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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

Reedsburg Area Medical Center (RAMC) is a non-profit, non-stock corporation which exists for the benefit of the people of Reedsburg and surrounding areas. RAMC's mission is to provide quality, compassionate and effective health care by going beyond the expected in all we do. Our main function is to provide primary care services consisting of, but not limited to, acute care, obstetrics, urgent/emergency care, diagnostic services, rehabilitation, surgical services, community outreach and wellness. Diversification and expansion of services are considered in response to the needs of those we serve. RAMC provides significant charity care and other community benefits as defined by the IRS. But in addition, we believe that we provide a critically important community benefit which is not quantified. Our hospital, like most rural hospitals, was created and is maintained in order to provide care locally - care that without our hospital, would not be available locally.

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

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?

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 \$ 3,112,974 including grants of \$ 0 ) (Revenue \$ 7,301,958 )
	Inpatient services include MultiCare (medical/surgical), Obstetrics/Nursery and Intensive Care units at Reedsburg Area Medical Center. Within these units, RAMC provided short-term care for 4,899 patient days (1,487 discharged patients) during the fiscal year ending 9/30/2011. This included 393 Medicare Swing Bed days for 67 patients, 821 observations and 289 births.
4b	(Code ) (Expenses \$ 2,771,219 including grants of \$ 0 ) (Revenue \$ 16,273,734 )
	RAMC's Urgent Care and Emergency Care is here for our community whenever they need us. Urgent Care has hours of availability for minor medical needs seven days a week and the Emergency Room is open and physician staffed 24 hours a day, seven days a week. A multi-disciplinary team of skilled professionals, along with up-to-date diagnostic technology, are available 24 hours a day. The staff at RAMC is here to meet patients' physical, social, educational, emotional and spiritual needs. In the fiscal year ending 9/30/2011, 9,148 patients were seen in the Emergency Room (resulting in 1,171 inpatient admissions) and 4,356 visited Urgent Care.
4c	(Code ) (Expenses \$ 2,693,702 including grants of \$ 0 ) (Revenue \$ 8,179,958 )
	In our commitment to providing high-quality, effective, local healthcare, RAMC has made several updates to our Radiology department. The most recent is a new Light Speed 64 Slice CT Scanner. This advanced diagnostic system helps physicians reach confident diagnoses and provide a higher level of patient care. It enables the lowering of radiation doses (up to 40%) while maintaining high quality images throughout the body. It also allows for a new offering of cardiac testing at RAMC. It can non-invasively detect fatty or calcium deposits in the coronary arteries that can lead to damage of the heart muscle. A total of 27,313 procedures (2,902 inpatient, 24,411 outpatient) were performed by our Radiology department, including ultrasounds, CT scans, nuclear medicine, mammograms, x-ray, PET CT scans, in-house MRI and bone density tests.
4d	Other program services (Describe in Schedule O ) See also Additional Data for Description
	(Expenses \$ 27,775,520 including grants of \$ 486,103 ) (Revenue \$ 10,234,487 )
4e	Total program service expenses \$ 36,353,415

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)? <i>If "Yes," complete Schedule A.</i> 	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? 	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i>		No
4	<b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i>		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? <i>If "Yes," complete Schedule C, Part III.</i>		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? <i>If "Yes," complete Schedule D, Part I.</i>		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? <i>If "Yes," complete Schedule D, Part II.</i>		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i>		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? <i>If "Yes," complete Schedule D, Part IV.</i>		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	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? <i>If "Yes," complete Schedule D, Part VII.</i>		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? <i>If "Yes," complete Schedule D, Part VIII.</i> 	Yes	
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? <i>If "Yes," complete Schedule D, Part IX.</i>		No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i>		No
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i>		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?		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? <i>If "Yes," complete Schedule F, Parts I and IV.</i>		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 ? <i>If "Yes," complete Schedule F, Parts II and IV.</i>		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 ? <i>If "Yes," complete Schedule F, Parts III and IV.</i>		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? <i>If "Yes," complete Schedule G, Part I (see instructions).</i>		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? <i>If "Yes," complete Schedule G, Part II.</i>		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions).	Yes	

Part IV

Checklist of Required Schedules (continued)

