets	$ (221,310)	$ 463,046
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,365,849	1,361,922
Provision for bad debts	1,312,631	1,499,578
Amortization of bond costs	9,259	11,967
Loss (gain) on disposal of equipment	(33,313)	2,826
Undistributed portion of change in beneficial interest in net assets of the Foundation	(104,777)	(306,660)
Restricted contributions	(84,736)	(81,082)
Changes in assets and liabilities		
Patient accounts receivable	(1,203,416)	(1,773,805)
Estimated third-party payor settlements	233,409	16,478
Inventories and other current assets	(57,423)	(47,669)
Accounts payable and accrued expenses	28,557	62,897
Deferred revenue	(8,558)	(5,705)
Net cash provided by operating activities	1,236,172	1,203,793
Cash flows from investing activities		
Acquisition of property and equipment	(678,620)	(1,170,028)
Change in assets limited as to use	(51,941)	(9,351)
Proceeds from sale of equipment	36,737	3,195
Net cash used by investing activities	(693,824)	(1,176,184)
Cash flows from financing activities		
Repayment of long-term debt	(630,000)	(610,000)
Payments on capital lease obligations	(6,973)	(6,973)
Restricted contributions	84,736	81,082
Net cash used by financing activities	(552,237)	(535,891)
Net change in cash and cash equivalents	(9,889)	(508,282)
Cash and cash equivalents at beginning of year	6,579,314	7,087,596
Cash and cash equivalents at end of year	$ 6,569,425	$ 6,579,314
Cash paid during the year for interest	$ 101,156	$ 129,157

The accompanying notes are an integral part of these statements.

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

On January 1, 2011, the Hospital entered into a management agreement with Via Christi Health, Inc. Under the agreement, Via Christi is responsible for daily management and administration of the Hospital, and it provides the Hospital with the services of a chief executive officer and a chief financial officer, both of whom are employed by Via Christi. The Hospital's Board of Directors retains ultimate authority and control over the business, policies, operations, and assets of the Hospital.

1. Organization

McPherson Hospital, Inc., (the Hospital) is a not-for-profit membership corporation organized to establish, own, and operate an acute care hospital facility located in McPherson, Kansas. The Hospital's name was changed from Memorial Hospital, Inc., to the current name on April 27, 2011. MACCO Healthcare, Inc., (MACCO) another not-for-profit membership corporation, is the sole member of the Hospital. MACCO is also the sole member of McPherson Healthcare Foundation, Inc., (the Foundation). The Foundation is a not-for-profit membership corporation established to raise funds to support the operation of the Hospital.

2. Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all cash and short-term investments, excluding any such amounts included in assets limited as to use.

3. Allowance for doubtful accounts

The Hospital provides 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. The Hospital estimates this allowance based on the aging of its accounts receivable and its historical collection experience for each type of payor.

4. Inventories

Inventories are stated at the lower of cost or market with cost determined on the first-in, first-out method.

5. Assets limited as to use

Assets limited as to use include assets held by trustees under indenture agreements, the Hospital's beneficial interest in the net assets of the Foundation, and assets restricted as to use by donors.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

6. Beneficial interest in net assets of the Foundation

The Hospital and the Foundation are financially interrelated organizations. As such, the Hospital 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.

7. Property and equipment

Property and equipment (including assets recorded as capital leases) are stated at cost. Depreciation and amortization of property and equipment are provided on the straight-line method over the estimated useful lives of the assets. The estimated lives used are generally in accordance with the guidelines established by the American Hospital Association.

The costs of maintenance and repairs are charged to operating expense 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.

8. Costs of borrowing

Costs incurred in connection with the issuance of long-term debt are amortized using the interest method over the term of the related debt.

9. Temporarily and permanently restricted net assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

10. 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.

11. 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.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

12. 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).

13. Charity care

The Hospital 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 Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

14. Donor-restricted gifts

Unconditional promises to give cash and other assets to the Hospital or the Foundation 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.

15. Income taxes

The Hospital and the Foundation are not-for-profit corporations as described in Section 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.

16. Subsequent events

The Hospital has evaluated subsequent events through November 16, 2011, which is the date the financial statements were available to be issued.

NOTE B - REIMBURSEMENT PROGRAMS

The Hospital has agreements with third-party payors that provide for payments to it at amounts different from its established charge rates. The amounts reported on the balance sheets as estimated third-party payor settlements consist of the estimated differences between the contractual amounts for

NOTE B - REIMBURSEMENT PROGRAMS - Continued

providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute care and skilled nursing care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or per day. Physician services rendered to Medicare beneficiaries are paid based on a prospectively determined fee schedule. Outpatient services are paid at prospectively determined rates per occasion of service. Prospectively determined rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The Hospital is paid for cost reimbursable and other items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits or reviews thereof by the Medicare fiscal intermediary. The Hospital'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. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare fiscal intermediary through June 30, 2010.

Beginning with inpatient discharges occurring on or after October 1, 2010, the Hospital qualified for a special low-volume hospital add-on payment. This add-on payment will continue for discharges occurring through September 30, 2012. Unless current laws are amended, the Hospital will then no longer qualify for this special payment.

