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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 10-01-2010 and ending 09-30-2011

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

C Name of organization
Watertown Regional Medical Center Inc

Doing Business As

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

City or town, state or country, and ZIP + 4
Watertown, WI 53098

D Employer identification number
39-1030310

E Telephone number
(920) 261-4210

G Gross receipts $ 100,957,424

F Name and address of principal officer
John Kosanovich
125 Hospital Drive
Watertown, WI 53098

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www uwhpwatertown com

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1965 | **M** State of legal domicile WI

Part I Summary

1 Briefly describe the organization's mission or most significant activities
To provide the best in healthcare to our patients with state of the art technology, advanced expertise, and personalized compassionate care in a healing environment that is convenient to home and work

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	15
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**	897
6	Total number of volunteers (estimate if necessary)	**6**	126
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	2,192,527
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	73,720	90,923
9	Program service revenue (Part VIII, line 2g)	86,663,956	95,231,858
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	384,222	1,587,683
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	504,651	583,786
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	87,626,549	97,494,250
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	17,500	20,500
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)	42,633,447	48,551,505
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	41,797,802	43,524,930
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	84,448,749	92,096,935
19	Revenue less expenses Subtract line 18 from line 12	3,177,800	5,397,315
Net Assets or Fund Balances		**Beginning of Current Year**	**End of Year**
20	Total assets (Part X, line 16)	122,630,706	127,643,666
21	Total liabilities (Part X, line 26)	46,967,102	47,048,912
22	Net assets or fund balances Subtract line 21 from line 20	75,663,604	80,594,754

Part II Signature Block

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

Sign Here

****** | 2012-08-01
Signature of officer | Date

John Graf Senior Vice President
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶☐	PTIN
Firm's name ▶ KPMG LLP				Firm's EIN ▶
Firm's address ▶ 191 West Nationwide Blvd Ste 500 Columbus, OH 432152568				Phone no ▶ (614) 249-2300

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

TO PROVIDE THE BEST IN HEALTHCARE TO OUR PATIENTS HOSPITAL, OPERATES A COMMUNITY HOSPITAL WITH 95 APPROVED BEDS PROVIDING A FULL RANGE OF ACUTE CARE AND HOME HEALTH SERVICES IN WATERTOWN, WISCONSIN AND SURROUNDING COMMUNITIES THE HOSPITAL ALSO OWNS AND OPERATES PHYSICIAN PRACTICE CLINICS AND SENIOR HOUSING CAMPUSES THE HOSPITAL HAS A COMMITMENT TO PROVIDE SERVICES TO ALL, INCLUDING THE UNDERSERVED AND THOSE AFFECTED BY POVERTY THE HOSPITAL PROVIDES A WIDE RANGE OF COMMUNITY OUTREACH SERVICES SUCH AS IMMUNIZATION CLINICS, HEALTH EDUCATION PROGRAMS, HEALTH SCREENINGS, AND VARIOUS HEALTHCARE SUPPORT GROUPS

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 $ 58,455,048 including grants of $) (Revenue $ 79,864,995)

Operations of an acute care hospital facility including inpatient, emergency room, surgery and outpatient with a full array of ancillary services

4b (Code) (Expenses $ 18,576,889 including grants of $) (Revenue $ 13,244,004)

Operations of clinics in Watertown and surrounding communities

4c (Code) (Expenses $ 1,625,760 including grants of $) (Revenue $ 1,573,128)

Operations of senior living facilities

4d Other program services (Describe in Schedule O) **See also Additional Data for Description**

(Expenses $ 741,930 including grants of $) (Revenue $ 549,731)

4e **Total program service expenses** ▶ $ 79,399,627

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
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, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		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		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a	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? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**		No
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	**35**		No
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* ☐ **Yes** ☑ **No**			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	134		
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		
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	897		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?		3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .		5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?		6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?		7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .		7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		No
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?		9a		No
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		No
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O		13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?		14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .		14b		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	15		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	11		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		5		No
6	Does the organization have members or stockholders?		6		No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		7a		No
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9	Yes	

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

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

Section C. Disclosure

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

☐ Own website ☐ Another's website ☑ Upon request

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

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

JIM BIRD
125 HOSPITAL DR
Watertown, WI 53098
(920) 262-4230

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) John Kosanovich President	40 0	X		X				349,240	0	51,953
(2) Jeff Baum Board Chairman	2 0	X		X				0	0	0
(3) Lyle Wuestenberg Board Vice-Chair	2 0	X		X				0	0	0
(4) Donna O'Brien Board of Director	2 0	X						0	0	0
(5) Daphne Holterman Board of Director	2 0	X						0	0	0
(6) Juliet Slavens DDS Board of Director	2 0	X						0	0	0
(7) Fred Albertz Board of Director	2 0	X						0	0	0
(8) Emily Stoddard MD Board of Director	2 0	X						0	0	0
(9) Ron Sokovich MD Board of Director & Physician	40 0	X						341,853	0	38,543
(10) Sandhya Garg MD Board of Director	2 0	X						0	0	0
(11) Michael Dallman Board of Director	2 0	X						0	0	0
(12) Mike Sullivan MD Board of Director	2 0	X						0	0	0
(13) Tim Schuler Board of Director	2 0	X						0	0	0
(14) Marcy Tessmann Board of Director	2 0	X						0	0	0
(15) John Bauer Board of Director	2 0	X						0	0	0
(16) Fred Gremmels MD Board of Director	2 0	X						0	0	0

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(17) Tricia Voigt Board of Director	2 0	X						0	0	0
(18) John Graf Senior Vice President	40 0			X				198,631	0	30,536
(19) Jennifer Laughlin Vice President & CIO	40 0			X				120,758	0	22,254
(20) Duane Floyd VP of Human Resources	40 0			X				129,870	0	26,268
(21) Jacklynn Lesniak VP of Patient Services	40 0			X				156,655	0	25,129
(22) Lori Schwenkner Secretary	40 0			X				50,601	0	13,129
(23) Jeff Meade MD Chief Medical Officer	24 0			X				128,340	0	19,209
(24) John McGuinness Physician OBGYN	40 0					X		325,382	0	23,835
(25) Tahmina Aafreen Physician OBGYN	40 0					X		367,817	0	32,169
(26) Edward Hoy Physician	40 0					X		279,155	0	13,796
(27) Holly Vanhecke Physician	40 0					X		273,958	0	14,943
(28) James Milford Physician	40 0					X		258,948	0	35,568
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								2,981,208	0	347,332

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 ▶ 38

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	3		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? *If "Yes," complete Schedule J for such individual*	4	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	5		No

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
METROPOLITAN WATERTOWN LLC 225 S EXECUTIVE DR BROOKFIELD, WI 53005	ANESTHESIA SERVICES	2,193,365
UNIVERSITY OF WISCONSIN MED FOUNDA 1685 HIGHLAND AVE MADISON, WI 53705	PHYSICIAN	1,078,000
MAAS BROTHERS CONSTRUCTION CO INC 410 WATER TOWER COURT WATERTOWN, WI 530940108	CONSTRUCTION	837,092
UNIVERSITY OF WISCONSIN MED FOUNDA PO BOX 620993 MIDDLETON, WI 535620993	CARDIOLOGY PHYSICIAN	707,307
FCM CORPORATION 133 S BUTLER STREET MADISON, WI 53703	CONSTRUCTION	576,276

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 ▶ 26

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	90,923				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		90,923			
Program Service Revenue		Business Code				
	2a HOSPITAL	621110	79,864,995	79,616,644	248,351	
	b HOME HEALTH CARE	621400	549,731	519,548	30,183	
	c WATERTOWN AREA CLINICS	621300	13,244,004	11,330,011	1,913,993	
	d SENIOR LIVING FACILITIES	621300	1,573,128	1,573,128		
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		95,231,858			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		1,574,891			1,574,891
	4 Income from investment of tax-exempt bond proceeds . . ▶		0			
	5 Royalties . . . . . ▶		0			
		(i) Real	(ii) Personal			
	6a Gross Rents	1,408,579				
	b Less rental expenses	1,246,653				
	c Rental income or (loss)	161,926				
	d Net rental income or (loss) . . . . . ▶		161,926			161,926
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory	2,209,281	18,077			
	b Less cost or other basis and sales expenses	2,214,566				
	c Gain or (loss)	-5,285	18,077			
	d Net gain or (loss) . . . . . ▶		12,792			12,792
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a		9,827			
	b Less direct expenses . . . b		1,955			
	c Net income or (loss) from fundraising events . . ▶		7,872			7,872
	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 . . . ▶		0			
	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 . . ▶		0			
	Miscellaneous Revenue	Business Code				
	11a CAFETERIA REVENUE	900099	228,141			228,141
	b MEALMOBILE	624210	56,793	56,793		
	c CANCER CENTER	541610	187,033	187,033		
	d All other revenue		-57,979	-57,979		
	e **Total.** Add lines 11a–11d . . . . . ▶		413,988			
	12 **Total revenue.** See Instructions . . . ▶		97,494,250	93,225,178	2,192,527	1,985,622

