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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)	OMB No 1545-0047 <div> <div>2010</div> <div>Open to Public Inspection</div> </div>
	▶ The organization may have to use a copy of this return to satisfy state reporting requirements	

A For the 2010 calendar year, or tax year beginning 10-01-2010 and ending 09-30-2011									
B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending		C Name of organization VERNON MEMORIAL HEALTHCARE INC						D Employer identification number 39-0806404	
		Doing Business As						E Telephone number (608) 637-2101	
		Number and street (or P O box if mail is not delivered to street address) 507 SOUTH MAIN STREET				Room/suite		G Gross receipts \$ 70,442,120	
		City or town, state or country, and ZIP + 4 VIROQUA WI, WI 54665							
		F Name and address of principal officer MARY KOENIG 507 SOUTH MAIN STREET VIROQUA WI, WI 54665						H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶	
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (Insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527									
J Website: ▶ WWW.VMH.ORG									
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶						L Year of formation 1946		M State of legal domicile WI	

Part I		Summary	
Activities & Governance	1 Briefly describe the organization's mission or most significant activities VERNON MEMORIAL HEALTHCARE HAS BEEN COMMITTED TO PROVIDING THE HIGHEST QUALITY CARE AND TREATMENT TO THE INJURED, AFFLICTED AND WELL PEOPLE WHO NEED THE RESOURCES WE HAVE AT OUR COMMAND, WITHOUT REGARD TO RACE, CREED, COLOR, SEX, HANDICAP, NATIONAL ORIGIN, OR ABILITY TO PAY IT IS OUR INTENTION TO INSURE THAT IN EACH AND EVERY CASE OUR PATIENTS SHALL BE TREATED WITH COMPASSION, UNDERSTANDING AND DIGNITY FURTHER, THE RIGHTS AND PRIVILEGES OF THE PEOPLE WE SERVE SHALL ALWAYS BE HELD IN THE HIGHEST REGARD, AND THEIR WELL-BEING MUST ALWAYS HAVE FIRST CONSIDERATION VERNON MEMORIAL HEALTHCARE IS COMMITTED TO PROVIDING MODERN FACILITIES AND EQUIPMENT CONSISTENT WITH NEW AND CONTEMPORARY MEDICAL TECHNOLOGY WE WILL FOSTER, STIMULATE, ENCOURAGE AND PROMOTE CONTINUING HEALTHCARE EDUCATION FOR EMPLOYEES AND THE COMMUNITY WE SERVE ALL THIS, WE MOST SOLEMNLY AND SINCERELY PLEDGE TO THE PEOPLE WHO NEED US, RECOGNIZING FULLY, THAT SERVICE TO HUMANITY IS THE GREATEST SERVICE OF ALL		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	11
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	11
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	564
6 Total number of volunteers (estimate if necessary)	6	155	
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	5,599,156	
b Net unrelated business taxable income from Form 990-T, line 34	7b	-207,452	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	96,235	620,264
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	64,672,978	66,426,192
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	556,618	619,418
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	236,480	239,971
		65,562,311	67,905,845
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	157,238	257,963
	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)	31,403,220	31,893,997
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	29,178,727	28,899,693
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	60,739,185	61,051,653
	19 Revenue less expenses Subtract line 18 from line 12	4,823,126	6,854,192
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	72,396,251	78,875,894
	21 Total liabilities (Part X, line 26)	31,548,662	32,113,444
	22 Net assets or fund balances Subtract line 21 from line 20	40,847,589	46,762,450

Part II	Signature Block
<p>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.</p>	

Sign Here	***** Signature of officer			2012-06-19 Date	
	MARY KOENIG CFO Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name HOLLY POKRANDT CPA		Preparer's signature HOLLY POKRANDT CPA		Date 2012-06-19
	Check if self-employed <input type="checkbox"/>				PTIN
	Firm's name <input type="checkbox"/> WIPFLI LLP				Firm's EIN <input type="checkbox"/>
	Firm's address <input type="checkbox"/> 3703 OAKWOOD HILLS PARKWAY EAU CLAIRE, WI 54701				Phone no <input type="checkbox"/> (715) 832-3407

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 ☐ Yes ☒ No

1 Briefly describe the organization's mission

VERNON MEMORIAL HEALTHCARE, INC WILL STRIVE TO HAVE THE VISION TO CONTINUALLY PROVIDE THE HIGHEST STANDARD OF CARE TO OUR PATIENTS AND THEIR FAMILIES WHILE BEING 'CLOSE TO HOME ' OUR MISSION IS TO PROVIDE COST-EFFECTIVE, ACCESSIBLE CARE AND SERVICE USING PROFESSIONALLY EDUCATED STAFF AND SUPERIOR TECHNOLOGY TO MEET THE HEALTH CARE NEEDS OF OUR COMMUNITY OUR CARING AND COMMITMENT TO THE COMMUNITY WILL BE DEMONSTRATED BY OUR EMPHASIS ON HEALTH PROMOTION AND DISEASE PREVENTION THROUGH EDUCATION

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 \$ 41,554,993 including grants of \$ 257,963) (Revenue \$ 49,333,828)
WHILE THERE IS A GROWING AGREEMENT IN THE UNITED STATES ABOUT WHAT CONSTITUTES A NON-PROFIT HEALTHCARE ORGANIZATION'S COMMUNITY BENEFIT, THIS IS A WORK IN PROGRESS OUR ORGANIZATION PROVIDES SIGNIFICANT CHARITY CARE AND OTHER COMMUNITY BENEFITS AS DEFINED BY THE IRS BUT IN ADDITION, WE BELIEVE THAT WE PROVIDE A CRITICALLY IMPORTANT COMMUNITY BENEFIT WHICH CANNOT BE QUANTIFIED OUR ORGANIZATION WAS CREATED AND IS MAINTAINED IN ORDER TO PROVIDE CARE LOCALLY-CARE THAT WITHOUT THE PRESENCE OF OUR ORGANIZATION, WOULD NOT BE AVAILABLE TO THE PEOPLE IN OUR SERVICE AREA BEYOND MEDICAL, OBSTETRICAL, NEWBORN AND SURGICAL INPATIENT HOSPITALIZATIONS, WE PROVIDE LOCAL ACCESS TO MANY OTHER HEALTH SERVICES INCLUDING A BIRTHING CENTER, A DIALYSIS CENTER, DIAGNOSTIC SERVICES-LABORATORY, IMAGING AND CARDIAC TESTING, 24-HOUR EMERGENCY SERVICES, URGENT CARE SERVICES, INFUSION SERVICES, GASTROINTESTINAL SERVICES, HOME HEALTH CARE, HOSPICE, INPATIENT AND OUTPATIENT CARE, REHABILITATION SERVICES-PHYSICAL, OCCUPATIONAL, RESPIRATORY AND SPEECH THERAPY, SPECIALTY MEDICINE, AND PRIMARY CARE CLINICS IN 2011, HOSPITAL INPATIENT SERVICES INCLUDED 3,815 ACUTE CARE PATIENT DAYS, 50 SWING BED PATIENT DAYS, AND 291 NEWBORN PATIENT DAYS THERE WERE 1,487 SURGERY CASES, 6,414 EMERGENCY ROOM VISITS, AND 1,137 VISITS TO THE AFTER HOURS CLINIC	



















4b	(Code) (Expenses \$ 11,511,571 including grants of \$) (Revenue \$ 10,770,548)
A TOTAL OF 44,973 CLINIC VISITS OCCURRED IN FYE 2011 AT THE FOUR CLINICS LOCATED IN VIROQUA, LAFARGE, SOLDIERS GROVE, AND WESTBY	

4c	(Code) (Expenses \$ 1,312,387 including grants of \$) (Revenue \$ 722,660)
DURING FYE 2011, 2,108 HOME HEALTH VISITS WERE MADE TO 117 INDIVIDUALS HOSPICE CARE WAS PROVIDED TO 78 INDIVIDUALS FOR A TOTAL OF 2,819 DAYS	

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

4e	Total program service expenses \$ 54,378,951
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Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35		No
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>			
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	38
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	564
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

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

Section B. Policies

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

		Yes	No
10a	Does the organization have local chapters, branches, or affiliates?		No
10b	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?		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	Yes	
11b	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	Yes	
12b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?		No
12c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done		No
13	Does the organization have a written whistleblower policy?	Yes	
14	Does the organization have a written document retention and destruction policy?	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	The organization's CEO, Executive Director, or top management official	Yes	
15b	Other officers or key employees of the organization	Yes	
15c	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?		No
16b	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?		

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	WI
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request	
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization.	MARY KOENIG 507 SOUTH MAIN STREET VIROQUA WI, WI 54665 (608) 637-2101

Part VII

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) PHYLLIS MALIN MEMBER	1 00	X						0	0	0
(2) TIM GASKELL MEMBER	1 00	X						0	0	0
(3) ENID NEUBAUER MEMBER	1 00	X						0	0	0
(4) JAMES LARSON TREASURER	1 00	X		X				0	0	0
(5) CHET LEE SECRETARY	1 00	X		X				0	0	0
(6) RON MOILIEN VICE CHAIR	1 50	X		X				0	0	0
(7) JERRY MORAN MEMBER	1 00	X						0	0	0
(8) JUDY SCHMIRLER MEMBER	1 00	X						0	0	0
(9) BRAD STEINMETZ CHAIRMAN	2 00	X		X				0	0	0
(10) ROGER JOHNSON MEMBER	1 00	X						0	0	0
(11) ROBERT KNADLE MEMBER	1 00	X						0	0	0
(12) GARITH STEINER CEO	40 00			X				277,740	0	292,779
(13) MARY KOENIG CFO	40 00			X				184,257	0	66,969
(14) KYLE BAKKUM COO	40 00				X			205,082	0	39,119
(15) DR JEFFREY MENN PHYSICIAN	40 00					X		485,195	0	27,790
(16) DR ANTHONY MACASAET PHYSICIAN	40 00					X		226,646	0	15,898

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			
(17) DR DUANE KOONS PHYSICIAN	40 00					X		267,168	0	33,402
(18) DR DEBORAH PRIOR PHYSICIAN	40 00					X		243,610	0	31,784
(19) BRIAN MILLER CRNA	40 00					X		317,363	0	28,596
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								2,207,061	0	536,337

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▶34

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

Section B. Independent Contractors

1	Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization		
(A) Name and business address		(B) Description of services	(C) Compensation
GUNDERSEN LUTHERAN 1900 SOUTH AVE LA CROSSE, WI 54601		LAB/RADIOLOGY	1,797,639
ARNOLD NOMANN E7332 SKYLINE DRIVE VIROQUA, WI 54655		ANESTHESIA SERVICES	407,208
GPS ANESTHESIA SERVICES N2685 POTATO RIDGE ROAD LA CROSSE, WI 54601		ANESTHESIA SERVICES	399,105
SHARED MEDICAL SERVICES PO BOX 330 COTTAGE GROVE, WI 53527		MRI	237,990
CLINICAL ULTRASOUND SERVICES PO BOX 7 POSTVILLE, WI 52162		ULTRASOUND	221,590
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 ▶5		