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

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		<b>Yes</b>	<b>No</b>
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	<b>1a</b>	63
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	0
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>1c</b>	Yes
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	<b>2a</b>	534
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>	No
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	<b>3b</b>	
<b>4a</b>	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)?	<b>4a</b>	No
<b>b</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.		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	<b>5a</b>	No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>	No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>	
<b>6a</b>	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?	<b>6a</b>	No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	<b>6b</b>	
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
<b>a</b>	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?	<b>7a</b>	No
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7b</b>	
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7c</b>	No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.	<b>7d</b>	
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7e</b>	No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7f</b>	No
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7g</b>	
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>7h</b>	
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	<b>8</b>	
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>		
<b>a</b>	Did the organization make any taxable distributions under section 4966?	<b>9a</b>	
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?	<b>9b</b>	
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter		
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12.	<b>10a</b>	
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	<b>10b</b>	
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter		
<b>a</b>	Gross income from members or shareholders.	<b>11a</b>	
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	<b>11b</b>	
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12a</b>	
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	<b>12b</b>	
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.	<b>13a</b>	
<b>b</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.	<b>13b</b>	
<b>c</b>	Enter the amount of reserves on hand.	<b>13c</b>	
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>	No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	<b>14b</b>	

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

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

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  
Joseph Svetlik  
2000 North Dewey Ave  
Reedsburg, WI 53959  
(608) 524-6487

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) Winthrop Byers Trustee	0	X						2,250	0	0
(2) Janice Gerlach Trustee	0	X						1,800	0	0
(3) Jeff Steel Trustee	0	X						1,650	0	0
(4) Phyllis Irish Trustee	0	X						2,450	0	0
(5) Deanna Benish MD Trustee	0	X						2,420	0	0
(6) Katherine Campbell Trustee	0	X						1,350	0	0
(7) Eric Molberg Trustee	0	X						1,450	0	0
(8) James Sebranek Trustee	0	X						2,250	0	0
(9) Christopher Wenninger MD Trustee	0	X						10,793	0	0
(10) Kurt Muchow Trustee	0	X						1,300	0	0
(11) Eric Sauey Trustee	0	X						1,350	0	0
(12) Robert Van Meeteren President/CEO	40			X				176,056	0	21,004
(13) Joseph Svetlik VP Finance	40			X				145,066	0	44,952
(14) Dale Turner VP Human Resources	40			X				114,644	0	31,720
(15) Dennis Schommer VP Support Services	28			X				94,211	0	30,012
(16) Beverly Hoege Executive Vice President	40			X				134,004	0	23,541



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) Carla Mercer VP Planning and Marketing	40			X				96,101	0	21,245
(18) Gerry Chrabaszcz Orthopedic Surgeon	40					X		282,733	0	21,321
(19) Chrstopher Bjorklund Anesthesiologist	40					X		267,386	0	21,736
(20) Enc Newgent MD Physician	40					X		262,273	0	21,736
(21) Kenneth Olson Anesthesiologist	40					X		247,738	0	21,321
(22) Kevin McBride Anesthesiologist	40					X		247,318	0	21,736
(23) George Johnson President/CEO	0						X	183,895	0	0
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>								2,280,488	0	280,324

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

15

		Yes	No
3	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3 Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such person</i>	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
Dean Health Plan PO Box 684119 Milwaukee, WI 532684119	Health insurance provider	2,188,147
Acute Care PO Box 4130 Des Moines, IA 50333	ER Physicians	1,578,684
Shared Imaging PO Box 45686 Madison, WI 537445686	Radiology/Imaging Services	1,021,545
Reedsburg Physicians Group 1900 North Dewey Avenue Suite A Reedsburg, WI 53959	Physician services	468,921
CPSI 6600 Wall Street Mobile, AL 36695	Computer Software Support Services	467,273
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 ▶15		