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	0			
2	Grants and other assistance to individuals in the U S See Part IV, line 22	20,500	20,500		
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	1,357,434		1,357,434	0
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	36,293,797	31,757,072	4,536,725	0
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,047,275	1,791,366	255,909	
9	Other employee benefits	6,331,336	5,539,919	791,417	
10	Payroll taxes	2,521,663	2,206,455	315,208	
a	Fees for services (non-employees) Management	0			
b	Legal	0			
c	Accounting	0			
d	Lobbying	0			
e	Professional fundraising services *See Part IV, line 17*	0			
f	Investment management fees	0			
g	Other	11,112,655	9,723,573	1,389,082	
12	Advertising and promotion	0			
13	Office expenses	0			
14	Information technology	0			
15	Royalties	0			
16	Occupancy	0			
17	Travel	0			
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	0			
20	Interest	1,943,731	1,700,765	242,966	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	5,609,443	4,908,263	701,180	
23	Insurance	0			
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	MEDICAL SUPPLIES AND DRUGS	9,626,153	8,422,884	1,203,269	
b	LICENSE AND TAXES	1,916,522	1,676,957	239,565	
c	PROVISION FOR BAD DEBT	3,566,755	3,120,911	445,844	
d	FISCAL & ADMIN SERVICE	9,749,671	8,530,962	1,218,709	
e					
f	All other expenses				
25	**Total functional expenses.** Add lines 1 through 24f	92,096,935	79,399,627	12,697,308	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		8,916,531	1	8,538,188
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		11,489,345	4	12,837,461
	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		2,013,572	8	2,051,745
	9	Prepaid expenses and deferred charges		3,095,189	9	2,841,089
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 107,965,568			
	b	Less accumulated depreciation	10b 56,534,220	50,359,985	10c	51,431,348
	11	Investments—publicly traded securities		45,269,161	11	48,748,865
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		603,346	13	773,202
	14	Intangible assets		168,577	14	126,768
	15	Other assets See Part IV, line 11		715,000	15	295,000
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		122,630,706	16	127,643,666
Liabilities	17	Accounts payable and accrued expenses		11,741,856	17	11,276,307
	18	Grants payable			18	
	19	Deferred revenue		486,207	19	566,959
	20	Tax-exempt bond liabilities		29,137,830	20	29,989,549
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		5,601,209	25	5,216,097
	26	**Total liabilities.** Add lines 17 through 25		46,967,102	26	47,048,912
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		75,535,521	27	80,483,526
	28	Temporarily restricted net assets		128,083	28	111,228
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		75,663,604	33	80,594,754
	34	Total liabilities and net assets/fund balances		122,630,706	34	127,643,666

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	97,494,250
2	Total expenses (must equal Part IX, column (A), line 25)	2	92,096,935
3	Revenue less expenses Subtract line 2 from line 1	3	5,397,315
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	75,663,604
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-466,165
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	80,594,754

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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

Additional Data

Software ID:
Software Version:
EIN: 39-1030310
Name: Watertown Regional Medical Center Inc

Form 990, Part III - 4 Program Service Accomplishments (See the Instructions)

4d. Other program services

(Code) (Expenses $ 741,930 including grants of $) (Revenue $ 549,731)
Home Health Care

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance					
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

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

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

Part VI 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	1,283,196	0		1,283,196
b Buildings	48,091,181	0	18,569,862	29,521,319
c Leasehold improvements				
d Equipment	54,584,396	0	35,528,061	19,056,335
e Other	4,006,795	0	2,436,297	1,570,498
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				51,431,348

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

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

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

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

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
RESIDENT DEPOSIT PAYABLE	5,216,097
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	5,216,097

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

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	97,494,250
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	92,096,935
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	5,397,315
4	Net unrealized gains (losses) on investments	4	-489,647
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	23,482
9	Total adjustments (net) Add lines 4 - 8	9	-466,165
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	4,931,150

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

1	Total revenue, gains, and other support per audited financial statements			1	97,004,603
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-489,647		
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	-489,647
3	Subtract line **2e** from line **1**			3	97,494,250
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	97,494,250

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

1	Total expenses and losses per audited financial statements			1	92,096,935
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	92,096,935
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	92,096,935

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
Reconciliation Items	Form 990, Schedule D, Part XI, Line 8	Interest Rate Swap 23,837 Temporarily Restricted Unrealized Loss (488) Investment Income on Temporarily Restricted Net Assets 133 Total -------- 23,482

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☐ 200% ☑ Other 125. %	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . . ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other %	3b	Yes	
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . .	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			732,966		732,966	0 830 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			5,854,660		5,854,660	6 610 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			6,587,626		6,587,626	7 440 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)		25,468	555,017	58,440	496,577	0 560 %
f Health professions education (from Worksheet 5)		145	48,947		48,947	0 060 %
g Subsidized health services (from Worksheet 6)			617,313		617,313	0 700 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			305,741		305,741	0 350 %
j **Total** Other Benefits		25,613	1,527,018	58,440	1,468,578	1 670 %
k **Total.** Add lines 7d and 7j		25,613	8,114,644	58,440	8,056,204	9 110 %

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			2,285		2,285	
3	Community support			14,044		14,044	0 020 %
4	Environmental improvements			1,176		1,176	
5	Leadership development and training for community members		60	2,125		2,125	
6	Coalition building		71	664		664	
7	Community health improvement advocacy			8,966		8,966	0 010 %
8	Workforce development						
9	Other			21,101		21,101	0 020 %
10	**Total**		131	50,361		50,361	0 050 %

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

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1	Yes		
2	Enter the amount of the organization's bad debt expense (at cost)	2	1,734,871		
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	346,974		
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	14,183,052		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	19,315,399		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-5,132,347		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

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

Part IV **Management Companies and Joint Ventures**

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

Part V Facility Information

Section A. Hospital Facilities

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

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	UWHP Watertown Regional Medical Center 125 Hospital Dr Watertown, WI 53098	X	X					X		

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? _____

Name and address	Type of Facility (Describe)
1	
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information

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

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
Bad Debt	Part I, Line 7, Column (f)	The amount of bad debt expense excluded from the the total expenses used to calculate Part I, Line 7, Column (f) was $3,566,755 This reduced the total expenses to $88,530,180

Identifier	ReturnReference	Explanation
Cost Calculation	Part I, Line 7	Costs included in part I, line 7 were calculated using the cost to charge ratio

Identifier	ReturnReference	Explanation
Bad Debt Expense Computation	Part III, Line 4	The Medicare cost to charge ratio, computed from the 9/30/2011 Medicare Cost Report, was used to compute the cost of the bad debt expense The hospital estimated that 20% of its bad debt expense would be classified as charity care if the forms were filled out with proper documentation When accounts are transferred to collection the hospital does not know if the patients may possibly qualify for Community Care because they may have neglected their bills Many accounts go to collection because the hospital never has any contact with the patient The hospital sends them statements and calls them, but the patients never pay or respond The Hospital provides care without charge or at amounts less than the Hospital's established rates to patients who meet certain criteria under its charity care policy The Hospital maintains records to identify and monitor the level of charity care it provides These records include the amount of charges forgone for services and supplies furnished under its charity care policy Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue The following information measures the level of charity care provided for the years ended September 30 Charges Foregone, based on established rates 2011=$1,841,622 2010=$1,123,685

Identifier	ReturnReference	Explanation
Shortfall as Community Benefit	Part III, Line 8	100% of the Medicare shortfall should be treated as community benefit Watertown Regional Medical Center is committed to serving all patients, regardless of ability to pay or if the payments to be received will be less than the cost to provide the service, which is the case for Medicare and Medicaid patients The figures on line 6 of part iii come from the 9/30/2011 Medicare Cost Report