Part VIII

Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a			
	b	Membership dues	1b			
	c	Fundraising events	1c			
	d	Related organizations	1d			
	e	Government grants (contributions)	1e			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	620,264		
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f		620,264		
	Program Service Revenue	2a	Business Code			
		HOSPITAL	621990	49,231,587	49,231,587	
b		CLINIC	621110	10,770,548	10,770,548	
c		RETAIL PHARMACY	446110	5,527,548		5,527,548
d		HOME HEALTH & HOSPICE	621610	722,660	722,660	
e		MEALS AND DIETARY	722210	173,849	102,241	71,608
f		All other program service revenue				
g		Total. Add lines 2a–2f		66,426,192		
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		495,204		495,204
	4	Income from investment of tax-exempt bond proceeds . . .				
	5	Royalties				
	6a	Gross Rents	(i) Real 239,971	(ii) Personal		
	b	Less rental expenses				
	c	Rental income or (loss)	239,971			
	d	Net rental income or (loss)		239,971		239,971
	7a	Gross amount from sales of assets other than inventory	(i) Securities 2,602,039	(ii) Other 58,450		
	b	Less cost or other basis and sales expenses	2,509,581	26,694		
	c	Gain or (loss)	92,458	31,756		
	d	Net gain or (loss)		124,214		124,214
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a			
	b	Less direct expenses	b			
	c	Net income or (loss) from fundraising events . . .				
	9a	Gross income from gaming activities See Part IV, line 19 . . .	a			
	b	Less direct expenses	b			
	c	Net income or (loss) from gaming activities . . .				
10a	Gross sales of inventory, less returns and allowances	a				
b	Less cost of goods sold	b				
c	Net income or (loss) from sales of inventory . . .					
Miscellaneous Revenue		Business Code				
11a	_____					
b	_____					
c	_____					
d	All other revenue					
e	Total. Add lines 11a–11d					
12	Total revenue. See Instructions		67,905,845	60,827,036	5,599,156	859,389

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	257,963	257,963		
2	Grants and other assistance to individuals in the U S See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,310,986		1,310,986	
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	22,512,245	20,498,789	2,013,456	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	901,128	820,533	80,595	
9	Other employee benefits	5,627,632	5,124,306	503,326	
10	Payroll taxes	1,542,006	1,359,783	182,223	
a	Fees for services (non-employees)				
	Management				
b	Legal	84,814		84,814	
c	Accounting	68,460		68,460	
d	Lobbying				
e	Professional fundraising services See Part IV, line 17				
f	Investment management fees				
g	Other	4,749,448	3,960,249	789,199	
12	Advertising and promotion	73,589		73,589	
13	Office expenses	15,977,325	15,683,435	293,890	
14	Information technology	94,310		94,310	
15	Royalties				
16	Occupancy	2,510,265	2,510,265		
17	Travel	67,618	47,553	20,065	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest				
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	2,605,060	1,886,591	718,469	
23	Insurance	258,227		258,227	
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	BAD DEBT EXPENSE	1,972,276	1,972,276		
b	DUES AND SUBSCRIPTIONS	348,014	216,164	131,850	
c	MISCELLANEOUS	90,287	41,044	49,243	
d					
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	61,051,653	54,378,951	6,672,702	0
26	Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			1,605,297	1	1,646,574
	2	Savings and temporary cash investments			11,976,720	2	13,531,553
	3	Pledges and grants receivable, net				3	496,745
	4	Accounts receivable, net			6,681,155	4	6,166,143
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Schedule L				6	
	7	Notes and loans receivable, net				7	
	8	Inventories for sale or use			2,174,541	8	2,289,229
	9	Prepaid expenses and deferred charges			207,820	9	289,245
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a	58,669,974			
	b	Less: accumulated depreciation	10b	23,645,804	35,112,024	10c	35,024,170
	11	Investments—publicly traded securities			9,726,866	11	15,811,265
	12	Investments—other securities. See Part IV, line 11			12,180	12	12,180
	13	Investments—program-related. See Part IV, line 11			2,218,284	13	2,115,883
	14	Intangible assets			649,257	14	616,452
	15	Other assets. See Part IV, line 11			2,032,107	15	876,455
16	Total assets. Add lines 1 through 15 (must equal line 34)			72,396,251	16	78,875,894	
Liabilities	17	Accounts payable and accrued expenses			5,097,957	17	7,088,121
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities			24,315,848	20	23,611,292
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties				23	
	24	Unsecured notes and loans payable to unrelated third parties			12,830	24	90,728
	25	Other liabilities. Complete Part X of Schedule D			2,122,027	25	1,323,303
	26	Total liabilities. Add lines 17 through 25			31,548,662	26	32,113,444
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			40,730,886	27	46,169,672
	28	Temporarily restricted net assets			116,703	28	592,778
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			40,847,589	33	46,762,450
34	Total liabilities and net assets/fund balances			72,396,251	34	78,875,894	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	67,905,845
2	Total expenses (must equal Part IX, column (A), line 25)	2	61,051,653
3	Revenue less expenses Subtract line 2 from line 1	3	6,854,192
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	40,847,589
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-939,331
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	46,762,450

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
VERNON MEMORIAL HEALTHCARE INC

Employer identification number
39-0806404

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?

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

a family member of a person described in (i) above?

(iii)

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

h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

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

Part II

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

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	
13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage						
14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f))					14	
15 Public Support Percentage for 2009 Schedule A, Part II, line 14					15	
16a 33 1/3% support test—2010. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶						
b 33 1/3% support test—2009. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶						
17a 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶						
b 10%-facts-and-circumstances test—2009. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶						
18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶						




Part IIIPart 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 		

Part IV

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

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ **Complete if the organization is described below.**
▶ **Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization VERNON MEMORIAL HEALTHCARE INC	Employer identification number 39-0806404
--	--

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

1	Provide a description of the organization’s direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$ _____
3	Volunteer hours	_____

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

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

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

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

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

Part II-A

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

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

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

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		4,518
j	Total lines 1c through 1i			4,518
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
EXPLANATION OF OTHER LOBBYING ACTIVITIES	PART II-B, LINE 1I	VERNON MEMORIAL HEALTHCARE, INC. PAYS ANNUAL ASSOCIATION MEMBERSHIPS TO THE WISCONSIN HOSPITAL ASSOCIATION AND RURAL WISCONSIN HEALTH COOPERATIVE. THESE DUES ARE PRIMARILY FOR ACCESS TO EDUCATIONAL MATERIALS AND STAFF TRAINING AND DEVELOPMENT. A SMALL PORTION OF THE ANNUAL DUES WERE USED IN CONJUNCTION WITH LOBBYING ACTIVITIES WITH THE GOAL OF IMPROVING THE OVERALL HEALTHCARE ENVIRONMENT.

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
VERNON MEMORIAL HEALTHCARE INC

Employer identification number

39-0806404

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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

Part II

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

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes☐ No

6

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

7

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

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

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

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

2

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

a

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

b

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

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

3

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

a

☐ Public exhibition

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
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a	Beginning of year balance				
b	Contributions				
c	Investment earnings or losses				
d	Grants or scholarships				
e	Other expenditures for facilities and programs				
f	Administrative expenses				
g	End of year balance				

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations

3a(i)

☐ Yes

☐ No

(ii)

related organizations

3a(ii)

☐ Yes

☐ No

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

3b

☐ Yes

☐ No

4

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

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

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,188,135		1,188,135
b Buildings		43,709,846	14,492,130	29,217,716
c Leasehold improvements				
d Equipment		12,846,700	9,153,674	3,693,026
e Other		925,293		925,293
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				35,024,170

Part XIReconciliation of Change in Net Assets from Form 990 to Financial Statements			
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	67,905,845
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	61,051,653
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	6,854,192
4	Net unrealized gains (losses) on investments	4	-1,082,351
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	143,020
9	Total adjustments (net) Add lines 4 - 8	9	-939,331
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	5,914,861

Part XIIReconciliation of Revenue per Audited Financial Statements With Revenue per Return			
1	Total revenue, gains, and other support per audited financial statements	1	66,539,559
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	-1,082,351
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	-1,082,351
3	Subtract line 2e from line 1	3	67,621,910
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	283,935
c	Add lines 4a and 4b	4c	283,935
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	67,905,845

Part XIIIReconciliation of Expenses per Audited Financial Statements With Expenses per Return			
1	Total expenses and losses per audited financial statements	1	60,767,718
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	60,767,718
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	283,935
c	Add lines 4a and 4b	4c	283,935
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	61,051,653

Part XIVSupplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	INCOME TAXES THE ORGANIZATION IS A NONPROFIT CORPORATION AS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE AND IS EXEMPT FROM FEDERAL TAXES ON RELATED INCOME PURSUANT TO SECTION 501(A) OF THE CODE THE ORGANIZATION IS ALSO EXEMPT FROM STATE INCOME TAXES, PURSUANT TO SIMILAR STATE OF WISCONSIN TAX LAWS IN ORDER TO ACCOUNT FOR ANY UNCERTAIN TAX POSITIONS, THE ORGANIZATION DETERMINES WHETHER IT IS MORE LIKELY THAN NOT THAT A TAX POSITION WILL BE SUSTAINED UPON EXAMINATION OF THE TECHNICAL MERITS OF THE POSITION, ASSUMING THE TAXING AUTHORITY HAS FULL KNOWLEDGE OF ALL INFORMATION IF THE TAX POSITION DOES NOT MEET THE MORE LIKELY THAN NOT RECOGNITION THRESHOLD, THE BENEFIT OF THAT POSITION IS NOT RECOGNIZED IN THE FINANCIAL STATEMENTS THE ORGANIZATION IS ALSO ENGAGED, TO A LIMITED EXTENT, IN ACTIVITIES WHICH THE INTERNAL REVENUE SERVICE CONSIDERS UNRELATED TO THE ORGANIZATION'S EXEMPT PURPOSE AND, THEREFORE, TAXABLE THESE ACTIVITIES, HOWEVER, ANNUALLY RESULT IN NET OPERATING LOSSES FOR INCOME TAX PURPOSES THE ORGANIZATION DOES NOT PRESENTLY ANTICIPATE THAT A TAX BENEFIT FROM THESE NET OPERATING LOSSES WILL BE REALIZED IN THE FUTURE ACCORDINGLY, ANY POTENTIAL DEFERRED TAX ASSET RESULTING FROM THE AVAILABILITY OF NET OPERATING LOSS CARRYFORWARDS IS OFFSET BY A VALUATION ALLOWANCE OF EQUAL AMOUNT NO DEFERRED TAX ASSETS AND LIABILITIES HAVE BEEN RECOGNIZED SINCE NO OTHER DIFFERENCES EXIST BETWEEN THE FINANCIAL AND TAX BASES OF REPORTING THE ORGANIZATION'S ASSETS AND LIABILITIES THE ORGANIZATION'S POLICY IS TO RECOGNIZE INTEREST AND PENALTIES RELATED TO INCOME TAX MATTERS IN INCOME TAX EXPENSE WHEN INCURRED AS OF SEPTEMBER 31, 2011 AND 2010, THERE WERE NO MATERIAL TAX PENALTIES, OR INTEREST RELATED TO TAX PENALTIES, RECORDED BY THE ORGANIZATION IN THE FINANCIAL STATEMENTS THE ORGANIZATION RECORDED NO ASSETS OR LIABILITIES FOR UNCERTAIN TAX POSITIONS OR UNRECOGNIZED TAX BENEFITS IN 2011 OR 2010 FEDERAL RETURNS FOR THE YEARS ENDED SEPTEMBER 30, 2008, AND BEYOND REMAIN SUBJECT TO EXAMINATION BY THE INTERNAL REVENUE SERVICE
PART XI, LINE 8 - OTHER ADJUSTMENTS		NET ASSETS RELEASED FROM RESTRICTION FOR OPERATIONS -25,541 POSTRETIREMENT BENEFIT OBLIGATION ADJUSTMENT 168,561
PART XII, LINE 4B - OTHER ADJUSTMENTS		EXPENSES NETTED AGAINST REVENUE ON THE AUDITED FINANCIALS 283,935
PART XIII, LINE 4B - OTHER ADJUSTMENTS		EXPENSES NETTED AGAINST REVENUE ON THE AUDITED FINANCIALS 283,935