Part VIII

Statement of Revenue

			(A)	(B)	(C)	(D)		
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections  512, 513, or 514		
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . . . .	1a	0				
	b	Membership dues . . . . .	1b	0				
	c	Fundraising events . . . . .	1c	0				
	d	Related organizations . . . . .	1d	0				
	e	Government grants (contributions)	1e	446,554				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	181,995				
	g	Noncash contributions included in lines 1a-1f \$		750				
	h	Total. Add lines 1a-1f . . . . .		628,549				
	Program Service Revenue	2a	Business Code			0	0	
		Medicare	622110	13,976,518	13,976,518			
b		Dean Health	622110	6,923,904	6,923,904	0	0	
c		Blue Cross	622110	4,535,443	4,535,443	0	0	
d		Medicaid	622110	3,890,899	3,890,899	0	0	
e		Alliance	622110	3,587,200	3,587,200	0	0	
f		All other program service revenue		9,076,173	9,076,173	0	0	
g		Total. Add lines 2a-2f . . . . .		41,990,137				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .		699,722	699,722	0	0	
	4	Income from investment of tax-exempt bond proceeds . . .		41,314	41,314	0	0	
	5	Royalties . . . . .		0	0	0	0	
	6a	(i) Real	(ii) Personal					
		474,984	0					
		b	Less rental expenses	0				
		c	Rental income or (loss)	474,984				
	d	Net rental income or (loss) . . . . .		474,984	474,984	0	0	
	7a	(i) Securities	(ii) Other					
		0	222,756					
		b	Less cost or other basis and sales expenses	0	366,677			
		c	Gain or (loss)	0	-143,921			
	d	Net gain or (loss) . . . . .		-143,921	-143,921	0	0	
	8a	Gross income from fundraising events (not including \$ 0 of contributions reported on line 1c) See Part IV, line 18 . . . . .	a					
		b	Less direct expenses . . . . .	b				
		c	Net income or (loss) from fundraising events . . .					
	9a	Gross income from gaming activities See Part IV, line 19 . . .	a					
		b	Less direct expenses . . . . .	b				
		c	Net income or (loss) from gaming activities . . .					
	10a	Gross sales of inventory, less returns and allowances . . . . .	a					
b		Less cost of goods sold . . . . .	b					
c		Net income or (loss) from sales of inventory . . .						
Miscellaneous Revenue		Business Code						
11a	Cafeteria/Meals Revenue	722310	780,672	780,672	0	0		
	b	Gain on repurchase of bonds	622110	169,688	169,688	0	0	
	c							
	d	All other revenue . . . . .		-8,623	-8,623	0	0	
e	Total. Add lines 11a-11d . . . . .		941,737					
12	Total revenue. See Instructions . . . . .		44,632,522	44,003,973	0	0		