Identifier	ReturnReference	Explanation
Charity Care	Part III, Line 9b	When patients qualify for charity care, the Hospital gives up collection efforts on the amount that is classified as charity care If a patient receives partial charity care, the non-charity portion of their bill is still subject to normal collection efforts, which can include being sent to a collection agency if the patient fails to make payments to the Hospital

Identifier	ReturnReference	Explanation
Billing of Uninsured	Part V, line 19d	Charge all patients the same Selfpay ("SP") patients are then given an automatic 10% "SP" discount Then an additional 15% prompt pay discount if paid within 30 days

Identifier	ReturnReference	Explanation
Needs Assessment	Part VI, Line 2	Using public health data provided by the State of Wisconsin, local health departments and the University of Wisconsin, UW Health Partners Watertown Regional Medical Center (WRMC) completes regular community health assessments These assessments are performed in cooperation with the local public health offices Public health data is used to identify the region's top health and safety needs Each need is then ranked according to the number of people affected and also quantified in terms of regional cost burden Finally, we rate the community health needs in terms of how well they match with the organization's strategic priorities and resources to calculate overall priority scores This year, the organization has identified the following as our community's top health and safety needs a Heart Disease b Overweight and Obesity c Cancer prevention and screening d Access to care for the under and uninsured

Identifier	ReturnReference	Explanation
Patient Education of eligibility for assistance	Part VI, Line 3	WRMC uses multiple methods to educate patients about eligibility for financial assistance Local referring providers are familiar with WRMC's charity care policies and often get patients in contact with WRMC financial counselors as the care process is initiated Our front office/reception staff at each point of entry is educated on billing and assistance procedures and can serve as an immediate resource for patients, referring patients to financial counselors to provide personalized counseling when necessary Our financial assistance policies are available on our website, and the numbers for our financial counselors are publicized in phone books and other directories Once admitted to the medical center, each patient receives a Patient Handbook, which clearly outlines billing procedures and financial assistance resources These policies and resources are also available 24/7 on our website at uwhpwatertown com

Identifier	ReturnReference	Explanation
Community Information	Part VI, Line 4	WRMC serves the residents of Dodge and Jefferson counties in a service area of roughly 120,000 lives Basic county demographic information is as follows Dodge County Jefferson County - Residents below Poverty 8 1% 7 6% - with HS Diploma 82 3% 84 7% - Speak Language other than English 4 6% 6 1% - Residents over age 65 13 6% 12 5% - Residents uninsured 7 4% 3 0%

Identifier	ReturnReference	Explanation
Promotion of Community Health	Part VI, Line 5	WRMC is active in community health improvement in the region Our involvement toward improving three of our health priorities (Obesity, heart disease and access to care) is outlined below WRMC plays a leading role in Get Healthy Watertown, a community entity working to combat our region's obesity problem by helping families and businesses to adopt healthy lifestyle practices To date, we have helped community members to lose more than 6,000 pounds Most importantly, these community members have gained the knowledge to continue their healthy lifestyles for years to come Heart disease is a major challenge for the WRMC service area In addition to providing free heart risk screenings and education for adults, we've started to work with area youth to develop healthy habits years before heart disease presents itself Our Ready Set Fit program takes health professionals into 4th grade classrooms, providing interactive learnings on exercise, nutrition and healthy lifestyles For high school aged children, who are starting to make independent lifestyle choices, we offer a health camp, where students enjoy a day of active exercise and healthy cooking to learn to enjoy healthy lifestyle choices Access to care is one of our top priorities, and we are proud to support two local free clinics who provided much needed care to uninsured and under insured community members We provide leadership, staff expertise, and financial funding to the Watertown Area Cares Clinic (WACC), a new free clinic developed to meet the overwhelming needs of other local free clinics WRMC provides lab and diagnostic services (free of charge) to meet the needs of the WACC as well as another local free clinic, the Rock River Free Clinic

Identifier	ReturnReference	Explanation
Other Health Promoting Activities		WRMC is governed by a community board of directors who represent the diverse needs of the Watertown region We have a board of directors sub-committee which oversees our community benefit plan and activities This committee is made up of community members who represent underserved populations, such as the elderly, low-income, Spanish speaking population and youth This committee also oversees our Community Health Fund, which provides grants to non-profits who further our health and safety mission Each fiscal year, our board allocates a percentage of net revenue to a Community Health Fund Community non-profits with health and safety related missions apply for and receive grant funds to further their missions of enhancing the health of the community WRMC does have an open medical staff

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	990 SCHEDULE H, PART VI	WI,

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

Grants and Other Assistance to Organizations, Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

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

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

3 Enter total number of other organizations . . . . . ▶

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
(1) SCHOLARSHIP AWARDS (SEE PART IV FOR DETAILS)	20	20,500		N/A	N/A

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
Procedures for Monitoring the use of grant funds in the United States	Schedule I, Part I, Line 2	Annually, a team develops and submits a grant request to granting organizations to request funding for initiatives which meet identified health needs The team develops a proposal with objectives, tactics and budget outlined The team monitors progress toward stated objectives and budget and sends quarterly updates to the granting organization In addition, the grant outcomes are reviewed annually with Community Benefit Committee members

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☑ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**		No
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply ☑ Compensation committee ☑ Written employment contract ☑ Independent compensation consultant ☑ Compensation survey or study ☐ Form 990 of other organizations ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**		No
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 accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) John Kosanovich	(i)	265,437	61,506	22,297	36,443	17,866	403,549	0
	(ii)	0	0	0	0	0	0	0
(2) Ron Sokovich MD	(i)	308,823	0	33,030	19,600	20,810	382,263	0
	(ii)	0	0	0	0	0	0	0
(3) John Graf	(i)	139,539	20,465	38,627	16,193	16,124	230,948	0
	(ii)	0	0	0	0	0	0	0
(4) Duane Floyd	(i)	98,749	9,545	21,576	10,765	16,788	157,423	0
	(ii)	0	0	0	0	0	0	0
(5) Jacklynn Lesniak	(i)	134,568	15,660	6,427	11,186	15,410	183,251	0
	(ii)	0	0	0	0	0	0	0
(6) John McGuinness	(i)	217,192	91,660	16,530	21,859	3,844	351,085	0
	(ii)	0	0	0	0	0	0	0
(7) Tahmina Aafreen	(i)	207,516	143,781	16,520	21,287	12,750	401,854	0
	(ii)	0	0	0	0	0	0	0
(8) Edward Hoy	(i)	200,452	40,203	38,500	0	15,233	294,388	0
	(ii)	0	0	0	0	0	0	0
(9) Holly Vanhecke	(i)	215,741	36,118	22,099	0	16,379	290,337	0
	(ii)	0	0	0	0	0	0	0
(10) James Milford	(i)	157,226	85,810	15,912	19,025	18,200	296,173	0
	(ii)	0	0	0	0	0	0	0
(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

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

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 & EDUCATIONAL FACILITIES AUTHOR	39-1337855		11-18-2010	2,250,000	2010 Clinic Building Purchase		X		X		
B	WISCONSIN HEALTH & EDUCATIONAL FACILITIES AUTHOR	39-1337855	97710vqw1	12-11-2003	4,400,000	2003 hospital remodeling		X		X		
C	WISCONSIN HEALTH & EDUCATIONAL FACILITIES AUTHOR	39-1337855	97710vp36	10-26-2006	15,000,000	2006 HOSPITAL EXPANSION		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	2,250,000	4,400,000	15,000,000	
4	Gross proceeds in reserve funds	1,258,570		1,258,570	
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow	707,005			
7	Issuance costs from proceeds	25,995	110,779	924,944	
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	1,517,000	4,289,221	12,816,486	
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2010	2004	2008	

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

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

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?	X		X		X			
2	Is the bond issue a variable rate issue?	X		X		X			
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X	X			
b	Name of provider	JP Morgan Chase				JP Morgan Chase			
c	Term of hedge		28				28		
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X		X		X		
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
6	Did the bond issue qualify for an exception to rebate?	X		X		X			