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
VERNON MEMORIAL HEALTHCARE INC

Employer identification number
39-0806404

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	Yes	
b	If "Yes," is it a written policy?	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>		
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%</div> <div><input type="checkbox"/> 150%</div> <div><input type="checkbox"/> 200%</div> <div><input checked="" type="checkbox"/> Other <u>300.000000000000 %</u></div>	Yes	
b	Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input type="checkbox"/> 200%</div> <div><input type="checkbox"/> 250%</div> <div><input checked="" type="checkbox"/> 300%</div> <div><input type="checkbox"/> 350%</div> <div><input type="checkbox"/> 400%</div> <div><input type="checkbox"/> Other _____%</div>	Yes	
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care		
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		
6a	Does the organization prepare a community benefit report during the tax year?	Yes	
6b	If "Yes," did the organization make it available to the public?	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H		

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			647,342		647,342	1 100 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			7,162,737	4,535,245	2,627,492	4 450 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			7,810,079	4,535,245	3,274,834	5 550 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			160,843	11,840	149,003	0 250 %
f Health professions education (from Worksheet 5)			180,530		180,530	0 310 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			468,986	600	468,386	0 790 %
j Total Other Benefits			810,359	12,440	797,919	1 350 %
k Total. Add lines 7d and 7j			8,620,438	4,547,685	4,072,753	6 900 %

Part II

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development		1,168		1,168	0 %
3	Community support					
4	Environmental improvements		706	565	141	0 %
5	Leadership development and training for community members					
6	Coalition building		4,441		4,441	0 010 %
7	Community health improvement advocacy					
8	Workforce development					
9	Other					
10	Total		6,315	565	5,750	0 010 %

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 Heathcare Financial Management Association Statement No. 15?	1	No
2	Enter the amount of the organization's bad debt expense (at cost)	2	1,116,858
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	893,486
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	9,587,194
6	Enter Medicare allowable costs of care relating to payments on line 5	6	9,793,217
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-206,023
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used. <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes
9b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b	No

Part IV

Management Companies and Joint Ventures

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

Section A. Hospital Facilities

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

Schedule H (Form 990) 2010

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? 8

Name and address		Type of Facility (Describe)
1	HIRSCH CLINIC 407 S MAIN ST SUITE 400 VIROQUA, WI 54665	PROVIDER BASED RURAL HEALTH CLINIC
2	HIRSCH CLINIC 407 S MAIN ST SUITE 400 VIROQUA, WI 54665	PROVIDER BASED RURAL HEALTH CLINIC
3	HIRSCH CLINIC 407 S MAIN ST SUITE 400 VIROQUA, WI 54665	PROVIDER BASED RURAL HEALTH CLINIC
4	HIRSCH CLINIC 407 S MAIN ST SUITE 400 VIROQUA, WI 54665	PROVIDER BASED RURAL HEALTH CLINIC
5	HIRSCH CLINIC 407 S MAIN ST SUITE 400 VIROQUA, WI 54665	PROVIDER BASED RURAL HEALTH CLINIC
6	HIRSCH CLINIC 407 S MAIN ST SUITE 400 VIROQUA, WI 54665	PROVIDER BASED RURAL HEALTH CLINIC
7	HIRSCH CLINIC 407 S MAIN ST SUITE 400 VIROQUA, WI 54665	PROVIDER BASED RURAL HEALTH CLINIC
8	HIRSCH CLINIC 407 S MAIN ST SUITE 400 VIROQUA, WI 54665	PROVIDER BASED RURAL HEALTH CLINIC
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
		PART I, LINE 7, 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 \$ 1972276

Identifier	ReturnReference	Explanation
		<p>PART I, LINE 7 THE COSTING METHOD USED ON FORM 990 IS BASED ON A COST-TO-CHARGE RATIO WHICH IS DEVELOPED BASED ON THE HOSPITAL'S TOTAL OPERATING EXPENSES LESS THE PROVISION FOR BAD DEBTS DIVIDED BY GROSS PATIENT SERVICE REVENUES THIS COST-TO-CHARGE RATIO IS APPLIED AGAINST VARIOUS REVENUE AND EXPENSE CATEGORIES TO COMPUTE THE ESTIMATED COMMUNITY BENEFIT EXPENSE UNDER IRS COSTING METHODS FOR THE FORM 990 THE COST OF COMMUNITY HEALTH IMPROVEMENT AND HEALTH PROFESSIONALS EDUCATION REFLECT THE DIRECT AND INDIRECT COSTS AS DETERMINED BY THE HOSPITAL PART II, WHILE THERE IS A GROWING AGREEMENT IN THE UNITED STATES ABOUT WHAT CONSTITUTES A NON-PROFIT HOSPITAL'S COMMUNITY BENEFIT, THIS IS A WORK IN PROGRESS OUR HOSPITAL PROVIDES CHARITY CARE AND OTHER COMMUNITY BENEFITS AS DEFINED BY THE IRS BUT IN ADDITION, WE BELIEVE THAT WE PROVIDE A CRITICALLY IMPORTANT COMMUNITY BENEFIT WHICH IS NOT QUANTIFIED OUR HOSPITAL, LIKE MOST RURAL HOSPITALS, WAS CREATED AND IS MAINTAINED IN ORDER TO PROVIDE LOCAL ACCESS TO MANY HEALTH SERVICES BIRTHING CENTER, DIAGNOSTICS, EMERGENCY SERVICES AND URGENT CARE, HOME CARE, HOSPICE, INFUSION SERVICES, INPATIENT CARE, LABORATORY SERVICES, OCCUPATIONAL HEALTH, REHABILITATION SERVICES, SPECIALTY MEDICINE, SPEECH AND AUDIOLOGY, SURGICAL SERVICES, AND WOMENS HEALTH PART III, LINE 4 ACCOUNTS RECEIVABLE AND CREDIT POLICY</p> <p>THE COSTING METHOD USED IS BASED ON A COST-TO-CHARGE RATIO WHICH WAS DEVELOPED BASED ON THE HOSPITAL'S TOTAL OPERATING EXPENSES LESS THE PROVISION FOR BAD DEBTS DIVIDED BY GROSS PATIENT SERVICE REVENUE THE COST OF BAD DEBT AMOUNTS IS CONSIDERED A COMMUNITY BENEFIT BECAUSE IT REFLECTS THE COST OF SERVICES PROVIDED TO UNINSURED COMMUNITY MEMBERS AND DEDUCTIBLES OR COINSURANCE AMOUNTS FOR UNINSURED PATIENTS WHO ARE UNABLE TO PAY FOR A PORTION OF SERVICES ACCOUNTS RECEIVABLE ARE UNCOLLATERALIZED PATIENT OBLIGATIONS THAT ARE STATED AT THE AMOUNT MANAGEMENT EXPECTS TO COLLECT FROM OUTSTANDING BALANCES THESE OBLIGATIONS ARE PRIMARILY FROM LOCAL RESIDENTS, MOST OF WHOM ARE INSURED UNDER THIRD-PARTY PAYER AGREEMENTS THE ORGANIZATION BILLS THIRD-PARTY PAYERS ON EACH PATIENT'S BEHALF, OR IF A PATIENT IS UNINSURED, THE PATIENT IS BILLED DIRECTLY ONCE CLAIMS ARE SETTLED WITH THE PRIMARY PAYER, ANY SECONDARY INSURANCE IS BILLED, AND PATIENTS ARE BILLED FOR CO-PAY AND DEDUCTIBLE AMOUNTS THAT ARE THE PATIENTS' RESPONSIBILITY PAYMENTS ON ACCOUNTS RECEIVABLE ARE APPLIED TO THE SPECIFIC CLAIM IDENTIFIED ON THE REMITTANCE ADVICE OR STATEMENT THE ORGANIZATION DOES NOT HAVE A POLICY TO CHARGE INTEREST ON PAST DUE ACCOUNTS THE CARRYING AMOUNTS OF ACCOUNTS RECEIVABLE ARE REDUCED BY ALLOWANCES THAT REFLECT MANAGEMENT'S BEST ESTIMATE OF THE AMOUNTS THAT WILL NOT BE COLLECTED MANAGEMENT PROVIDES FOR CONTRACTUAL ADJUSTMENTS UNDER TERMS OF THIRD-PARTY REIMBURSEMENT AGREEMENTS THROUGH CHARGE TO GROSS PATIENT SERVICE REVENUE AND A CREDIT TO THE ACCOUNTS RECEIVABLE IN ADDITION, MANAGEMENT PROVIDES FOR PROBABLE UNCOLLECTIBLE AMOUNTS, PRIMARILY UNINSURED PATIENTS AND AMOUNTS PATIENTS ARE PERSONALLY RESPONSIBLE FOR, THROUGH A CHARGE TO OPERATIONS AND A CREDIT TO A VALUATION ALLOWANCE BASED ON ITS ASSESSMENT OF HISTORICAL COLLECTION LIKELIHOOD AND THE CURRENT STATUS OF INDIVIDUAL ACCOUNTS BALANCES THAT ARE STILL OUTSTANDING AFTER MANAGEMENT HAS USED REASONABLE COLLECTION EFFORTS ARE WRITTEN OFF THROUGH A CHARGE TO THE VALUATION ALLOWANCE AND A CREDIT TO ACCOUNTS RECEIVABLE ACCOUNTS RECEIVABLE ARE RECORDED IN THE ACCOMPANYING BALANCE SHEETS NET OF CONTRACTUAL ADJUSTMENTS AND ALLOWANCE FOR DOUBTFUL ACCOUNTS THE AUDITED FINANCIAL STATEMENTS DO NOT INCLUDE A SEPARATE FOOTNOTE REGARDING BAD DEBT EXPENSE PART III, LINE 8 THE SHORTFALL SHOULD BE TREATED AS A COMMUNITY BENEFIT EXPENSE BECAUSE THE HOSPITAL PROFESSIONALS OFFER CLASSES TO THE COMMUNITY AIMED AT MAINTAINING AND IMPROVING THE GENERAL HEALTH OF THE POPULATION ALSO A SIGNIFICANT PORTION OF THE PEOPLE RECEIVING SERVICES FROM THE HOSPITAL ARE COVERED BY EITHER MEDICARE OR MEDICAL ASSISTANCE PROGRAMS AND ARE RESIDENTS OF THE LOCAL COMMUNITY THE COST TO CHARGE RATIO WAS CALCULATED USING THE MEDICARE COST REPORT PART III, LINE 9B PATIENTS RECEIVE OUR COMMUNITY CARE APPLICATION WHEN THEY PRESENT FOR SERVICES THEY ARE ENCOURAGED TO REVIEW THE APPLICATION AND SUBMIT THE REQUIRED INFORMATION TO APPLY FOR POTENTIAL COVERAGE IF THEY HAVE QUESTIONS OR NEED HELP WITH THE APPLICATION THEY MAY MEET WITH OUR PATIENT ACCOUNTS STAFF ONCE A PATIENT APPLIES AND IS APPROVED FOR COMMUNITY CARE, THE APPLICATION IS CONSIDERED CURRENT AND VALID FOR THE FOLLOWING 12-MONTH PERIOD PART VI, LINE 2 VERNON MEMORIAL HEALTHCARE'S COMMUNITY HEALTH EDUCATION STAFF ACTIVELY WORKS WITH A VARIETY OF BUSINESSES IN THE SERVICE AREA TO EDUCATE EMPLOYEES AND ASSESS NEEDS FOR PROGRAMS AND SERVICES THAT WE COULD ASSIST WITH VMH STAFF FROM MANY DEPARTMENTS SPEAK TO COMMUNITY GROUPS ON A VARIETY OF HEALTH-RELATED TOPICS NEEDS ARE INFORMALLY ASSESSED AT THESE AND OTHER EVENTS SP</p>