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	415,080	415,080		
2	Grants and other assistance to individuals in the U S See Part IV, line 22	71,022	71,022		
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0	0		
4	Benefits paid to or for members	0	0		
5	Compensation of current officers, directors, trustees, and key employees . . . . .	1,126,663	0	1,092,952	33,711
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .	21,066	0	21,066	0
7	Other salaries and wages	16,606,123	16,266,435	309,893	29,795
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	665,065	649,714	13,861	1,490
9	Other employee benefits . . . . .	4,449,718	4,381,016	60,042	8,660
10	Payroll taxes . . . . .	1,219,470	1,165,748	50,482	3,240
a	Fees for services (non-employees) Management . . . . .	0	0	0	0
b	Legal . . . . .	60,112	0	60,112	0
c	Accounting . . . . .	28,275	0	28,275	0
d	Lobbying . . . . .	0	0	0	0
e	Professional fundraising services See Part IV, line 17 . . . . .	0			0
f	Investment management fees . . . . .	0	0	0	0
g	Other . . . . .	3,030,198	3,030,198	0	0
12	Advertising and promotion . . . . .	239,682	239,682	0	0
13	Office expenses . . . . .	6,733,239	6,733,239	0	0
14	Information technology . . . . .	312,049	312,049	0	0
15	Royalties . . . . .	0	0	0	0
16	Occupancy . . . . .	631,534	0	631,534	0
17	Travel . . . . .	49,676	49,676	0	0
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .	0	0	0	0
19	Conferences, conventions, and meetings . . . . .	92,150	92,150	0	0
20	Interest . . . . .	1,203,723	0	1,203,723	0
21	Payments to affiliates . . . . .	0	0	0	0
22	Depreciation, depletion, and amortization . . . . .	2,369,929	0	2,369,929	0
23	Insurance . . . . .	225,657	0	225,657	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	Professional Fees	1,918,875	1,918,875	0	0
b	Bad Debts	572,532	0	572,532	0
c	Food Expense	441,739	441,739	0	0
d	Dues/Licenses/Assessments	427,519	427,519	0	0
e	Patient/Community Education	8,385	8,385	0	0
f	All other expenses	150,888	150,888	0	0
25	Total functional expenses. Add lines 1 through 24f	43,070,369	36,353,415	6,640,058	76,896
26	Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .			0	1	0
	2	Savings and temporary cash investments . . . . .			9,429,807	2	4,797,049
	3	Pledges and grants receivable, net . . . . .			0	3	0
	4	Accounts receivable, net . . . . .			6,196,269	4	7,037,035
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .			0	5	0
	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 . . . . .			0	6	0
	7	Notes and loans receivable, net . . . . .			79,426	7	100,000
	8	Inventories for sale or use . . . . .			1,683,752	8	1,550,573
	9	Prepaid expenses and deferred charges . . . . .			1,762,564	9	1,686,712
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a	50,076,408			
	b	Less: accumulated depreciation . . . . .	10b	20,528,957	30,548,030	10c	29,547,451
	11	Investments—publicly traded securities . . . . .			8,353,318	11	10,947,773
	12	Investments—other securities. See Part IV, line 11 . . . . .			0	12	0
	13	Investments—program-related. See Part IV, line 11 . . . . .			2,206,942	13	4,000,129
	14	Intangible assets . . . . .			0	14	0
	15	Other assets. See Part IV, line 11 . . . . .			1,191,707	15	1,086,986
16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			61,451,815	16	60,753,708	
Liabilities	17	Accounts payable and accrued expenses . . . . .			5,118,167	17	4,783,363
	18	Grants payable . . . . .			0	18	0
	19	Deferred revenue . . . . .			897,706	19	983,574
	20	Tax-exempt bond liabilities . . . . .			22,875,406	20	21,068,564
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .			0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .			0	22	0
	23	Secured mortgages and notes payable to unrelated third parties . . . . .			839,843	23	1,530,981
	24	Unsecured notes and loans payable to unrelated third parties . . . . .			0	24	0
	25	Other liabilities. Complete Part X of Schedule D . . . . .			0	25	
	26	Total liabilities. Add lines 17 through 25 . . . . .			29,731,122	26	28,366,482
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets . . . . .			30,543,940	27	31,315,193
	28	Temporarily restricted net assets . . . . .			1,176,753	28	1,072,033
	29	Permanently restricted net assets . . . . .			0	29	0
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds . . . . .				30	
	31	Paid-in or capital surplus, or land, building or equipment fund . . . . .				31	
	32	Retained earnings, endowment, accumulated income, or other funds . . . . .				32	
	33	Total net assets or fund balances . . . . .			31,720,693	33	32,387,226
34	Total liabilities and net assets/fund balances . . . . .			61,451,815	34	60,753,708	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	44,632,522
2	Total expenses (must equal Part IX, column (A), line 25)	2	43,070,369
3	Revenue less expenses Subtract line 2 from line 1	3	1,562,153
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	31,720,693
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-895,620
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	32,387,226

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	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	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input checked="" type="checkbox"/> Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		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		

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 REEDSBURG AREA MEDICAL CENTER	Employer identification number 39-1091432
---	--

Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10

☐

An organization organized and operated exclusively to test for public safety See**section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

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

Part IIIPart III

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) 	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
13 Total support (Add lines 9, 10c, 11 and 12 )						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and <b>stop here</b> 						

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 <b>stop here</b> . 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 <b>stop here</b> . 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: 10000077  
Software Version: v1.00  
EIN: 39-1091432  
Name: REEDSBURG AREA MEDICAL CENTER

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

4d. Other program services					
(Code	) (Expenses \$	27,775,520	including grants of \$	486,103 ) (Revenue \$	10,234,487 )
RAMC is committed to providing a wide range of high quality and up-to-date services. Additional services available at RAMC include, but are not limited to, laboratory services, rehabilitation, sleep medicine, occupational medicine, surgical services, consulting, massage therapy, orthopedics, parish nursing, chemotherapy, volunteer services, community outreach and wellness.					