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Meade Medical Clinic	Officer is owner	255,952	see part v		No
(2) University of Wisconsin Health Care	Board member is officer	100,000	see part v		No
(3) Nadine Kosanovich	Daughter-in-law of pres	19,728	see part v		No
(4) Cynthia Schuler	Spouse of board member	39,005	see part v		No
(5) Roberta Graf	Spouse of treasurer	47,998	see part v		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
Descriptions of Related Party Transactions	Schedule L, Part IV	Meade Medical Clinic Dr Meade provided rental property to Watertown Regional Medical Center, Inc University of Wisconsin Health Care, Inc Mr Dallman is Vice President of Regional Development for University of Wisconsin Health Care, Inc which has an affiliation agreement with Watertown Regional Medical Center, Inc Nadine Kosanovich Nadine Kosanovich, employee of WRMC, is the daughter-in-law of John Kosanovich, President of the board of directors Cynthia Schuler Cynthia Schuler, employee of WRMC, is the spouse of Tim Schuler, who is a board of director Roberta Graf Roberta Graf, employee of WRMC, is the spouse of John Graf, Senior Vice President and Treasurer

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Watertown Regional Medical Center Inc

Employer identification number
39-1030310

Identifier	Return Reference	Explanation
Governing Body and Management	Form 990, Part VI, Line 9	Jeff Baum (Board Chairman) Wisconsin Aviation, Inc 1741 River Drive Watertown, WI 53094 Lyle Wuestenberg (Board Vice-Chair) J & L Tire 4585 Linmar Lane Johnson Creek, WI 53038 Tim Schuler N452 Beverly Drive Watertown, WI 53098 Donna O'Brien N1237 County E Watertown, WI 53098 Daphne Holterman Rosy-Lane Holsteins LLC W3757 Ebenezer Drive Watertown, WI 53094 Juliet Slavens, DDS N7730 French Road Johnson Creek, WI 53038 Fred Albertz 508 Highland Blvd Johnson Creek, WI 53038 Ron Sokovich, MD Urology Clinic Medical Office Building-West, Suite 2002 123 Hospital Drive Watertown, WI 53098 Sandhya Garg, MD UWHC 600 Highland Avenue H4/837 Madison, WI 53792-8310 Michael Dallman UWHC 600 Highland Avenue H4/836 Mail #8370 Madison, WI 53792 Mike Sullivan, MD Watertown Family Practice Associates, SC 127 Hospital Drive Watertown, WI 53098 Emily Stoddard, MD Regional General &Vascular Surgeons, SC MOB-West, Suite 2000 123 Hospital Drive Watertown, WI 53098 Marcy Tessmann W8913 Martins Way Watertown, WI 53094 John Bauer Bethesda Lutheran Communities 600 Hoffman Drive Watertown, WI 53094 Fred Gremmels, MD 1517 Country Club Lane Watertown, WI 53098 Tricia Voigt 206 East Spaulding Watertown, WI 53098

Identifier	Return Reference	Explanation
Form 990 Review Process	Form 990, Part VI, Line 11b	The finance committee reviews the 990 in detail and a copy of the 990 is available for review by all board members before it is filed

Identifier	Return Reference	Explanation
Conflict of Interest Policy	FORM 990, PART VI, LINE 12c	Each year the Hospital's Conflict of Interest policy, along with the Conflict of Interest form, is sent to each Board member Board members are asked to review the policy, complete the form, and return them to Administration where they are kept on file

Identifier	Return Reference	Explanation
Compensation Process	FORM 990, PART VI, LINE 15b	To determine the compensation of each officer of the corporation, a compensation committee and external data are used to determine a fair and reasonable salary Outside sources include the opinion of an independent compensation consultant, use of a compensation survey, and the written employment contract for each officer, if applicable The salary must be approved each year by the compensation committee

Identifier	Return Reference	Explanation
Governing Documents Available to Public	FORM 990, PART VI, LINE 19	Audited financial statements are available to the public through the EMMA website http //emma msrb org/ The governing documents, conflict of interest policies, and audited financial statements are available for public inspection upon request

Identifier	Return Reference	Explanation
Reconciling Items	Form 990, Part XI, Line 5	Unrealized Loss on Investments (489,647) Interest Rate Swap 23,837 Temporarily Restricted Unrealized Gain (488) Investment Income on Temporarily Restricted Net Assets 133 Total --------- (466,165)

WATERTOWN REGIONAL MEDICAL CENTER, INC.

Financial Statements

September 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

WATERTOWN REGIONAL MEDICAL CENTER, INC.

Table of Contents

KPMG LLP
Suite 1500
777 East Wisconsin Avenue
Milwaukee, WI 53202-5337

Independent Auditors' Report

The Board of Directors
Watertown Regional Medical Center, Inc.:

We have audited the accompanying balance sheets of Watertown Regional Medical Center, Inc. (the Hospital) 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 Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Watertown Regional Medical Center, Inc. as of September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

January 10, 2012

WATERTOWN REGIONAL MEDICAL CENTER, INC.

Balance Sheets

September 30, 2011 and 2010

Assets		2011	2010
Current assets:			
Cash and cash equivalents	$	8,538,188	8,916,531
Patient accounts receivable, net of allowance for doubtful accounts of $2,906,000 in 2011 and $2,697,000 in 2010		12,837,461	11,489,345
Inventories of supplies		2,051,745	2,013,572
Estimated amounts due from third-party payors		295,000	715,000
Prepaid expenses and other receivables		1,553,943	1,743,317
Total current assets		25,276,337	24,877,765
Assets whose use is limited or restricted		48,748,865	45,269,161
Property, plant, and equipment, net		51,431,348	50,359,985
Deferred financing costs, net		1,287,146	1,351,872
Other noncurrent assets		899,970	771,923
Total assets	$	127,643,666	122,630,706
Liabilities and Net Assets			
Current liabilities:			
Current installments of long-term debt	$	691,505	668,549
Trade accounts payable		2,957,661	2,563,227
Construction and retainages payable		454,376	500,482
Accrued salaries, wages, and benefits		3,386,620	4,609,310
Other current liabilities and accrued expenses		480,442	463,246
Total current liabilities		7,970,604	8,804,814
Deferred compensation		566,959	486,207
Resident deposits payable		5,216,097	5,601,209
Long-term debt, less current installments and unamortized discount		29,989,549	29,137,830
Other long-term liabilities		3,305,703	2,937,042
Total liabilities		47,048,912	46,967,102
Net assets:			
Unrestricted		80,483,526	75,535,521
Temporarily restricted		111,228	128,083
Total net assets		80,594,754	75,663,604
Total liabilities and net assets	$	127,643,666	122,630,706

See accompanying notes to financial statements.

WATERTOWN REGIONAL MEDICAL CENTER, INC.

Statements of Operations

Years ended September 30, 2011 and 2010

	2011	2010
Net patient service revenue	$ 93,202,631	85,390,914
Other revenue	2,029,227	1,670,235
Total revenues	95,231,858	87,061,149
Expenses:		
Salaries and benefits	48,551,505	42,633,448
Medical supplies and drugs	9,626,153	8,456,997
Purchased services	11,112,655	9,687,075
Depreciation	5,609,443	5,532,156
Provision for bad debts	3,566,755	3,970,946
Interest	1,943,731	2,234,858
Other	11,686,693	11,860,434
Total expenses	92,096,935	84,375,914
Income from operations	3,134,923	2,685,235
Nonoperating gains, net	1,772,745	2,937,735
Revenues in excess of expenses	4,907,668	5,622,970
Other changes in unrestricted net assets:		
Amortization of accumulated effective portion of derivative losses for ineffective interest rate swaps	23,837	23,838
Net assets released from restrictions for property, plant and equipment	16,500	219,297
Increase in unrestricted net assets	$ 4,948,005	5,866,105

See accompanying notes to financial statements.

WATERTOWN REGIONAL MEDICAL CENTER, INC.