Identifier	ReturnReference	Explanation
		<p>ONSORED BY VMH IN 2011 VMH CONTRACTED WITH THE UNITED WAY TO PARTICIPATE IN A FORMAL COMMUNITY NEEDS ASSESSMENT PROJECT THAT WAS COMPLETED IN EARLY 2012 STARTING IN 2012, VMH WILL BE DEVELOPING AN ACTION PLAN TO ADDRESS THE NEEDS ADDRESSED IN THE COMMUNITY NEEDS ASSESSMENT PROJECT PART VI, LINE 3 SIGNS ARE POSTED AT ALL REGISTRATION LOCATIONS INFORMING PATIENTS OF OUR COMMUNITY CARE PROGRAM IF PATIENTS INQUIRE ABOUT THE PROGRAM, THEY ARE ALSO PROVIDED WITH INFORMATION ABOUT GOVERNMENT PROGRAMS THAT THEY MAY QUALIFY FOR REGISTRATION STAFF ALSO INFORM PATIENTS WITH NO INSURANCE ABOUT COMMUNITY CARE OR OTHER PROGRAMS THAT THEY MAY QUALIFY FOR STAFF IN THE PATIENT ACCOUNTING DEPARTMENT ARE READILY AVAILABLE TO ASSIST PATIENTS IN COMPLETING THE APPLICATION FORM AND TO ANSWER QUESTIONS PART VI, LINE 4 VERNON MEMORIAL HEALTHCARE'S PRIMARY SERVICE AREA IS THE AREA WITHIN APPROXIMATELY A 25-MILE RADIUS OF VIROQUA, WI THIS IS PRIMARILY A RURAL AREA WITH SEVERAL SMALL COMMUNITIES THE LARGEST CITY IN THE SERVICE AREA IS VIROQUA, A TOWN OF APPROXIMATELY 4,500 THE NEAREST HOSPITALS ARE APPROXIMATELY 35 MILES AWAY IN LACROSSE, SPARTA, RICHLAND CENTER, AND BOSCOBEL VERNON MEMORIAL HEALTHCARE IS LOCATED IN VERNON COUNTY WISCONSIN IN 2009, THE AVERAGE HOUSEHOLD INCOME IN VERNON COUNTY WAS \$37,876, THE UNEMPLOYMENT RATE WAS 7.9%, AND 14% OF THE RESIDENTS LIVED BELOW THE POVERTY GUIDELINES PART VI, LINE 5 ALL MEMBERS OF THE ORGANIZATION'S GOVERNING BODY RESIDE IN THE SERVICE AREA AND SERVE ON A VOLUNTARY BASIS NONE OF THE MEMBERS ARE EMPLOYEES OR CONTRACTORS OF THE ORGANIZATION MEDICAL STAFF PRIVILEGES ARE EXTENDED TO ALL QUALIFIED PHYSICIANS WHO APPLY VERNON MEMORIAL HEALTHCARE IS A NON-PROFIT ORGANIZATION, SO ALL EARNINGS IN EXCESS OF COST ARE USED BY THE ORGANIZATION TO IMPROVE THE HEALTHCARE OF THE PEOPLE WE SERVE THROUGH THE PURCHASE OR UPGRADE OF FACILITIES AND EQUIPMENT, OR THE ADDITION OR EXPANSION OF NEEDED SERVICES</p>

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	WI

Name of the organization
VERNON MEMORIAL HEALTHCARE INC

Employer identification number
39-0806404

Part I

General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No
- 2

Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Part II can be duplicated if additional space is needed. ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) VIROQUA AREA SCHOOLS115 N EDUCATION AVE VIROQUA,WI 54665	39-6004944	GOV'T ORGANIZATION	70,740				GENERAL SUPPORT
(2) YOUTH INITIATIVE HIGH SCHOOL500 EAST JEFFERSON ST VIROQUA,WI 54665	39-1906073	501(C)(3)	10,000				GENERAL SUPPORT
(3) PLEASANT RIDGE WALDORF SCHOOL431 E COURT ST VIROQUA,WI 54665	39-1357578	501(C)(3)	10,000				GENERAL SUPPORT
(4) VIROQUA AREA FOUNDATIONPO BOX 262 VIROQUA,WI 54665	39-1603279	501(C)(3)	30,000				GENERAL SUPPORT
(5) NORSEMEN BOOSTER CLUBW2693 COUNTY ROAD N COON VALLEY,WI 54623	39-2041425	501(C)(3)	6,950				GENERAL SUPPORT
(6) WESTBY AREA SCHOOL DISTRICT206 WEST AVE SOUTH WESTBY,WI 54667	39-6005143	GOV'T ORGANIZATION	47,734				GENERAL SUPPORT
(7) FAMILY AND CHILDREN'S CENTER1707 MAIN STREET LA CROSSE,WI 54601	39-0821863	501(C)(3)	30,000				GENERAL SUPPORT
(8) VERNON ECONOMIC DEVELOPMENT ASSOCIATION INC100 N MAIN STREET WESTBY,WI 54667	37-1520081	501(C)(3)	5,000				GENERAL SUPPORT
(9) VIROQUA CHAMBER MAIN STREET220 SOUTH MAIN STREET VIROQUA,WI 54665	39-0920449	501(C)(3)	30,039				GENERAL SUPPORT
(10) WTC CASHIER'S OFFICE400 7TH STREET NORTH LA CROSSE,WI 54602	39-6002842	501(C)(3)	17,500				GENERAL SUPPORT

2

Enter total number of section 501(c)(3) and government organizations

10

3

Enter total number of other organizations

0

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Use Schedule I-1 (Form 990) if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance

Part IV

Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 ALL DONEES ARE REQUIRED TO SUBMIT THEIR DONATION REQUESTS TO THE CEO OR MARKETING MANAGER OF VERNON MEMORIAL HEALTHCARE, INC REQUESTS SUBMITTED TO THE MARKETING MANAGER ARE FORWARDED TO THE CEO FOR FINAL APPROVAL THE REQUESTS MUST INCLUDE A DETAILED DESCRIPTION OF WHAT THE FUNDS WILL BE USED FOR AND HOW THEY WILL BENEFIT THE COMMUNITY DONEES ARE ASKED TO PROVIDE CONFIRMATION OF RECEIPT AND AN EXPLANATION OF HOW THE FUNDS WERE USED, EITHER VERBALLY OR IN WRITING, TO THE CEO IF THE REQUESTS ARE DEEMED BENEFICIAL TO THE NEEDS OF THE COMMUNITY, THE FUNDS ARE AWARDED TO THE APPLYING ORGANIZATION

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
VERNON MEMORIAL HEALTHCARE INC

Employer identification number

39-0806404

Part I

Questions Regarding Compensation

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

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) GARITH STEINER	(i)	261,240	0	16,500	280,721	12,058	570,519	0
	(ii)	0	0	0	0	0	0	0
(2) MARY KOENIG	(i)	167,757	0	16,500	54,610	12,359	251,226	0
	(ii)	0	0	0	0	0	0	0
(3) KYLE BAKKUM	(i)	205,082	0	0	27,061	12,058	244,201	0
	(ii)	0	0	0	0	0	0	0
(4) DR JEFFREY MENN	(i)	468,695	0	16,500	13,937	13,853	512,985	0
	(ii)	0	0	0	0	0	0	0
(5) DR ANTHONY MACASAET	(i)	226,646	0	0	1,781	14,117	242,544	0
	(ii)	0	0	0	0	0	0	0
(6) DR DUANE KOONS	(i)	267,168	0	0	19,549	13,853	300,570	0
	(ii)	0	0	0	0	0	0	0
(7) DR DEBORAH PRIOR	(i)	227,110	0	16,500	17,931	13,853	275,394	0
	(ii)	0	0	0	0	0	0	0
(8) BRIAN MILLER	(i)	317,363	0	0	16,538	12,058	345,959	0
	(ii)	0	0	0	0	0	0	0
(9)								
(10)								
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

Part III

Supplemental Information

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

Identifier	Return Reference	Explanation
SUPPLEMENTAL INFORMATION	PART III	PART III. IN ADDITION TO THE COMPENSATION REPORTED IN PART II, THE ORGANIZATION ACCRUED ADDITIONAL PAID LEAVE TIME THAT IS RECOGNIZED AS UNFUNDED DEFERRED COMPENSATION FOR THREE INDIVIDUALS. THE UNFUNDED DEFERRED COMPENSATION EXPENSED IN FISCAL YEAR 2011 WAS AS FOLLOWS: GARITH STEINER \$261,863; MARY KOENIG \$42,557; KYLE BAKKUM \$12,415. THE ORGANIZATION HAS ALSO INSTITUTED A POLICY WHEREBY THESE EXECUTIVES (GARITH STEINER AND MARY KOENIG) ARE ABLE TO ACCRUE VACATION TIME THAT IS NOT LIMITED BY THE ORGANIZATION'S STANDARD POLICY.