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 program provides additional payments to qualifying providers under a reimbursement formula that incorporates uncompensated care costs, Kansas Medicaid utilization, public support of the provider, and other factors. The Hospital qualified for these disproportionate share payments during the past two fiscal years.

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.

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

NOTE B - REIMBURSEMENT PROGRAMS - Continued

A summary of gross and net patient service revenue follows:

	2011	2010
Gross patient service revenue	$ 43,088,162	$ 42,680,635
Contractual adjustments	(20,421,335)	(18,567,218)
Medicare low-volume add-on payments	506,900	
Medicaid disproportionate share payments	214,804	216,772
Charity care	(559,769)	(400,318)
Net patient service revenue	$ 22,828,762	$ 23,929,871

Revenue from the Medicare and Medicaid programs accounted for approximately 36 percent and 5 percent, respectively, of the Hospital's net patient service revenue during 2011, and 33 percent and 5 percent, respectively, of the Hospital'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 will change by a material amount in the near term. Net patient service revenue was reduced during 2011 by $662,566 to reflect changes in billings for services rendered to certain patients from 2005 to 2010.

NOTE C - 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. The composition of assets limited as to use is as follows:

	2011	2010
Under indenture agreements - held by trustee		
Certificates of deposit	$ 236,600	$ 338,000
Money market funds	523,479	399,567
Interest receivable	884	1,247
	$ 760,963	$ 738,814
Under donor-imposed restrictions		
Cash	$ 108,615	$ 78,823
Certificates of deposit	157,060	157,060
	$ 265,675	$ 235,883

NOTE C - ASSETS LIMITED AS TO USE - Continued

Investment income for assets limited as to use, cash equivalents, and other investments is comprised of the following:

	2011	2010
By type		
Interest income	$ 56,636	$ 64,476
Realized gains		
	$ 56,636	$ 64,476
As reported in the financial statements		
Other income	$ 51,684	$ 63,399
Other revenue	4,952	1,077
	$ 56,636	$ 64,476

NOTE C - ASSETS LIMITED AS TO USE - Continued

The following is a summary of the assets, liabilities, net assets, revenues and expenses, and changes in net assets of the Foundation (significant intercompany balances and transactions have been eliminated).

	2011	2010
Cash and cash equivalents	$ 113,368	$ 153,970
Pledges and bequests receivable, net	5,538	192,565
Other current assets	550	799
Investments	1,000,132	671,463
Property, plant, and equipment, net	1,549	2,053
Total assets	$ 1,121,137	$ 1,020,850
Accrued expenses	$ 6,834	$ 11,324
Net assets		
Unrestricted	183,517	164,917
Temporarily restricted	189,336	145,278
Permanently restricted	741,450	699,331
	1,114,303	1,009,526
	$ 1,121,137	$ 1,020,850
Revenue		
Contributions	$ 182,817	$ 500,006
Investment income	127,584	46,045
	310,401	546,051
Expenses		
Program services	711	31,217
Management and general	78,328	77,846
Fund-raising	119,363	102,696
	198,402	211,759
Excess of revenues over expenses	111,999	334,292
Transfer to the Hospital	(26,181)	(27,632)
Change in value of split-interest agreements	18,959	
Change in net assets	$ 104,777	$ 306,660

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2011	2010
Land and land improvements	$ 1,330,062	$ 1,330,062
Buildings and improvements	10,248,083	10,205,530
Fixed equipment	4,255,926	4,233,027
Major movable equipment	10,623,782	10,076,600
	26,457,853	25,845,219
Less accumulated depreciation and amortization	18,501,833	17,190,876
	7,956,020	8,654,343
Construction in progress	45,714	53,633
Property and equipment, net	$ 8,001,734	$ 8,707,976

Construction in progress consists of costs incurred to date for various remodeling projects at the Hospital.

NOTE E - UNAMORTIZED BOND COSTS

Unamortized bond costs are summarized as follows:

	2011	2010
City of McPherson, Kansas Hospital Facility Revenue Bonds, Series 2002	$ 111,466	$ 111,466
City of McPherson, Kansas Hospital Facility Revenue Refunding Bonds, Series 2003	54,255	54,255
Less accumulated amortization	(155,667)	(146,408)
	$ 10,054	$ 19,313

NOTE F - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

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

	2011	2010
4.50% - 5.00% City of McPherson, Kansas Hospital Facility Revenue Bonds, Series 2002, interest payable semiannually beginning December 2002, principal payments due annually on December 1 beginning in 2003 with final maturity in 2012	$ 890,000	$ 1,300,000
4.00% - 4.70% City of McPherson, Kansas Hospital Facility Revenue Refunding Bonds, Series 2003, interest payable semiannually beginning May 2004, principal payments due annually on November 1 beginning in 2004 with final maturity in 2013	910,000	1,130,000
	1,800,000	2,430,000
Less current installments of long-term debt	665,000	630,000
Long-term debt, excluding current installments	$ 1,135,000	$ 1,800,000
Capital lease obligations, imputed interest rate of 0.00%, collateralized by leased equipment with an amortized cost of $10,972 at June 30, 2011	$ 4,649	$ 11,622
Less current portion of capital lease obligations	4,649	6,973
Capital lease obligations, excluding current portion	$ -	$ 4,649