Statements of Changes in Net Assets

Years ended September 30, 2011 and 2010

	Unrestricted	Temporarily restricted	Total
Balances, September 30, 2009	$ 69,669,416	299,007	69,968,423
Revenues in excess of expenses	5,622,970	—	5,622,970
Amortization of accumulated effective portion of derivative losses for ineffective interest rate swaps	23,838	—	23,838
Change in net unrealized gains and losses on restricted net assets	—	47,359	47,359
Investment income on temporarily restricted net assets	—	1,014	1,014
Net assets released from restrictions for property, plant and equipment	219,297	(219,297)	—
Increase in net assets	5,866,105	(170,924)	5,695,181
Balances, September 30, 2010	75,535,521	128,083	75,663,604
Revenues in excess of expenses	4,907,668	—	4,907,668
Amortization of accumulated effective portion of derivative losses for ineffective interest rate swaps	23,837	—	23,837
Change in net unrealized gains and losses on restricted net assets	—	(488)	(488)
Investment income on temporarily restricted net assets	—	133	133
Net assets released from restrictions for property, plant and equipment	16,500	(16,500)	—
Increase in net assets	4,948,005	(16,855)	4,931,150
Balances, September 30, 2011	$ 80,483,526	111,228	80,594,754

See accompanying notes to financial statements.

WATERTOWN REGIONAL MEDICAL CENTER, INC.

Statements of Cash Flows

Years ended September 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Increase in net assets	$ 4,931,150	5,695,181
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in net unrealized gains and losses on investments	489,647	(2,446,184)
Change in fair value of interest rate swap	502,059	823,693
Depreciation and amortization (including $718,269 and $667,141 of depreciation in 2011 and 2010, respectively, included in nonoperating gains, net)	6,327,712	6,199,297
Loss (gain) on sale of fixed assets	(18,077)	15,650
Provision for bad debts	3,566,755	3,970,946
Realized losses, net on investments	5,285	906,750
Amortization of accommodation fee	(198,023)	(217,055)
Increase in patient accounts receivable	(4,914,871)	(5,521,691)
Increase in inventories and supplies	(38,173)	(107,893)
Increase in trade accounts payable	394,434	410,440
Decrease (increase) in estimated amounts due from third-party payors	420,000	(290,000)
Net change in other assets and liabilities	(476,364)	(258,621)
Net cash provided by operating activities	10,991,534	9,180,513
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(7,441,037)	(4,538,216)
Proceeds from sale of fixed assets	79,669	25,443
Increase (decrease) in construction and retainages payable	(46,106)	234,267
Purchases of physician clinics	(410,798)	(1,094,815)
Purchases of assets whose use is limited or restricted	(19,638,231)	(57,846,046)
Sales or maturities of assets whose use is limited or restricted	15,663,595	51,648,791
Net cash used in investing activities	(11,792,908)	(11,570,576)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	2,250,000	—
Repayments of long-term debt	(1,375,325)	(648,163)
Payments for deferred financing costs	(66,532)	(6,674)
Change in resident deposits payable	(385,112)	(435,204)
Net cash provided by (used in) financing activities	423,031	(1,090,041)
Net decrease in cash and cash equivalents	(378,343)	(3,480,104)
Cash and cash equivalents:		
Beginning of year	8,916,531	12,396,635
End of year	$ 8,538,188	8,916,531
Supplemental disclosures of cash flow information:		
Cash payments for interest	$ 1,206,477	1,217,215

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

Watertown Regional Medical Center, Inc. (the Hospital), a not-for-profit hospital, operates a community hospital with 95 approved beds providing a full range of acute care and home health services in Watertown, Wisconsin and surrounding communities. The Hospital also owns and operates physician practice clinics and senior housing campuses.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

In 2008, the Hospital signed an affiliation agreement with University Health Care, Inc. (UHC), a not-for-profit organization sponsored by the University of Wisconsin Hospital and Clinics, University of Wisconsin Medical Foundation, and University of Wisconsin School of Medicine and Public Health. As part of the agreement, UHC was assigned two seats on the Hospital's board of directors. The affiliation did not result in UHC obtaining control or an economic interest in the Hospital. The purpose of the affiliation is to enhance local capabilities and further program development to better address the healthcare needs of residents in the Hospital's service area. The initial term of the affiliation is through December 31, 2012 and will automatically renew for successive terms of five years, unless otherwise terminated by either party. The Hospital is required to pay annual affiliation fees of $100,000 to UHC.

(a) Net Asset Accounting

Temporarily restricted net assets are used to differentiate assets whose use is restricted by donors from unrestricted net assets on which donors place no restrictions or which arise as a result of the operations of the Hospital for its stated purposes. The temporarily restricted net assets are restricted for property, plant, and equipment, and various operating purposes.

Temporarily restricted contributions received for property, plant, and equipment are reported as additions to temporarily restricted net assets. To the extent that the donor restrictions have been met within the period, the net assets are reported as net assets released from restrictions and are recorded as additions to unrestricted net assets.

Temporarily restricted contributions received for specific operating purposes are recorded as additions to temporarily restricted net assets. To the extent that the donor restrictions have been met within the period, the net assets are reported as net assets released from restrictions and recorded in other revenue.

(b) Revenues in Excess of Expenses

The statements of operations include revenues in excess of expenses. Transactions deemed by management to be ongoing, major, or central to the provision of health and residential care services are reported as revenues and expenses. Transactions incidental to the provision of patient and residential care services are reported as nonoperating gains and losses and include duplex sales revenue and maintenance fee revenue from the senior housing campuses and the related depreciation expense on that property, plant, and equipment. Changes in unrestricted net assets that are excluded

(Continued)

from revenues in excess of expenses, consistent with industry practice, include amortization of accumulated effective portion of interest rate swap agreements and contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for purchases of acquiring such assets).

During 2011 and 2010, approximately 75% and 74%, respectively, of total expenses incurred were for healthcare services. The remaining expenses were for general and administrative support or residential services.

(c) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. During 2011 and 2010, the Hospital recorded an adjustment to net patient service revenue for an increase (decrease) of approximately $(50,000) and $370,000, respectively, for third-party payor retroactive adjustments relating to services provided in prior years. Rental revenue of approximately $1,721,000 and $1,675,000 for the years ended September 30, 2011 and 2010, respectively, included in net patient service revenue is from the community-based residential facilities that provide healthcare related services to its residents. Rental revenue is recorded in the period in which services are provided at established rates.

(d) Charity Care

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

(e) Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. The Hospital's policy is to consider all investments as noncurrent. The Hospital considers all investments as trading. Investment income or loss (including realized gains and losses on investments, interest, and dividends) on assets limited by trustee under bond indenture is included in other operating revenues. Realized gains and losses and interest and dividends from all other investments, unless the income or loss is restricted by donor or law, are included in nonoperating gains or losses. Unrealized gains and losses of trading securities are reported within nonoperating gains and losses.

The Hospital invests in various investment securities, including mutual funds and corporate bonds. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of the Hospital's investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

(f) Inventories of Supplies

Inventories of supplies are stated at cost (first-in, first-out), which is not in excess of market.

(g) Property, Plant, and Equipment

Property, plant, and equipment acquisitions are recorded at cost. Property, plant, and equipment donated for Hospital operations are recorded as additions to unrestricted net assets at fair value at the date of receipt unless explicit donor stipulations specify how the donated assets must be used. Depreciation is provided over the estimated useful life of the buildings, building improvements, and equipment using the straight-line method (25 – 50, 10 – 20, and 5 – 7 years, respectively). Gains or losses on sales of property, plant, and equipment are recorded as nonoperating gains or losses. Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the costs of acquiring those assets.

(h) Long-Lived Assets

The Hospital periodically assesses the recoverability of long-lived assets (including property, plant, and equipment, and intangibles) when indications of potential impairment, based on estimated, undiscounted future cash flows, exist. Management considers such factors as current results, trends, and future prospects in addition to other economic factors in determining the impairment of the asset. Management believes the Hospital's long-lived assets are not impaired at September 30, 2011 and 2010.

(i) Deferred Financing Costs

Costs incurred related to the issuance of fixed rate bonds are deferred and amortized using the straight-line method over the term of the bonds. Costs incurred related to the issuance of variable rate bonds are deferred and amortized using the straight-line method over the term of the underlying credit enhancement agreement.

(j) Derivative Instruments and Hedging Activities

The Hospital accounts for derivatives and hedging activities in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 815, *Derivatives and Hedging*, which requires entities to recognize all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values

The Hospital has entered into an interest rate related derivative instrument to manage its exposure on variable rate debt. This financial instrument hedges the variability of cash flows to be paid related to a recognized liability, and it is designated as a cash flow hedge. For all hedging relationships, the Hospital formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring ineffectiveness. This process includes linking derivatives that are designated as cash flow hedges to specific asset and liabilities in the statements of operations. The Hospital also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting

changes in the cash flow of hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in other changes in unrestricted net assets to the extent that the derivative is effective as a hedge. The ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash flow hedge is reported within interest expense.