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
VERNON MEMORIAL HEALTHCARE INC

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2010

Open to Public Inspection

Employer identification number
39-0806404

Part I Bond Issues

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY	39-1337855	97710VXQ6	05-19-2005	22,894,672	FINANCE CONSTRUCTION OF FACILITY EXPANSION		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds legally defeased								
3	Total proceeds of issue	22,894,672							
4	Gross proceeds in reserve funds	1,846,325							
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	457,893							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	20,590,454							
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2006							
		Yes	No	Yes	No	Yes	No	Yes	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		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X						
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X						

Part IIIPrivate Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X						
b	Are there any research agreements that may result in private business use of bond-financed property?		X						
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %							
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	0 %							
6	Total of lines 4 and 5	0 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IVArbitrage

		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 hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X						
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 VSupplemental Information

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

Identifier	Return Reference	Explanation

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

**Open to Public
Inspection**

Name of the organization VERNON MEMORIAL HEALTHCARE INC	Employer identification number 39-0806404
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Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6		ANY PERSON WHO IS EIGHTEEN YEARS OF AGE OR OLDER AND A BONA FIDE RESIDENT OF VERNON COUNTY , WISCONSIN, OR THE AREA WITHIN A RADIUS OF TWENTY -FIVE MILES OF THE CITY OF VIROQUA, WISCONSIN, AND WHO HAS THE HERETOFORE OR MAY HEREAFTER CONTRIBUTE TEN DOLLARS OR MORE TO THE CORPORATION SHALL BE A MEMBER THEREOF ALL MEMBERS OF THE CORPORATION SHALL BE VOTING MEMBERS EACH MEMBER SHALL HAVE ONE VOTE ON ANY MATTER SUBMITTED TO A VOTE OF THE MEMBERS OF THE CORPORATION

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A		THE DUTIES OF THE MEMBERS OF THE VERNON MEMORIAL HEALTHCARE, INC ("THE CORPORATION") SHALL BE THE ELECTION OF MEMBERS OF THE BOARD OF DIRECTORS OF THE CORPORATION, THE REMOVAL OF MEMBERS OF THE BOARD OF DIRECTORS OF THE CORPORATION, AND THE CHANGING OF THE NUMBER OF DIRECTORS CONSTITUTING THE BOARD OF DIRECTORS OF THE CORPORATION

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7B		THE DUTIES OF THE MEMBERS OF THE VERNON MEMORIAL HEALTHCARE, INC ("THE CORPORATION") SHALL ALSO INCLUDE THE AMENDMENT, RESTATEMENT, OR MODIFICATION OF THE ARTICLES OF INCORPORATION OR BYLAWS OF THE CORPORATION, AND THE APPROVAL OF THE SALE, LEASE, OR OTHER DISPOSITION OF ALL, OR SUBSTANTIALLY ALL OF THE ASSETS AND PROPERTY OF THE CORPORATION, THE DISSOLUTION OF THE CORPORATION, OR ITS MERGER WITH ANOTHER CORPORATION

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE FORM 990 WAS REVIEWED AND APPROVED BY A COMMITTEE OF THE BOARD OF DIRECTORS OF VERNON MEMORIAL HEALTHCARE, INC BEFORE SUBMISSION

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12	ALL BOARD MEMBERS OF VERNON MEMORIAL HEALTHCARE, INC ARE REQUIRED TO DISCLOSE ALL POSSIBLE CONFLICTS OF INTEREST WHEN FIRST ELECTED TO THE BOARD OF DIRECTORS DURING THEIR TERMS, IF ANY BUSINESS RELATIONSHIPS ARE ENTERED INTO WHICH MAY AFFECT THEIR INDEPENDENCE AS A MEMBER, THE MEMBER MUST IMMEDIATELY DISCLOSE THESE RELATIONSHIPS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	FOR UPPER MANAGEMENT POSITIONS, VERNON MEMORIAL HOSPITAL, INC UTILIZES AN INDEPENDENT CONSULTING FIRM THAT PROVIDES SURVEY RESULTS FOR SIMILAR POSITIONS ACROSS THE COUNTRY ANNUALLY THE 'TRUE MARKET AVERAGE' FOR EACH POSITION IS INCLUDED IN THE INFORMATION RECEIVED ACCORDING TO THE CONTRACTS FOR THE CEO, CFO AND COO, THESE PEOPLE ARE TO RECEIVE THE 'TRUE MARKET AVERAGE' AS DEFINED IN THE STUDY DEVIATIONS FROM THIS ARE PERMITTED IF THERE IS MUTUAL CONSENT THE CEO HAS THE RIGHT TO AMEND THE AMOUNT FOR THE CFO AND COO THE BOARD HAS THE RIGHT TO AMEND THE AMOUNT FOR THE CEO THE EXECUTIVE COMMITTEE OF THE BOARD REVIEWS THE DATA FOR THE CEO ANNUALLY TO DETERMINE THE AMOUNT OF HIS COMPENSATION, AND ANY CHANGES IN COMPENSATION ARE MAINTAINED IN THE PERSONNEL FILE THE CEO REVIEWS THE DATA FOR THE CFO AND COO ANNUALLY TO DETERMINE THE AMOUNT OF COMPENSATION AND ANY CHANGES ARE MAINTAINED IN THE PERSONNEL FILE

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	VERNON MEMORIAL HEALTHCARE, INC MAKES ITS FINANCIAL STATEMENTS AND GOVERNING DOCUMENTS AVAILABLE TO THE PUBLIC ON A PER REQUEST BASIS THE FORM 990 IS ALSO AVAILABLE TO THE PUBLIC ON A THIRD PARTY WEBSITE CALLED GUIDESTAR

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -1,082,351 NET ASSETS RELEASED FROM RESTRICTION FOR OPERATIONS -25,541 POSTRETIREMENT BENEFIT OBLIGATION ADJUSTMENT 168,561 TOTAL TO FORM 990, PART XI, LINE 5 -939,331

Identifier	Return Reference	Explanation
OVERSIGHT OF AUDIT	FORM 990, PART XI, LINE 2C	VERNON MEMORIAL HEALTHCARE, INC DOES NOT HAVE A SPECIFIC COMMITTEE WHICH ASSUMES THE RESPONSIBILITY FOR OVERSIGHT OF THE AUDIT THE ENTIRE BOARD OF DIRECTORS IS RESPONSIBLE FOR SELECTION OF THE INDEPENDENT ACCOUNTANT NO CHANGES HAVE BEEN MADE IN THE PAST YEAR REGARDING THIS OVERSIGHT FUNCTION OF THE GOVERNING BODY

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
VERNON MEMORIAL HEALTHCARE INC

Employer identification number
39-0806404

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) VERNON MEMORIAL HEALTHCARE FOUNDATION INC 507 SOUTH MAIN STREET VIROQUA, WI 54665 39-1515716	FUNDRAISING	WI	501(C)3	509(A)(3)	11 C - III - FI		No

Part III

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

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

Part IV

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

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

Part V

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

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

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity

b Gift, grant, or capital contribution to other organization(s)

c Gift, grant, or capital contribution from other organization(s)

d Loans or loan guarantees to or for other organization(s)

e Loans or loan guarantees by other organization(s)

f Sale of assets to other organization(s)

g Purchase of assets from other organization(s)

h Exchange of assets

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

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

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

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

m Sharing of facilities, equipment, mailing lists, or other assets

n Sharing of paid employees

o Reimbursement paid to other organization for expenses

p Reimbursement paid by other organization for expenses

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

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

1a

No

1b

No

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

Yes

1m

Yes

1n

Yes

1o

No

1p

No

1q

No

1r

No

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

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

Schedule R (Form 990) 2010

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation
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Vernon Memorial Healthcare, Inc.

Viroqua, Wisconsin

Financial Statements

Years Ended September 30, 2011 and 2010

Vernon Memorial Healthcare, Inc.

Financial Statements

Years Ended September 30, 2011 and 2010

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Independent Auditor's Report

Board of Directors
Vernon Memorial Healthcare, Inc
Viroqua, Wisconsin

We have audited the accompanying balance sheets of Vernon Memorial Healthcare, Inc. as of September 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 Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vernon Memorial Healthcare, Inc. at September 30, 2011 and 2010, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

April 4, 2012
Eau Claire, Wisconsin

Vernon Memorial Healthcare, Inc.

Balance Sheets

September 30, 2011 and 2010

<i>Assets</i>	2011	2010
Current assets		
Cash and cash equivalents	\$ 11,301,410	\$ 9,796,170
Assets limited as to use	94,557	114,807
Accounts receivable - Net	6,166,143	6,681,155
Inventories	2,289,229	2,174,541
Prepaid expenses	289,245	207,820
Other receivables	326,455	232,107
Amounts receivable from third-party reimbursement programs	550,000	1,800,000
Current portion of receivable from Foundation	371,586	-
Total current assets	21,388,625	21,006,600
Assets limited as to use		
Board-designated investments - For capital improvements	18,570,012	12,324,616
Board-designated investments - Hospice House	36,936	36,936
Set aside to fund donor-restricted contributions	96,033	96,703
Under bond indenture agreements - Held by trustee	2,115,883	2,218,284
Deferred compensation plan assets	985,001	1,054,458
Total assets limited as to use	21,803,865	15,730,997
Less - Assets required for current liabilities	94,557	114,807
Noncurrent assets limited as to use	21,709,308	15,616,190
Property and equipment - Net	35,024,170	35,112,024
Other assets		
Unamortized bond issue costs	616,452	649,257
Receivable from Foundation - Less current portion	125,159	-
Other	12,180	12,180
Total other assets	753,791	661,437
TOTAL ASSETS	\$ 78,875,894	\$ 72,396,251

<i>Liabilities and Net Assets</i>	2011	2010
Current liabilities		
Current portion of long-term debt and capital lease obligations	\$ 756,218	\$ 721,637
Accounts payable	1,641,126	1,039,374
Accrued payroll and payroll taxes	637,610	460,074
Accrued bonuses	818,796	788,676
Accrued leave time	1,617,985	1,507,637
Accrued interest payable	94,557	114,807
Medical claims payable	750,000	750,000
Postretirement benefit obligation	37,000	34,000
Other accrued liabilities	1,491,047	403,389
Total current liabilities	7,844,339	5,819,594
Long-term liabilities		
Long-term debt and capital lease obligations - Less current portion	22,945,802	23,607,041
Postretirement benefit obligation - Less current portion	295,633	302,160
Other long-term liabilities	1,027,670	1,819,867
Total long-term liabilities	24,269,105	25,729,068
Total liabilities	32,113,444	31,548,662
Net assets		
Unrestricted	46,169,672	40,730,886
Temporarily restricted	592,778	116,703
Total net assets	46,762,450	40,847,589
TOTAL LIABILITIES AND NET ASSETS	\$ 78,875,894	\$ 72,396,251

Vernon Memorial Healthcare, Inc.

Statements of Operations

Years Ended September 30, 2011 and 2010

	2011	2010
Revenue		
Net patient service revenue	\$ 65,918,241	\$ 64,166,739
Other revenue	463,988	464,699
Total revenue	66,382,229	64,631,438
Expenses		
Nursing services	13,447,414	14,661,290
Other professional services	25,558,938	25,308,587
General services	1,964,793	1,878,515
Administrative services	5,891,354	5,020,170
Employee benefits	8,158,868	8,078,117
Provision for bad debts	1,972,276	1,814,227
Depreciation and amortization	2,605,060	2,471,876
Interest	1,169,015	1,228,383
Total expenses	60,767,718	60,461,165
Income from operations	5,614,511	4,170,273
Other income		
Investment income	495,204	384,384
Realized gains on sale of investments	92,458	65,885
Contributions	98,648	66,564
Gain on disposal of property and equipment	31,755	106,349
Total other income	718,065	623,182
Revenue in excess of expenses	6,332,576	4,793,455
Other changes in unrestricted net assets		
Change in net unrealized gains on investments, other than trading securities	(1,082,351)	601,233
Change in postretirement benefit obligation, other than expense	168,561	(168,561)
Net assets released from restriction for purchase of property and equipment	20,000	-
Increase in unrestricted net assets	\$ 5,438,786	\$ 5,226,127

Vernon Memorial Healthcare, Inc.

Statements of Changes in Net Assets

Years Ended September 30, 2011 and 2010

	2011	2010
Unrestricted net assets		
Revenue in excess of expenses	\$ 6,332,576	\$ 4,793,455
Change in net unrealized gains on investments, other than trading securities	(1,082,351)	601,233
Change in postretirement benefit obligation, other than expense	168,561	(168,561)
Net assets released from restriction for purchase of property and equipment	20,000	-
Increase in unrestricted net assets	5,438,786	5,226,127
Temporarily restricted net assets		
Contributions	501,616	29,671
Net assets released from restriction	(25,541)	(5,806)
Increase in temporarily restricted net assets	476,075	23,865
Change in net assets	5,914,861	5,249,992
Net assets - Beginning of year	40,847,589	35,597,597
Net assets - End of year	\$ 46,762,450	\$ 40,847,589

Vernon Memorial Healthcare, Inc.