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**  
REEDSBURG AREA MEDICAL CENTER

**Employer identification number**  
39-1091432

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?	
	<div><input type="checkbox"/> Yes</div> <div><input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit	
	<div><input type="checkbox"/> Yes</div> <div><input type="checkbox"/> No</div>	

Part II

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

1

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

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

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

	Held at the End of the Year
2a	
2b	
2c	
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

1b

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

▶ \$ \_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2010

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

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

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

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

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a	Beginning of year balance . . . . .	0	0		
b	Contributions . . . . .	1,800,000	0	0	
c	Investment earnings or losses . . . . .	-111,316	0	0	
d	Grants or scholarships . . . . .	0	0	0	
e	Other expenditures for facilities and programs . . . . .	0	0	0	
f	Administrative expenses . . . . .	0	0	0	
g	End of year balance . . . . .	1,688,684	0	0	

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶ 1 00 %

b

Permanent endowment ▶ 0 %

c

Term endowment ▶ 0 %

3a

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

(i)

unrelated organizations . . . . .

3a(i)

☐ Yes

☐ No

(ii)

related organizations . . . . .

3a(ii)

☐ Yes

☐ No

b

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

3b

☐ Yes

☐ No

4

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

Part VI

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

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .	0	26,703		26,703
b Buildings . . . . .	0	36,226,417	12,422,793	23,803,624
c Leasehold improvements . . . . .	0	0	0	0
d Equipment . . . . .	0	12,873,819	7,760,963	5,112,856
e Other . . . . .	0	949,469	345,201	604,268
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				29,547,451



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)	144,632,522
2	Total expenses (Form 990, Part IX, column (A), line 25)	243,070,369
3	Excess or (deficit) for the year Subtract line 2 from line 1	31,562,153
4	Net unrealized gains (losses) on investments	4-895,620
5	Donated services and use of facilities	50
6	Investment expenses	60
7	Prior period adjustments	70
8	Other (Describe in Part XIV)	80
9	Total adjustments (net) Add lines 4 - 8	9-895,620
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10666,533

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return		
1	Total revenue, gains, and other support per audited financial statements . . . . .	144,632,522
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	
a	Net unrealized gains on investments . . . . .2a0	
b	Donated services and use of facilities . . . . .2b0	
c	Recoveries of prior year grants . . . . .2c0	
d	Other (Describe in Part XIV) . . . . .2d0	
e	Add lines 2a through 2d . . . . .2e0	
3	Subtract line 2e from line 1 . . . . .3	344,632,522
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 . . . . .4a0	
b	Other (Describe in Part XIV) . . . . .4b0	
c	Add lines 4a and 4b . . . . .4c0	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .5	544,632,522

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return		
1	Total expenses and losses per audited financial statements . . . . .	143,070,369
2	Amounts included on line 1 but not on Form 990, Part IX, line 25	
a	Donated services and use of facilities . . . . .2a0	
b	Prior year adjustments . . . . .2b0	
c	Other losses . . . . .2c0	
d	Other (Describe in Part XIV) . . . . .2d0	
e	Add lines 2a through 2d . . . . .2e0	
3	Subtract line 2e from line 1 . . . . .3	343,070,369
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 . . . . .4a0	
b	Other (Describe in Part XIV) . . . . .4b0	
c	Add lines 4a and 4b . . . . .4c0	
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 ) . . . . .5	543,070,369

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
SchD_P05_S00_L04	Schedule D, Part V, Line 4	Monies held in this fund are restricted to future capital purchases as approved by the Board of Directors

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**  
REEDSBURG AREA MEDICAL CENTER

**Employer identification number**  
39-1091432

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7 Financial Assistance and Certain Other Community Benefits at Cost						
Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			958,698	0	958,698	2 26 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			6,410,868	3,890,899	2,519,969	5 93 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs . . . . .	0	0	7,369,566	3,890,899	3,478,667	8 19 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		21,475	230,018	960	229,058	0 54 %
f Health professions education (from Worksheet 5)		71	85,574	0	85,574	0 2 %
g Subsidized health services (from Worksheet 6)		300	728,643	269,402	459,241	1 08 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)		2,191	434,557	0	434,557	1 02 %
j Total Other Benefits . . . . .	0	24,037	1,478,792	270,362	1,208,430	2 84 %
k Total. Add lines 7d and 7j	0	24,037	8,848,358	4,161,261	4,687,097	11 03 %

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	500	1,300	0	1,300	0 %
3	Community support	200	16,568	0	16,568	0 04 %
4	Environmental improvements		24,159	0	24,159	0 06 %
5	Leadership development and training for community members					
6	Coalition building	408	9,384	0	9,384	0 02 %
7	Community health improvement advocacy					
8	Workforce development					
9	Other					
10	Total	0	1,108	0	51,411	0 12 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1	Yes
2	Enter the amount of the organization's bad debt expense (at cost)	2	323,881
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	0
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	12,303,835
6	Enter Medicare allowable costs of care relating to payments on line 5	6	13,026,527
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-722,692
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.		
<input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes
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				