The Hospital discontinues hedge accounting prospectively when the derivative expires; is sold, terminated, or exercised; or management determines that designation of the derivative as a hedging instrument is no longer appropriate. In all situations in which hedge accounting is discontinued, the Hospital continues to carry the derivative at its fair value on the balance sheets and reports the change in fair value within interest expense in the statements of operations.

(k) Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents are defined as all highly liquid investments purchased with an original maturity of three months or less, excluding cash and cash equivalents included in assets whose use is limited or restricted.

(l) Income Taxes

The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. The Hospital is also exempt from state income taxes on related income.

The Hospital files the appropriate tax forms on activities deemed to be unrelated to its exempt purposes in accordance with Internal Revenue Code regulations.

(m) Recently Issued Accounting Standards

In June 2009, the FASB issued Statements of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. This guidance establishes the ASC as the source for authoritative U.S. GAAP recognized by the FASB and effective for the Hospital for the year ended September 30, 2010. The adoption of this guidance had no impact on the results of operations or financial position of the Hospital.

The Hospital adopted ASC No. 958-805, *Not-for-Profit Entities – Business Combinations*, (ASC 958-805) in 2011 that, among other provisions, discontinues the amortization of goodwill by not-for-profit entities. Under ASC 958-805, goodwill is to be reviewed for impairment at least annually or whenever events or circumstances indicate that the carrying value may not be recoverable.

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU No. 2010-06). ASU No. 2010-06 amends ASC Subtopic 820-10 *Fair Value Measurements*, to provide additional disclosure requirements for transfer in and out of Levels 1 and 2 and for activity in Level 3 and to clarify certain other existing disclosure requirements. The Hospital implemented ASU No. 2010-06 for the year ended September 30, 2011.

In August 2010, the FASB issues ASU No. 2010-23, *Measuring Charity Care for Disclosure* (ASU No. 2010-23). ASU No. 2010-23 amends ASC Subtopic 954-605 *Health Care Entities* to require the Hospital to use cost as the measurement basis for charity care disclosure requirements, and is effective for the 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 the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU No. 2011-07). ASU No. 2011-07 requires certain healthcare entities to record the provision for bad debts associated with patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) and is effective for the year ending September 30, 2013, with early adoption permitted.

(n) Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 financial statement presentation, including a reclassification of net realized losses on sale of investments in the statements of cash flows that increase cash flow from operating activities and decrease cash from investing activities by $907,000.

(2) Assets Whose Use Is Limited or Restricted

The following is a summary of assets whose use is limited or restricted at September 30:

		2011	2010
Cash and cash equivalents, including accrued interest	$	2,028,770	905,485
U.S. Treasury notes		9,871,557	10,233,674
U.S. government agency obligations		5,984,264	6,804,842
Corporate bonds		20,230,966	17,738,396
Equity securities		10,633,308	9,586,764
Total	$	48,748,865	45,269,161

Restricted net assets are used to differentiate funds, the use of which is limited by the donor or grantor, from unrestricted net assets on which the donor or grantor places no restriction or that arise as a result of the operations of the Hospital for its stated purposes. Assets whose use is limited include assets set aside by the Board of Directors (the Board) for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes; and assets held by trustees under indenture agreements and resident agreements. Assets whose use is limited are not restricted and are classified as unrestricted net assets.

Assets whose use is limited or restricted are classified as follows:

	2011	2010
Limited by trustee under bond indenture agreements	$ 2,336,951	2,406,801
Designated by the board for future plant expansion and replacement	45,733,727	42,248,070
Restricted for executive compensation agreements	566,959	486,207
Temporarily restricted by donors	111,228	128,083
Total	$ 48,748,865	45,269,161

(3) Composition of Investment Return

The composition of investment return on the Hospital's cash and cash equivalents and assets whose use is limited or restricted for the years ended September 30, 2011 and 2010 is as follows:

	2011	2010
Interest and dividend income	$ 1,575,024	1,305,428
Realized gains and losses, net	(5,285)	(906,570)
Net change in unrealized gains and losses on investments	(489,647)	2,446,184
Total investment return	$ 1,080,092	2,845,042

Investment returns are included in the accompanying statements of operations and changes in net assets for the years ended September 30, 2011 and 2010 as follows:

	2011	2010
Statements of operations:		
Other revenue	$ 35,618	54,001
Nonoperating gains, net	1,044,829	2,742,668
Total investment return, unrestricted net assets	1,080,447	2,796,669
Statements of changes in net assets:		
Investment income on temporarily restricted net assets	133	1,014
Unrealized gains on temporarily restricted net assets	(488)	47,359
Total investment return, temporarily restricted net assets	(355)	48,373
Total investment return	$ 1,080,092	2,845,042

(4) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 *Fair Value*

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Measurements established a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices in active markets that the Hospital has the ability to access at the measurement date.

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

Level 3: Unobservable inputs that are supported by little or no market activity and require the Hospital to develop its own assumptions.

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the Hospital's business, its value, or financial position based on the fair value information of financial assets presented below.

Fair values of cash and cash equivalents are based on observable market quotation prices provided by investment managers and the custodian bank at the reporting date.

Fair values for the Hospital's fixed maturity and equity securities are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. Private placement securities and other equity securities where a public quotation is not available are valued by using broker quotes. The Hospital's fixed maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Cash and cash equivalents that are included in assets whose use is limited are comprised of short-term fixed income securities. Because of the nature of these assets, carrying amounts approximate fair values, which have been determined from public quotations, when available.

The fair values of the Hospital's derivatives are determined using models internally developed by the respective counterparty that use as their basis readily observable market parameters (such as forward yield curves) and are classified within the Level 2 hierarchy. The Hospital considers its own credit risk as well as the credit risk of its counterparties when evaluating the fair value of its derivatives.

The following table presents the Hospital's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2011:

	Total	Fair value measurements at September 30, 2011 Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	$ 8,538,188	8,538,188	—	—
Assets whose use is limited.				
Cash and cash equivalents	2,028,770	2,028,770	—	—
U.S. Treasury notes	9,871,557	—	9,871,557	—
U.S. government agency obligations	5,984,264	—	5,984,264	—
Corporate bonds	20,230,966	—	20,230,966	—
Equity securities	10,633,308	10,633,308	—	—
Total assets	$ 57,287,053	21,200,266	36,086,787	—
Financial liabilities:				
Interest rate swap agreement	$ 2,770,873	—	2,770,873	—
Total liabilities	$ 2,770,873	—	2,770,873	—

The following table presents the Hospital's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2010:

	Total	Fair value measurements at September 30, 2010 Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	$ 8,916,531	8,916,531	—	—
Assets whose use is limited:				
Cash and cash equivalents	905,485	—	905,485	—
U.S Treasury notes	10,233,674	—	10,233,674	—
U.S. government agency obligations	6,804,842	—	6,804,842	—
Corporate bonds	17,738,396	—	17,738,396	
Equity securities	9,586,764	9,586,764	—	—
Total assets	$ 54,185,692	18,503,295	35,682,397	—
Financial liabilities.				
Interest rate swap agreement	$ 2,268,814	—	2,268,814	—
Total liabilities	$ 2,268,814	—	2,268,814	—

(Continued)

(5) Property, Plant, and Equipment

Property, plant, and equipment at September 30, 2011 and 2010 are summarized as follows:

	2011	2010
Land	$ 1,283,196	1,257,192
Land improvements	3,635,438	3,461,333
Buildings and fixed equipment	70,154,896	66,478.012
Movable equipment	32,520,681	29,748,373
Construction in progress	371,357	437,579
Total property, plant, and equipment	107,965,568	101,382,489
Less accumulated depreciation	56,534,220	51,022,504
Property, plant, and equipment, net	$ 51,431,348	50,359,985

Construction in progress at September 30, 2011 consists primarily of various renovation projects expected to be completed during fiscal 2012.