Statements of Cash Flows

Years Ended September 30, 2011 and 2010

	2011	2010
Increase in cash and cash equivalents		
Cash flows from operating activities		
Cash received from patients and third-party payers	\$ 66,080,617	\$ 61,443,135
Cash paid for employee compensation and fringe benefits	(31,006,684)	(31,470,996)
Cash paid to suppliers	(23,191,889)	(24,285,135)
Investment income received	587,662	450,269
Interest paid	(1,189,265)	(1,209,112)
Contributions	98,648	66,564
Net cash provided by operating activities	11,379,089	4,994,725
Cash flows from investing activities		
Proceeds from sale of property and equipment	58,450	190,726
Property and equipment additions	(1,990,906)	(2,605,489)
Increase in assets limited as to use	(7,224,676)	(289,219)
Net cash used in investing activities	(9,157,132)	(2,703,982)
Cash flows from financing activities		
Payments on long-term debt and capital lease obligations	(721,588)	(684,570)
Proceeds from restricted contributions	4,871	29,671
Net cash used in financing activities	(716,717)	(654,899)
Increase in cash and cash equivalents	1,505,240	1,635,844
Cash and cash equivalents at beginning	9,796,170	8,160,326
Cash and cash equivalents at end	\$ 11,301,410	\$ 9,796,170

Vernon Memorial Healthcare, Inc.

Statements of Cash Flows (Continued)

Years Ended September 30, 2011 and 2010

	2011	2010
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ 5,914,861	\$ 5,249,992
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Provision for bad debts	1,972,276	1,814,227
Depreciation and amortization	2,605,060	2,471,876
Gain on disposal of property and equipment	(31,755)	(106,349)
Change in officer deferred leave time	42,670	120,496
Change in net unrealized gains on investments, other than trading securities	1,082,351	(601,233)
Additional postretirement benefit obligation	-	168,561
Restricted contributions	(501,616)	(29,671)
Changes in operating assets and liabilities		
Accounts receivable	(1,457,264)	(2,301,146)
Inventories	(114,688)	112,866
Prepaid expenses	(81,425)	(33,003)
Other receivables	(94,348)	(93,524)
Amounts receivable from third-party reimbursement programs	1,250,000	(800,000)
Accounts payable	176,492	(636,976)
Accrued payroll and payroll taxes	177,536	(798,723)
Accrued bonuses	30,120	26,551
Accrued leave time	110,348	207,265
Accrued interest payable	(20,250)	19,271
Postretirement benefit obligation	(3,527)	167,599
Other accrued liabilities	322,248	36,646
Total adjustments	5,464,228	(255,267)
Net cash provided by operating activities	\$ 11,379,089	\$ 4,994,725

Vernon Memorial Healthcare, Inc.

Statements of Cash Flows (Continued)

Years Ended September 30, 2011 and 2010

Supplemental cash flow information

Other long-term liabilities of \$765,410 were reclassified to other accrued liabilities at September 30, 2011

The Organization entered into capital lease obligations for new equipment of \$91,400 in the year ended September 30, 2011

Property and equipment additions of \$461,146 and \$35,886 were included in accounts payable at September 30, 2011 and 2010, respectively

Restricted contributions for the year ended September 30, 2011, include a receivable from Foundation of \$496,745

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

The Entity

Vernon Memorial Healthcare, Inc (the “Organization”) is a nonprofit, nonstock corporation that operates a 25-bed critical access hospital that provides comprehensive inpatient, outpatient, home health, hospice, and clinical health care services to the residents of Vernon County and the surrounding area

Financial Statement Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) The ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) to be applied to nongovernmental entities in the preparation of financial statements in conformity with GAAP

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period Actual results may differ from these estimates

Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents, excluding amounts limited as to use or restricted

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Accounts Receivables and Credit Policy

Accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payer agreements. The Organization bills third-party payers on each patient's behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payer, any secondary insurance is billed, and patients are billed for co-pay and deductible amounts that are the patients' responsibility. Payments on accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Organization does not have a policy to charge interest on past due accounts.

The carrying amounts of accounts receivable are reduced by allowances that reflect management's best estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through charge to gross patient service revenue and a credit to the accounts receivable. In addition, management provides for probable uncollectible amounts, primarily uninsured patients and amounts patients are personally responsible for, through a charge to operations and a credit to a valuation allowance based on its assessment of historical collection likelihood and the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Accounts receivable are recorded in the accompanying balance sheets net of contractual adjustments and an allowance for doubtful accounts.

Inventories

Inventories are valued at the lower of cost, determined on the first-in, first-out (FIFO) method, or market.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Assets Limited as to Use and Investment Income

Assets limited as to use represent funds designated by the Board of Directors for necessary capital improvements and a hospice house, over which the Board retains control and may at its discretion subsequently use for other purposes, amounts set aside to fund donor-restricted contributions, assets set aside under terms of a bond trust indenture agreement, and deferred compensation plan assets. Amounts required to meet current liabilities of the Organization have been classified as current assets.

Investment income or loss (including realized gains and losses on investments, interest, and dividends) is reported as other income and is included in the revenue in excess of expenses unless the income is restricted by donor or law. Unrealized gains and losses on investments are excluded from revenue in excess of expenses unless the investments are trading securities. Realized gains or losses are determined by specific identification.

The Organization monitors the difference between the cost and the fair value of its investments. If the investments experience a decline in value that the Organization determines is other than temporary, the Organization records a realized loss in investment income.

Fair Value Measurements

The Organization measures fair value of its financial instruments using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs, other than quoted prices, that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Property, Equipment, and Depreciation

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives range from five to fifteen years for major movable equipment and from ten to fifty years for land improvements, buildings, and fixed equipment. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included with depreciation expense in the accompanying financial statements.

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Property, Equipment, and Depreciation (Continued)

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from revenue in excess of expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets

The Organization periodically evaluates the recoverability of its long-lived assets, which consist primarily of property and equipment with finite useful lives, whenever events or changes in circumstance indicate that the carrying value may not be recoverable. If the recoverability of these assets is unlikely because of the existence of factors indicating impairment, an impairment analysis is performed using a projected undiscounted cash flow method. Management must make assumptions regarding estimated future cash flows and other factors to determine the fair value of these respective assets. If the carrying amounts of the assets exceed their respective fair values, the carrying value of the underlying assets would be adjusted to fair value and an impairment loss would be recognized. No impairment loss was recognized in 2011 or 2010.

Asset Retirement Obligation

Accounting guidance on asset retirement and environmental obligations clarified when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered the accounting guidance specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. Management believes that there is an indeterminate settlement date for the asset retirement obligation because the range of time over which the Organization may settle the obligation is unknown and cannot be estimated. As a result, management cannot reasonably estimate the liability related to these retirement activities as of September 30, 2011 and 2010.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Unamortized Bond Issue Costs

Unamortized bond issue costs related to issuance of long-term debt are amortized over the life of the related debt using the straight-line method

Net Assets

The Organization classifies its net assets into three categories as follows

- Unrestricted net assets consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Organization and include those expendable resources designated for special use by the Organization's Board of Directors
- Temporarily restricted net assets result from contributions and other inflows whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations
- Permanently restricted net assets result from contributions from donors who place restrictions on the use of the funds, which mandate that the original principal be invested in perpetuity. As of September 30, 2011 and 2010, there were no permanently restricted net assets

Revenue in Excess of Expenses

The statements of operations and statements of changes in net assets include the classification revenue in excess of expenses, which is considered the operating indicator. Changes in unrestricted net assets that are excluded from the operating indicator include unrealized gains and losses on investments other than trading securities and change in postretirement benefit obligation other than expense.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Charity Care

The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Organization maintains records to identify the amount of charges foregone for services and supplies furnished under the charity care policy. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue in the accompanying statements of operations.

Contributions and Donor Restricted Gifts

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the Organization 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 statements of operations and statements of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Unemployment Compensation

The Organization elected reimbursement financing under provisions of the Wisconsin unemployment compensation laws. Unemployment claims are paid to the State of Wisconsin as incurred. The Organization has obtained a line of credit to meet state funding requirements.

Advertising Costs

Advertising costs are expensed as incurred.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal taxes on related income pursuant to Section 501(a) of the Code. The Organization is also exempt from state income taxes pursuant to similar State of Wisconsin tax laws.

In order to account for any uncertain tax positions, the Organization assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements.

The Organization is also engaged, to a limited extent, in activities which the Internal Revenue Service considers unrelated to the Organization's exempt purpose and, therefore, taxable. These activities, however, annually result in net operating losses for income tax purposes. The Organization does not presently anticipate that a tax benefit from these net operating losses will be realized in the future. Accordingly, any potential deferred tax asset resulting from the availability of net operating loss carryforwards is offset by a valuation allowance of equal amount. No deferred tax assets and liabilities have been recognized since no other differences exist between the financial and tax bases of reporting the Organization's assets and liabilities.

The Organization's policy is to recognize interest and penalties related to income tax matters in income tax expense when incurred. As of September 30, 2011 and 2010, there were no material tax penalties, or interest related to tax penalties, recorded by the Organization in the financial statements.

The Organization recorded no assets or liabilities for uncertain tax positions or unrecognized benefits in 2011 or 2010. Federal returns for the years ended September 30, 2008, and beyond remain subject to examination by the Internal Revenue Service.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Real Estate Taxes

The majority of real estate owned by the Organization is exempt from real estate taxes by the State of Wisconsin and its political subdivisions. The Organization is responsible for paying a portion of the real estate taxes on the medical office building attached to the hospital.

New Accounting Pronouncements

In August 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-23, *Measuring Charity Care for Disclosure*. This ASU amends ASC Topic 954 and requires entities to use cost as the measurement basis for charity care disclosures, including both direct and indirect costs. Entities are also required to disclose the method used to determine these costs, such as directly from a costing system or through an estimation process. The guidance in this ASU is effective for the Organization's year ending September 30, 2012.

In July 2011, the FASB issued ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and Allowance for Doubtful Accounts for Certain Health Care Entities*. The ASU amends ASC Topic 954 and requires health care entities to change the presentation of their statements of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue. Entities are also required to enhance disclosures about their policies for recognizing revenue and assessing bad debts. In addition, this guidance requires disclosure of qualitative and quantitative information about changes in the allowance for doubtful accounts. The guidance in this ASU is effective for the Organization's year ending September 30, 2013, with early adoption permitted.

Subsequent Event

Subsequent events have been evaluated through April 4, 2012, which is the date the financial statements were available to be issued.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 2 Reimbursement Arrangements With Third-Party Payers

The Organization has agreements with third-party payers that provide for reimbursement to the Organization at amounts that vary from its established rates. A summary of the basis of reimbursement with major third-party payers by facility type follows:

Hospital Services

Medicare and Medicaid – The Organization is designated as a critical access hospital (CAH). Under this designation, inpatient and outpatient hospital services are paid based upon a cost-reimbursement methodology, with the exception of certain lab, mammography, and outpatient therapy services, which remain on a prospectively determined fee schedule reimbursement methodology.