The City of McPherson, Kansas, issued its Hospital Facility Revenue Bonds, Series 2002 (the 2002 bonds), in the amount of $3,760,000, on behalf of the Hospital pursuant to a bond trust indenture dated March 15, 2002. The proceeds of the 2002 bonds were used, together with other available funds of the Hospital and the Foundation, for the purpose of providing funds to (1) construct and equip modifications and improvements to the existing emergency room facilities and make improvements to the HVAC system of the Hospital, (2) to fund a debt service reserve for the 2002 bonds, and (3) to pay the costs of issuance of the 2002 bonds.

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

The City of McPherson, Kansas, issued its Hospital Facility Revenue Refunding Bonds, Series 2003 (the 2003 Bonds), in the amount of $2,315,000, on behalf of the Hospital pursuant to a bond trust indenture dated October 15, 2003. The proceeds of the 2003 bonds were used, together with other available funds of the Hospital, for the purpose of providing funds to (1) retire the $2,270,000 of 1998 bonds outstanding at December 1, 2003, (2) fund a debt service reserve fund for the 2003 bonds, and (3) pay certain costs related to the issuance of the 2003 bonds.

The bond trust indenture and the related lease agreements require the Hospital to maintain certain deposits with a trustee. Such deposits were maintained and are included with assets limited as to use in the financial statements.

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	$ 665,000	$ 4,649
2013	695,000	
2014	440,000	
	$ 1,800,000	$ 4,649

Total interest costs are summarized as follows:

	2011	2010
Total interest incurred	$ 97,926	$ 126,243
Amortization of deferred financing costs	9,259	11,967
Interest expense	$ 107,185	$ 138,210

NOTE G - OPERATING LEASES

The Hospital leases equipment under various operating leases. Scheduled minimum rental payments for all noncancellable operating leases with remaining terms of one year or more for the next five years are as follows:

2012	$ 86,628
2013	86,628
2014	43,314
Total minimum future rental payments	$ 216,570

NOTE G - OPERATING LEASES - Continued

Rental expense for all operating leases consisted of the following:

	2011	2010
Minimum rentals due under leases expiring in more than one year	$ 86,628	$ 86,628
Other rents	24,540	44,104
	$ 111,168	$ 130,732

NOTE H - PENSION PLAN

The Hospital 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 $316,451 and $305,963, respectively.

NOTE I - COMMITMENTS AND CONTINGENCIES

During 2004, the Hospital leased land to a physician practice under a 99-year ground lease. Annual rent began at $5,705 and increases each year based on the inflation rate for the previous year. The physician practice has built a medical office building on the land subject to the lease. The lease agreement will terminate prior to the end of its scheduled term in the event the Hospital purchases the medical office building.

The physician practice financed construction of the medical office building with proceeds of industrial revenue bonds issued by the City of McPherson (the City). The City also granted a 10-year exemption from ad valorem taxes on the building in connection with that financing. The Hospital and the physician practice have entered into an agreement requiring the Hospital to purchase the medical office building from the physician practice upon expiration of the ad valorem tax exemption. Execution of this agreement was a condition for issuance of the bonds used to finance the building. The purchase price will be the fair market value of the building at the time of purchase, subject to certain adjustments as specified in the agreement, but not less than the principal amount of the bonds outstanding at the time of purchase. It is presently estimated that the purchase price will be approximately $1,153,000.

At June 30, 2011, the carrying amount of bank deposits and certificates of deposit was $6,834,520 and the bank balances were $7,755,872. Of the bank balances, $6,558,951 was covered by federal depository insurance, $1,070,640 was insured by a bank deposit guaranty bond, and $126,281 was uninsured.

NOTE I - COMMITMENTS AND CONTINGENCIES - Continued

Bank deposits are included in the financial statements under the following categories:

	Bank deposits
Cash and cash equivalents	$ 6,568,845
Assets limited as to use	
Under donor-imposed restrictions	265,675
	$ 6,834,520

NOTE J - FUNCTIONAL EXPENSES

The Hospital provides general health care services to residents of its service area. Expenses related to providing these services are as follows:

	2011	2010
Health care services	$ 21,668,198	$ 22,514,626
General and administrative	3,052,518	2,761,693
	$ 24,720,716	$ 25,276,319

NOTE K - CONCENTRATION OF CREDIT RISK

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

	2011	2010
Medicare	29.1%	27.7%
Medicaid	7.4	6.3
Blue Cross	13.7	12.5
Other insurers	16.1	17.7
Patients	33.7	35.8
	100.0%	100.0%

NOTE L - MEDICAL MALPRACTICE INSURANCE

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

NOTE M - RELATED PARTY TRANSACTIONS

Management fees paid to Via Christi during the fiscal year ended June 30, 2011, totaled $330,450. The Hospital also reimburses Via Christi for salaries, benefits, and expenses of the chief executive and chief financial officers (see Note A1).