(6) Long-Term Debt and Guarantees

Long-term debt at September 30, 2011 and 2010 is summarized as follows:

	2011	2010
Bond issue:		
Series 2010 – WHEFA	$ 2,205,000	—
Series 2006 – WHEFA	15,000,000	15,000,000
Series 2003 – WHEFA	2,860,000	3,080,000
Series 2001 – WHEFA	10,705,000	11,055,000
Series 1998 – City of Watertown	—	266,000
Series 1998 – City of Waterloo	—	480,000
Equipment capital lease (at an effective rate of 6.4%)	71,983	100,804
Total long-term debt	30,841,983	29,981,804
Less:		
Current installments	691,504	668,549
Unamortized discount	160,930	175,425
Long-term debt, less current installments and unamortized discount	$ 29,989,549	29,137,830

The Series 2010 Bonds were issued through the Wisconsin Health and Educational Facilities Authority (WHEFA) on November 18, 2010 and are adjustable rate, revenue bonds directly placed with JPMorgan Chase Bank, N.A. Principal and interest payments are due semiannually, commencing in April 2011 through October 2035. The 2010 bonds bear interest at 2.95% through November 17, 2017. From November 18, 2017 to maturity, these bonds are subject to a reset rate. The Series 2010 Bonds are

(Continued)

collateralized by a mortgage on substantially all of the Hospital's property, plant, and equipment and a security interest in substantially all of the revenue of the Hospital. The effective annual interest rate on the Series 2010 Bonds was 3.24% for the year ended September 30, 2011.

The Series 2006 Bonds were issued through the WHEFA on October 26, 2006 and are adjustable rate, put option insured revenue bonds. Principal payments are due annually, commencing in September 2018 through 2036. Interest is payable monthly at a variable rate reset weekly by a remarketing agent (0.14% and 0.27% at September 30, 2011 and 2010, respectively). The Series 2006 Bonds are collateralized by a mortgage on substantially all of the Hospital's property, plant, and equipment and a security interest in substantially all of the revenue of the Hospital. The Series 2006 Bonds are backed by a letter of credit provided by JPMorgan Chase Bank, NA (JPMorgan), which expires on October 11, 2011. In the event that the bond remarketing agent is unable to remarket the Series 2006 Bonds, the Series 2006 Bonds would remain outstanding and would be owned by JPMorgan; however, such bonds would be repayable in accordance with terms specified in the letter of credit and reimbursement agreement with JPMorgan. In the event that the letter of credit is drawn upon, the Hospital would reimburse JPMorgan in equal quarterly installments of $750,000 commencing on the first quarterly date to occur at least 367 days after the letter of credit is drawn upon. The Series 2006 Bonds are insured through Radian Asset Assurance, Inc. The effective annual interest rate on the Series 2006 Bonds after giving effect to the effects of the related interest rate swap agreement was 4.22% and 4.21% for the years ended September 30, 2011 and 2010, respectively.

The Series 2003 Bonds were issued through WHEFA and are adjustable rate, put option revenue bonds. Principal payments are due annually through December 2023. Interest is payable monthly at a variable rate reset weekly by a remarketing agent. The variable interest rate was 0.14% and 0.27% as of September 30, 2011 and 2010, respectively. The Series 2003 Bonds are collateralized by a mortgage on substantially all of the Hospital's property, plant, and equipment and a security interest in substantially all of the revenue of the Hospital. JPMorgan f/k/a Bank One, NA issued an irrevocable direct-pay letter of credit, which expires on October 31, 2013, pursuant to the terms of a reimbursement agreement between the Hospital and JPMorgan to pay the principal and interest on the Series 2003 Bonds. In the event that the bond remarketing agent is unable to remarket the Series 2003 Bonds, the Series 2003 Bonds would remain outstanding and would be owned by JPMorgan. If the letter of credit is drawn upon, the Hospital would continue to pay JPMorgan under the scheduled payment terms of the bonds plus interest on the unpaid principal amount outstanding at a rate per annum equal to the prime rate in effect. The effective annual interest rate on the Series 2003 Bonds was 1.27% and 0.76% for the years ended September 30, 2011 and 2010, respectively.

The Series 2001 Bonds were issued through WHEFA. Principal payments are due annually, commencing in August 2002 through August 2029. Interest is payable semiannually at annual fixed rates ranging from 3.40% to 5.40% depending on date of maturity. The effective annual interest rate was 5.83% and 5.80% in 2011 and 2010, respectively. The Series 2001 Bonds are collateralized by a mortgage on substantially all of the Hospital's property, plant, and equipment and a security interest in substantially all of the revenue of the Hospital.

The Series 1998 Bonds – City of Watertown were issued through the City of Watertown, Wisconsin. The Series 1998 Bonds – City of Watertown bear interest at 5.08% through March 31, 2008. On April 1, 2008, the interest rate was reset to a fixed rate of 4.30% effective through maturity of April 1, 2017. Principal

and interest payments are due semiannually through April 1, 2017. The Series 1998 Bonds – City of Watertown are collateralized by a first mortgage on the building and a security interest in the equipment and substantially all of the revenue of the Highland House – Watertown. The effective annual interest rate on the Series 1998 Bonds – City of Watertown was 5.19% and 4.51% for the years ended September 30, 2011 and 2010, respectively. The bonds were paid in full on November 18, 2010.

The Series 1998 Bonds – City of Waterloo were issued through the City of Waterloo, Wisconsin to finance the construction of a 28-bed residential community apartment complex in Waterloo, Wisconsin (Highland House – Waterloo). The Series 1998 Bonds – City of Waterloo bear interest of 5.08% through March 31, 2008. On April 1, 2008, the interest rate was reset to a fixed rate of 4.35% effective through maturity of April 1, 2020. Principal and interest payments are due semiannually through April 1, 2020. The Series 1998 Bonds – City of Waterloo are collateralized by a first mortgage on the building and a security interest in the equipment and substantially all of the revenue of the Highland House – Waterloo. The effective annual interest rate on the Series 1998 Bonds – City of Waterloo was 5.63% and 4.53% for the years ended September 30, 2011 and 2010, respectively. The bonds were paid in full on November 18, 2010.

The borrowing agreements contain various covenants and restrictions, including provisions limiting the amount of additional indebtedness that may be incurred, requiring maintenance of a debt service coverage ratio and specified days of cash on hand. The borrowing agreements also require the establishment and maintenance of certain funds under the control of a trustee, reflected as assets whose use is limited by trustee under bond indenture agreement (note 2).

Scheduled aggregate annual principal payments on long-term debt in each of the next five fiscal years and in the aggregate thereafter are as follows:

		Long-term debt
Year ending September 30:		
2012	$	705,714
2013		727,731
2014		723,538
2015		735,000
2016		760,000
After 2017		27,190,000
Total	$	30,841,983

(Continued)

If the letters of credit on the variable rate debt were fully drawn upon at September 30, 2011, the annual principal payments in each of the next five fiscal years and in the aggregate thereafter would be as follows:

	Long-term debt
Year ending September 30:	
2012	$ 705,714
2013	2,977,731
2014	3,723,538
2015	3,735,000
2016	3,760,000
After 2017	15,940,000
Total	$ 30,841,983

The bond discount is amortized over the life of the related obligation using a method that approximates the effective-interest method.

The carrying value of the Hospital's long-term debt is not materially different than fair value at September 30, 2011 and 2010.

(a) Cancer Center Joint Venture Loan Guarantee

The Hospital is party to a joint venture agreement with two other healthcare organizations for a one-third ownership interest in a cancer center building. The joint venture company, UW Cancer Center Johnson Creek, LLC, has a building note and an equipment note with a bank. At September 30, 2011 and 2010, the total balance of the loans was $3,201,237 and $3,372,418, respectively. The Hospital has guaranteed one-sixth of the total loan balance, which includes principal, interest, and any penalties. No amount of the joint venture's loan balance is included in the Hospital's financial statements, nor have any amounts been accrued by the Hospital pursuant to this guarantee.

(b) Patient Balance Loan Guarantees

The Hospital maintains an arrangement with a credit union to guarantee loans made to patients to pay hospital accounts receivable balances. The Hospital guarantees payment on demand of the principal and interest of these loans made by the credit union. As of September 30, 2011 and 2010, the Hospital has guaranteed 168 and 203 patient loans, respectively, with original terms up to 36 months and outstanding loan balances of $488,833 and $489,343, respectively. No amount of the patient loan balances is included in the Hospital's financial statements, nor any accruals related to such guarantee.

(c) Derivative Instruments

The Series 2006 Bonds expose the Hospital to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest

payments. To meet this objective, management entered into an interest rate swap agreement to manage fluctuations in cash flows resulting from interest rate risk.