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

Clinic Services

Certain physician and professional services rendered to Medicare and Medicaid beneficiaries qualify for reimbursement as Medicare-approved rural health clinic services. Qualifying services are reimbursed based on a cost-reimbursement methodology. All other physician and professional services rendered to Medicare and Medicaid beneficiaries are paid based on prospectively determined fee schedules.

Accounting for Contractual Arrangements

The Organization is reimbursed for cost-reimbursable items at an interim rate, and final settlements are determined after audit of the Organization's related annual cost reports by the respective Medicare and Medicaid fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying financial statements. The Organization's cost reports have been audited by the Medicare fiscal intermediary through September 30, 2009, and by the Medicaid fiscal intermediary up to September 30, 2002, as well as September 30, 2005, for hospital services and September 30, 2009, for rural health clinic services.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 2 Reimbursement Arrangements With Third-Party Payers (Continued)

Wisconsin Hospital Assessments

During fiscal year 2010, a law was passed in the State of Wisconsin under which eligible CAHs, including the Organization, are required to pay the State an annual assessment. The assessment period is the State's fiscal year, which runs from July to June. The assessment is based on each hospital's gross inpatient revenue, as defined, and was effective July 1, 2010. The revenue generated from the assessment is to be used, in part, to increase overall reimbursement under the Wisconsin Medicaid program through the development of an access payment system. Under the new CAH payment system, the Wisconsin Medicaid program will pay a hospital-specific amount per discharge for inpatient and outpatient services, determined based on prior hospital cost reports, plus an additional access payment. In exchange for receiving these access payments, effective July 1, 2010, the State of Wisconsin eliminated retrospective cost report settlements to CAHs.

Note 3 Accounts Receivable

Accounts receivable is comprised of the following at September 30:

	2011	2010
Patient accounts receivable	\$ 12,230,143	\$ 13,854,155
Less - Contractual adjustments	3,300,000	4,250,000
Less - Allowance for doubtful accounts	2,764,000	2,923,000
Accounts receivable - Net	\$ 6,166,143	\$ 6,681,155

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 4 Net Patient Service Revenue

Net patient service revenue consisted of the following for the years ended September 30

	2011	2010
Gross patient service revenue		
Inpatient services	\$ 31,035,330	\$ 35,262,107
Outpatient services	58,346,231	54,803,232
Home health services	278,998	266,653
Clinic services	13,877,017	12,603,061
Total	103,537,576	102,935,053
Less - Contractual adjustments and other deductions	37,619,335	38,768,314
Net patient service revenue	\$ 65,918,241	\$ 64,166,739

The Organization's percent of gross patient service revenue by payer is as follows for the years ended September 30

	2011	2010
Medicare and Medicare Managed Care Plans	44%	47%
Medicaid	12%	12%
Managed care	33%	31%
Insurance	7%	6%
Private pay	4%	4%
Totals	100%	100%

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 5 Charity Care

The Organization provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community including the health of low-income patients. Consistent with the mission of the Organization, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources or are underinsured.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care without charge or at a reduced rate, determined based on qualifying criteria as defined in the Organization's charity care policy and from applications completed by patients and their families.

Benefits for the community also include health screenings, community education through seminars and classes, and other health-related services.

The amount of charges foregone for services and supplies furnished under the Organization's charity care policy aggregated approximately \$1,143,000 and \$859,000 for the years ended September 30, 2011 and 2010, respectively.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 6 Assets Limited as to Use

The composition of assets limited as to use at September 30 is set forth in the following table. Investments are stated at fair value.

	2011	2010
By board for capital improvements		
Cash and money market funds	\$ 415,541	\$ 202,430
Fixed income securities	2,384,997	1,301,228
Equity securities	6,666,260	4,501,683
U S treasury bonds	229,155	122,053
Corporate bonds	3,012,783	1,747,314
Mortgage-backed securities	2,553,411	1,018,064
Certificates of deposit with interest ranging from 0.55% to 1.45% in 2011 and 20% to 2.25% in 2010	3,242,329	3,395,215
Accrued interest receivable	65,536	36,629
Total by board for capital improvements	18,570,012	12,324,616
By board for hospice house		
Cash and money market funds	36,936	36,936
Set aside to fund donor-restricted contributions		
Cash and money market funds	96,033	96,703
Under bond indenture agreements - Held by trustee		
Cash and money market funds	2,115,883	2,218,284
Deferred compensation plan assets		
Cash and money market funds	20,342	17,934
Equity securities	851,853	901,491
Fixed income mutual funds	112,806	135,033
Total deferred compensation plan assets	985,001	1,054,458
Total assets limited as to use	21,803,865	15,730,997
Less - Assets limited as to use that are required for current liabilities	94,557	114,807
Assets limited as to use - Less current portion	\$ 21,709,308	\$ 15,616,190

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 6 Assets Limited as to Use (Continued)

Management assesses individual investment securities as to whether declines in market value are other than temporary and result in an impairment. For equity securities, the Organization considers whether it has the ability and intent to hold the investment until a market price recovery. Evidence considered in this includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, the issuer's financial condition, and the general market condition in the geographic area or industry the investee operates in. For debt securities, if the Organization has made a decision to sell the security or if it's more likely than not the Organization will sell the security before the recovery of the security's cost basis, an other-than-temporary impairment is considered to have occurred. If the Organization has not made a decision or does not have an intent to sell the debt security, but the debt security is not expected to recover its value due to a credit loss, an other-than-temporary impairment is considered to have occurred.

At September 30, 2011 and 2010, the fair value and unrealized losses of the investments for which fair value is less than cost, aggregated by security type, are as follows:

	2011					
	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual funds investing in fixed income and equity securities	\$ 1,982,270	\$ 415,240	\$ 5,325,550	\$ 762,920	\$ 7,307,820	\$ 1,178,160
Corporate bonds	644,294	14,628	131,733	7,404	776,027	22,032
Other investments	572,617	64,934	19,043	3,019	591,660	67,953
Totals	\$ 3,199,181	\$ 494,802	\$ 5,476,326	\$ 773,343	\$ 8,675,507	\$ 1,268,145

	2010					
	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual funds investing in fixed income and equity securities	\$ -	\$ -	\$ 3,746,592	\$ 304,945	\$ 3,746,592	\$ 304,945
Corporate bonds	165,529	552	48,310	5,543	213,839	6,095
Other investments	228,395	15,190	21,892	6,429	250,287	21,619
Totals	\$ 393,924	\$ 15,742	\$ 3,816,794	\$ 316,917	\$ 4,210,717	\$ 332,659

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 6 Assets Limited as to Use (Continued)

Because the Organization has the intent and the ability to hold investment securities until a market price recovery or maturity, investment securities at September 30, 2011 and 2010, are not other-than-temporarily impaired. No impairment losses were recognized by the Organization during 2011 and 2010.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Note 7 Fair Value Measurement

Following is a description of the valuation methodology used for assets measured at fair value:

Money market funds are valued using a net asset value (NAV) of \$1.00. Quoted market prices are used to determine the fair value of investments in equity securities, which are primarily invested in common stock. Mutual funds are valued at quoted market prices, which represent the NAV of shares held by the Organization at year-end. Fixed income securities are primarily valued using quotes from pricing vendors based on recent trading activity and other observable market data.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 7 Fair Value Measurement (Continued)

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value at September 30

	2011				
	Fair Value Measurements Using			Total Assets at	
	Level 1	Level 2	Level 3	Fair Value	
Money market funds	\$ -	\$ 2,158,601	\$ -	\$ 2,158,601	
Marketable equity securities	346,409	-	-	346,409	
Fixed income and debt securities					
Mortgage-backed securities	-	2,553,411	-	2,553,411	
U S treasury bonds	-	229,155	-	229,155	
Municipal bonds	-	20,455	-	20,455	
Corporate bonds	-	3,071,037	-	3,071,037	
Total fixed income and debt securities	-	5,874,058	-	5,874,058	
Mutual funds - Equity securities					
Blend funds	2,775,971	-	-	2,775,971	
Growth funds	1,082,619	-	-	1,082,619	
Value funds	1,941,340	-	-	1,941,340	
Emerging markets funds	550,434	-	-	550,434	
Real estate funds	708,852	-	-	708,852	
Other funds	124,668	-	-	124,668	
Total mutual funds - Equity securities	7,183,884	-	-	7,183,884	
Mutual funds - Fixed income securities					
Bond funds	-	2,364,542	-	2,364,542	
Other funds	-	112,806	-	112,806	
Total mutual funds - Fixed income securities	-	2,477,348	-	2,477,348	
Total assets	\$ 7,530,293	\$ 10,510,007	\$ -	\$ 18,040,300	

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 7 Fair Value Measurement (Continued)

	2010				
	Fair Value Measurements Using			Total Assets at	
	Level 1	Level 2	Level 3	Fair Value	
Money market funds	\$ -	\$ 2,258,697	\$ -	\$ 2,258,697	
Marketable equity securities	463,813	-	-	463,813	
Fixed income and debt securities					
Mortgage-backed securities	-	1,018,064	-	1,018,064	
U S treasury bonds	-	122,053	-	122,053	
Corporate bonds	-	1,772,402	-	1,772,402	
Total fixed income and debt securities	-	2,912,519	-	2,912,519	
Mutual funds - Equity securities					
Blend funds	1,854,258	-	-	1,854,258	
Growth funds	716,079	-	-	716,079	
Value funds	1,251,122	-	-	1,251,122	
Emerging markets funds	520,535	-	-	520,535	
Real estate funds	487,163	-	-	487,163	
Other funds	122,385	-	-	122,385	
Total mutual funds - Equity securities	4,951,542	-	-	4,951,542	
Mutual funds - Fixed income securities					
Bond funds	-	1,436,261	-	1,436,261	
Total assets	\$ 5,415,355	\$ 6,607,477	\$ -	\$ 12,022,832	

The methods described for fair value calculations may produce a calculation that may be different from the net realizable value or not reflective of future values expected to be received. The Organization believes its valuation methods are appropriate and consistent with other market participants, however, the use of these various methodologies and assumptions may produce results that differ in the estimates of fair value at the financial reporting date.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 7 Fair Value Measurement (Continued)

The carrying values of current assets and current liabilities are reasonable estimates of their fair value due to the short-term nature of these financial instruments

The estimated fair value of long-term debt based on quoted market prices for the same or similar issues of revenue bonds was approximately \$121,000 less than and \$701,000 greater than the carrying value on the balance sheets as of September 30, 2011 and 2010

Note 8 Property and Equipment

A summary of property and equipment by major categories at September 30 is as follows

	2011	2010
Land	\$ 1,188,135	\$ 1,176,135
Land improvements	835,731	835,731
Buildings	42,874,115	40,934,672
Fixed equipment	1,026,224	974,303
Major movable equipment	11,820,476	10,817,610
Total property and equipment	57,744,681	54,738,451
Less - Accumulated depreciation	23,645,804	21,133,733
Net depreciated value	34,098,877	33,604,718
Construction in progress	925,293	1,507,306
Property and equipment - Net	\$ 35,024,170	\$ 35,112,024

Depreciation expense totaled \$2,568,724 in 2011 and \$2,435,540 in 2010

The construction in progress at September 30, 2011, consists of various projects related to building remodeling. The Organization has estimated additional costs to complete these projects of approximately \$2,655,000 to be funded from operations.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 9 Operating Leases

The Organization has entered into various lease agreements for equipment with unrelated parties

Minimum future rent payments by year under these lease agreements consisted of the following at September 30, 2011