The interest rate swap agreement changes the variable rate cash flow exposure on the debt obligations to fixed cash flows. Effective November 1, 2006, the Hospital entered into an interest rate swap agreement for $11,250,000 of the Series 2006 debt. Under the terms of the interest rate swap, the Hospital receives variable interest rate payments equal to 67% of the 30-day London Interbank Offered Rate (LIBOR) and makes fixed interest rate payments of 3.669% annually to the counterparty, thereby creating the equivalent of fixed rate debt. Payments under the swap contract are based on a notional amount of $11,250,000, which amortizes in accordance with scheduled principal payments on the Series 2006 debt. The net difference between the amounts received from and paid to the counterparty is recorded within interest expense. During 2011 and 2010, the net settlement payments to the counterparty were approximately $395,000 and $393,000, respectively. The contract expires on September 1, 2034. As of September 30, 2011 and 2010, the estimated market value of the swap contract is a liability of approximately $2,771,000 and $2,269,000, respectively, and is recorded in other long-term liabilities in the accompanying balance sheets.

Changes in the fair value of the effective portion of the interest rate swap agreements are reported directly to unrestricted net assets. Hedge ineffectiveness will be measured as the excess, if any, of the change in value of the actual hedge instrument over the change in value of the hypothetical hedge instrument. Any ineffective portion of the change in fair value of a derivative instrument is reported within interest expense. In 2008, the hedge was determined to be ineffective for a portion of the year and remains ineffective at September 30, 2011. Therefore, the change in fair value of the interest rate swap agreement of $502,059 in 2011 and $823,693 in 2010 was charged directly to interest expense. The Hospital amortizes the cumulative effective portion of the swap included as an increase of unrestricted net assets to interest expense through the maturity date of the swap agreement. The effective portion of the swap is being amortized using the bonds outstanding method. The unamortized effective portion of the change in fair value of the swap was $546,282 and $570,119 as of September 30, 2011 and 2010, respectively.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Hospital exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Hospital, which creates credit risk for the Hospital. When the fair value of a derivative contract is negative, the Hospital owes the counterparty, and therefore, it does not possess credit risk. The Hospital minimized the credit risk in derivative instruments by entering into a transaction with a high-quality counterparty. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with the interest rate contract is managed by limiting the types and degree of market risk that may be undertaken. The Hospital has no derivative instruments other than the interest rate swap agreement.

(7) Leases

The Hospital has entered into noncancelable operating leases, primarily for clinic buildings, diagnostic equipment, and medical equipment that expire over the next ten years. These leases generally contain

renewal options for periods ranging from one to five years and require the Hospital to pay all executory costs such as maintenance and insurance. Rental payments include minimum rentals.

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Total rental expense for noncancelable operating leases for the years ended September 30, 2011 and 2010 was approximately $1,038,000 and $1,128,000, respectively.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of September 30, 2011 are as follows:

	Operating leases
Year ending September 30:	
2012	$ 812,884
2013	254,564
2014	227,990
2015	211,321
2016	115,022
After 2017	136,243
Total	$ 1,758,024

(8) Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for reimbursement at amounts different from the Hospital's established rates. Contractual adjustments under third-party reimbursement programs represent the difference between established rates for services and amounts reimbursed by third-party payors.

Inpatient acute care services and related capital costs rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and outpatient services related to Medicare beneficiaries are paid based upon either established fee screens or prevailing rates. Effective December 22, 2006, the Hospital was designated as a Medicare Dependent Hospital for reimbursement purposes. The designation resulted in additional reimbursement for inpatient services of approximately $1,737,000 and $1,732,000 for the years ended September 30, 2011 and 2010, respectively. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through fiscal year ended September 30, 2007. The percentage of net patient service revenue applicable to services provided to Medicare patients was approximately 28% and 27% in 2011 and 2010, respectively.

In 2009, the State of Wisconsin (the State) enacted an assessment tax on all hospitals. The State used these funds plus additional funds received from the federal government to increase the reimbursements under its Medicaid program. The Hospital received additional reimbursement of approximately $3,119,000 included in net patient service revenue and paid a tax of $1,917,000 included in other expenses for a net increase to income from operations of $1,202,000 for the year ended September 30, 2011. The Hospital received additional reimbursement of approximately $3,308,000 included in net patient service revenue and paid a

tax of $1,818,000 included in other expenses for a net increase to income from operations of $1,490,000 for the year ended September 30, 2010.

(9) Charity Care

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these charges are not reported as revenues. The following information measures the level of charity care provided for the years ended September 30:

	2011	2010
Charges forgone, based on established rates	$ 1,841,622	1,123,685

(10) Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at September 30 is summarized as follows:

	2011	2010
Medicare	30%	33%
HMO/PPO	27	27
Commercial insurance	11	10
Other third-party payors	14	13
Patients	18	17
Total	100%	100%

(11) Pension Plan, Deferred Compensation, and Health Insurance

The Hospital sponsors a noncontributory defined contribution pension plan that covers substantially all full-time employees who meet the length-of-service requirements. The Hospital contributes 5% of a participant's compensation to the pension plan. The plan is funded on a current basis with each payroll period. Pension expense under this plan amounted to approximately $1,430,000 and $1,357,000 for the years ended September 30, 2011 and 2010, respectively.

The Hospital also sponsors a deferred compensation plan whereby highly compensated employees can defer a portion of their salary until the date of termination or retirement. The Hospital does not contribute to this plan. The amount of the asset and liability for this plan is $566,959 and $486,207 at September 30, 2011 and 2010, respectively, and is included in other noncurrent assets and deferred compensation.

The Hospital had a self-insured health plan up until December 31, 2009. On January 1, 2010, the Hospital went to a fully insured health plan. The Hospital has a self-insured dental plan that covers substantially all liability for costs associated with claims for employees up to certain limits under a commercial stop-loss agreement. Included in other accrued expenses are estimated amounts payable for dental insurance claims,

including provision for the ultimate cost of incurred but not reported claims. Benefit payments and administrative costs related to this plan approximated $198,000 and $662,000 for the years ended September 30, 2011 and 2010, respectively.

(12) Medical Office Buildings

The Hospital owns and operates two medical office buildings located on its campus and leases office space in these buildings primarily to physicians. Insurance, maintenance, and upkeep of the facilities are the responsibility of the Hospital. For the years ended September 30, 2011 and 2010, the Hospital has recorded $498,000 and $487,000, respectively, of rental income and is included in nonoperating gains and losses. These operating lease agreements provide for monthly rental payments, which approximate the costs of operating and owning the facilities. The future minimum rentals to be received under these agreements are as follows:

2012	$	43,419
2013		16,175
2014		16,422
2015		16,677
2016		16,931
Total	$	109,624

(13) Resident Deposits Payable

Residents of Highland Village Apartments in Watertown and Waterloo, Wisconsin are required to pay an accommodation fee to the Hospital for the cost of the apartment due upon signing a contract. The Hospital records approximately 80% of the accommodation fee as resident deposits payable and the remaining nonrefundable portion of 20% as deferred revenue, which is amortized over a 10-year period. The refundable portion of the deposit is payable to the resident upon termination of the contract. The Hospital recorded approximately $198,000 and $217,000 of accommodation fee revenue in 2011 and 2010, respectively, included in nonoperating gains.

(14) Professional Liability

The Hospital has professional liability insurance with limits of $1,000,000 per claim and $3,000,000 in aggregate for claims made during a policy year (claims-made basis). The Hospital also has professional liability insurance for its employed physicians, with limits of $1,000,000 per claim and $3,000,000 in aggregate for claims made during a policy year (claims-made basis). Losses in excess of the professional liability insurance are fully covered through the Hospital's mandatory participation in the Wisconsin Injured Patients and Families Compensation Fund. No liability for claims incurred but not reported as of the balance sheet date has been provided based on management's assessment of hospital specific claim incurral and reporting patterns.

(Continued)

(15) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The Hospital is subject to these regulatory efforts. Management is currently unaware of any regulatory matters that may have a material effect on the Hospital's financial position or results of operations.

(16) Subsequent Events

The Hospital evaluated events and transactions through January 10, 2012, the date the financial statements were issued, noting no additional subsequent events requiring recording or disclosure in the financial statements or related notes to the financial statements.