2012	\$	330,283
2013		260,753
2014		156,105
2015		54,424

Total minimum payments required	\$	801,565
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Total rental expense was \$1,266,760 and \$1,201,934 in fiscal year 2011 and 2010, respectively

Note 10 Long-Term Debt and Capital Lease Obligations

Long-term debt and capital lease obligations at September 30 consisted of the following

	2011	2010
City of Viroqua, Wisconsin Revenue Bonds, Series 2000 (Vernon Memorial Hospital, Inc Project) dated October 31, 2000, and bearing interest at 4 50% The bonds are payable in monthly installments in the amount of \$16,422, including interest The bonds are collateralized by a mortgage on the hospital facilities and a security interest in certain equipment	\$ 893,966	\$ 1,047,052
Wisconsin Health and Educational Facilities Authority, WHA Capital access designated pool program variable rate demand revenue bonds, Series 2002B (Vernon Memorial Hospital, Inc) dated April 10, 2002 The bonds are payable in annual installments ranging from \$280,000 to \$290,000, plus interest The bonds are collateralized by a mortgage on the hospital facilities	850,000	1,115,000

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 10 Long-Term Debt and Capital Lease Obligations (Continued)

	2011	2010
Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2005 (Vernon Memorial Healthcare, Inc Project) dated May 1, 2005, and bearing interest ranging from 4 65% to 5 25% The bonds are payable in annual installments ranging from \$300,000 to \$1,750,000, plus interest The bonds are collateralized by a mortgage on the hospital facilities	\$ 21,950,000	\$ 22,240,000
Capital lease obligations with interest at 7 0%, collateralized by leased equipment with an aggregate amortized cost of \$34,857 and \$15,430 at September 30, 2011 and 2010, respectively	90,728	12,830
Totals	23,784,694	24,414,882
Less - Current portion	756,218	721,637
Less - Unamortized discount	82,674	86,204
Long-term portion	\$ 22,945,802	\$ 23,607,041

The variable rate (Series 2002B) bonds are remarketed daily through U S Bank as the initial remarketing agent under a remarketing agreement For the fiscal year ended September 30, 2011, interest rates ranged from 06% to 31% For the fiscal year ended September 30, 2010, interest rates ranged from 13% to 33% A charge of 10% is assessed for the remarketing of these bonds The Series 2002B bonds are secured by an irrevocable standby letter of credit from U S Bank National Association in the amount of \$1,129,663 Annual fees approximating 1 5% are assessed for the use of this letter of credit The letter of credit extends through April 15, 2012 The bonds have historically been successfully remarketed, thus the bonds, less the current maturities, are recorded as long-term debt If the bonds are not remarketed and there is no event of default per the letter of credit, the letter of credit would be drawn on to pay the bonds If the letter of credit is drawn upon, the amount drawn, plus applicable interest, would be due The aggregate rate of interest and fees, based on the charges noted above, of the Series B bonds ranged from 1 66% to 1 91% during fiscal year 2011 and 1 73% to 1 93% during fiscal year 2010

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 10 Long-Term Debt and Capital Lease Obligations (Continued)

Scheduled payments on long-term debt and capital lease obligations at September 30, 2011, including current maturities, are summarized as follows

	Long-Term Debt	Capital Lease Obligations
2012	\$ 740,118	\$ 21,718
2013	777,474	21,718
2014	790,167	21,718
2015	533,214	21,718
2016	556,630	16,288
Thereafter	20,296,363	3,180
	<u>\$ 23,693,966</u>	106,340
Less - Amounts representing interest on capital lease obligations		<u>15,612</u>
		<u>\$ 90,728</u>

Note 11 Temporarily Restricted Net Assets

Temporarily restricted net assets include assets set aside in accordance with donor restrictions as to time or use. Temporarily restricted net assets were available for the following purposes at September 30

	2011	2010
Hospice program	\$ 565,024	\$ 68,279
Cardiac rehab program	5,630	29,097
Other miscellaneous programs	22,124	19,327
Total temporarily restricted net assets	<u>\$ 592,778</u>	<u>\$ 116,703</u>

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 12 Malpractice Insurance

The Organization's professional liability insurance for claim losses of less than \$1,000,000 per claim and \$3,000,000 per year covers professional liability claims incurred during a policy year, regardless of when the claim is filed ("occurrence-based" coverage). The Organization is insured against losses in excess of these amounts through its mandatory participation in the Patients' Compensation Fund of the State of Wisconsin. The professional liability insurance policy is renewable annually by the insurance carrier for the annual period extending to July 1, 2012.

Note 13 Deferred Compensation

The Organization has a deferred compensation plan under Section 457 of the Internal Revenue Code. The plan is intended primarily for certain members of management to defer compensation until retirement. Investments, primarily in mutual funds, designated for deferred compensation under this plan are recorded as other assets and the accrued liabilities are recorded as other long-term liabilities.

Note 14 Retirement Plan

The Organization has a defined contribution 401(k) savings plan covering substantially all employees. The Organization matches employee contributions up to 6% of covered earnings. The retirement expense for the years ended September 30, 2011 and 2010, totaled \$942,671 and \$939,343, respectively.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 15 Concentration of Credit Risk

Financial instruments that potentially subject the Organization to possible credit risk consist principally of accounts receivable, cash deposits in financial institutions in excess of insured limits, investments, and surplus operating funds

Accounts receivable consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medicaid) for health care provided to the patients. The majority of the Organization's patients are from Viroqua, Wisconsin, and the surrounding area.

The mix of receivables from patients and third-party payers was as follows at September 30

	2011	2010
Medicare	29%	33%
Medicaid	10%	9%
Other third-party payers	29%	29%
Patients	32%	29%
Total	100%	100%

The Organization maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. On November 9, 2010, the FDIC issued a final rule implementing Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited insurance coverage of non-interest-bearing transaction accounts through December 31, 2012. In addition, interest-bearing balances are insured up to \$250,000. At September 30, 2011, the amount of the Organization's bank balances in excess of FDIC limits was approximately \$11,750,000. In order to limit its credit risk with respect to these deposits, the Organization has executed repurchase agreements with the bank collateralized by U.S. Treasury securities with a market value at September 30, 2011, of \$2,000,000.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 16 Self-Funded Health Insurance

The Organization sponsors a self-funded health insurance plan for substantially all employees. The Organization's liability is limited through its arrangement with a commercial insurance carrier to indemnify it against losses in excess of prescribed specific and aggregate limits (stop-loss coverage). Losses from claims incurred are accrued based on estimates incorporating the Organization's past experience, as well as other considerations including the nature of each claim and relevant trend factors. Self-funded health care expense for the years ended September 30, 2011 and 2010, was approximately \$4,770,000 and \$4,668,000, respectively.

A liability of \$750,000 and \$750,000 for claims outstanding has been recorded at September 30, 2011 and 2010. Management believes this liability is sufficient to cover estimated claims, including claims incurred but not yet reported.

Note 17 Postretirement Benefits Other Than Pensions

Effective in 2010, certain postretirement medical benefits became available to qualifying employees. The benefits provided by the plan allow eligible retirees and dependents to continue participation in the Organization's health plans until eligible for Medicare, at full premium cost.

The Organization's employee health plan is a self-funded health insurance plan, therefore, the Organization only funds the postretirement benefits when claims are incurred.

The measurement date used in calculating the benefit obligation and net periodic benefit costs related to the postretirement health coverage by the Organization is September 30.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 17 Postretirement Benefits Other Than Pensions (Continued)

The following provides further information about the plan at September 30

	2011	2010
Change in benefit obligation		
Projected benefit obligation at beginning of year	\$ 336,160	\$ -
Unrecognized prior service cost	-	337,123
Service cost	11,598	10,993
Interest cost	18,489	18,542
Benefits paid	(33,614)	(30,498)
Projected benefit obligation at end of year	\$ 332,633	\$ 336,160
Funded status of plan - Unfunded status	\$ (332,633)	\$ (336,160)

Amounts recognized in the balance sheets consisted of the following at September 30

	2011	2010
Current liabilities	\$ 37,000	\$ 34,000
Long-term liabilities	295,633	302,160
Net assets	-	(168,561)
Net amounts recognized	\$ 332,633	\$ 167,599

Amounts expected to be recognized from net assets into the statements of operations in the following year

	2011	2010
Amortization of prior service cost	\$ -	\$ (168,561)

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 17 Postretirement Benefits Other Than Pensions (Continued)

The Organization follows the guidance in ASC Topic 715-60, *Defined Benefit Plans—Other Postretirement*, which requires the cost of postretirement benefits to be accrued over the years employees provide service to the date of their full eligibility for such benefits. The Organization's policy is to fund the cost of claims on an annual basis.

The components of postretirement health care benefit cost are as follows for the year ended September 30:

	2011	2010
Service cost	\$ 11,598	\$ 10,993
Interest cost	18,489	18,542
Amortization of unrecognized prior service cost	168,561	168,561
Net periodic cost	\$ 198,648	\$ 198,096

Assumptions

A 8.5% annual rate of increase for all age groups in the costs of covered health care benefits was assumed for 2011, gradually decreasing for all age groups to 4.5% by the year 2019 and all later years. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rate would have the following effects in 2011:

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest cost components	\$ 2,213	\$ (2,047)
Effect on accumulated postretirement benefit obligation	24,899	(23,033)

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 17 Postretirement Benefits Other Than Pensions (Continued)

The actuarial present value of the projected postretirement health care benefit obligation and the net periodic postretirement health care benefit costs at September 30 were determined based on the following assumption

	2011	2010
Discount rate	5.5%	5.5%

Contributions and Benefit Payments

The Organization expects to contribute approximately \$37,000 to its postretirement benefit plan in fiscal 2012

Postretirement health care benefits (which include expected future service) are expected to be paid out of the respective plan as follows

Fiscal year ending September 30	
2012	\$ 37,000
2013	26,000
2014	28,000
2015	30,000
2016	32,000
2017 - 2020 (in total)	212,000

Note 18 Functional Expenses

The Organization provides general health care services to residents within its geographic service area. Expenses related to providing these services for the years ended September 30 are as follows

	2011	2010
Health care services	\$ 54,551,180	\$ 54,355,769
General and administrative	6,216,538	6,105,396
Total expenses	\$ 60,767,718	\$ 60,461,165

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 19 Laws and Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and billing regulations. Government activity with respect to investigations and allegations concerning possible violations of such regulations by health care providers has increased. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayment for patient services previously billed. Management believes that the Organization is in compliance with applicable government laws and regulations. While no significant regulatory inquiries have been made of the Organization, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

The Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RACs) as part of its CMS efforts to ensure accurate payments under the Medicare program. RACs search for potentially inaccurate Medicare payments that might have been made to health care providers and were not detected through existing CMS program-integrity efforts. Once a RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The Organization may either accept or appeal the RAC's findings. The outcome of any potential reviews is unknown, and any financial impact cannot be reasonably estimated at September 30, 2011.

Note 20 Contingency

The Organization has identified certain employee compensation arrangements that could be subject to interpretation under Section 4958 of the Internal Revenue Code related to excise tax on excess benefit transactions. In extreme cases, the IRS may also propose revocation of tax-exempt status, whether or not Section 4958 excise taxes are imposed. Management intends to take appropriate steps to insure that the employee compensation it pays is fair and reasonable within the meaning of Section 4958.

Note 21 Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 classifications.