**Schedule H (Form 990) 2010**

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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

How many non-hospital facilities did the organization operate during the tax year? \_\_\_\_\_

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
SchH_P01_S00_L07	Schedule H, Part I, Line 7	RAMC used a cost-to-charge ratio of 0.565699 for the fiscal year ending 9/30/2011. This is derived by dividing total expenses by gross charges (43,070,369 / 76,136,596 = 0.565699)

Identifier	ReturnReference	Explanation
SchH_P01_S00_L072f	Schedule H, Part I, Line 7, Column f	Bad debt expense of 572,532 included on Form 990, Part IX, line 25, column (A ) was removed for the purpose of calculating percent of total expense in column (f)

Identifier	ReturnReference	Explanation
SchH_P02_S00_L00	Schedule H, Part II	RAMC annually participates in several community building activities that work to improve the health of our community Examples include participation in local Chambers of Commerce, local community groups/boards (Lions, Kiwanis, Reedsburg Education Foundation, etc ) and working to reduce our carbon footprint through various activities New this year is our Consumer Advocate position, who is available at no charge to all patients The Consumer Advocate offers complimentary patient assistance services, including, but not limited to, Medicare, Medicaid, private insurance, interpretation of Explanation of Benefits (EOBs) and direction to additional consumer resources

Identifier	ReturnReference	Explanation
SchH_P03_S0A_L04	Schedule H, Part III, Section A, Line 4	Management provides for probable uncollectible amounts, primarily uninsured patients and amounts patients are personally responsible for, through a charge to operations and a credit to a valuation allowance based on its assessment of historical collection likelihood and the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable. The amount reported on line two (2) is calculated as follows: bad debt expense of 1,093,960.88 less amounts recovered of 521,429.16 = 572,531.72 x cost-to-charge ratio of 0.565699 = 323,880.62

Identifier	ReturnReference	Explanation
SchH_P03_S0B_L08	Schedule H, Part III, Section B, Line 8	The Medicare allowable costs were obtained from the Medicare Cost Report

Identifier	ReturnReference	Explanation
SchH_P03_S0C_L09b	Schedule H, Part III, Section C, Line 9b	Once the patient meets all qualifications for financial assistance, all or part of the account balance is written off, as appropriate. The remaining balance, if any, is the patient's responsibility and collected following the normal debt collection policy.



Identifier	ReturnReference	Explanation
SchH_P05_S0B_L19	Schedule H, Part V, Section B, Line 19	Individuals without insurance are billed at 85% of gross charges with the option of an additional 10% discount to 75% of gross charges if the claim is paid within 30 days. Claims exceeding \$30,000 gross charges receive an additional 10% discount. The discount steps up to 40% at \$50,000 gross charges plus an additional 10% is paid within 30 days.

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L21	Schedule H, Part V, Section B, Line 21	We are required by Medicare regulations to charge all patients the same at gross charges. Patients without insurance are given an automatic 15% discount with an additional 10% discount if paid within 30 days.

Identifier	ReturnReference	Explanation
SchH_P06_S00_L02	Schedule H, Part VI, Line 2	Every three years, RAMC conducts a formal Community Assessment, measuring awareness, preference, image and community needs. We conduct this within our primary service area - the city of Reedsburg and the surrounding communities. In addition, we have a feedback section on our website, <a href="http://www.ramchealth.com">www.ramchealth.com</a> , allowing a forum for which the public can provide suggestions and comments. RAMC has also been busy gathering data from the recent Sauk County Health Needs Assessment. This information has been segmented into our main market area. In working with a committee consisting of Sauk County Public Health, Reedsburg School District, city officials, ambulance, police and fire as well as various other community members including business and industry, this information has been prioritized and we are in the process of building a team of people who will help us to set actionable, measurable goals.

Identifier	ReturnReference	Explanation
SchH_P06_S00_L03	Schedule H, Part VI, Line 3	Community Care notices are posted throughout the facility and applications are available through Business Services. The patient, patient's representative or hospital representative may initiate inquiries regarding eligibility or application for assistance at any time. The hospital, when appropriate, will review the patient's financial situation to see if they qualify for any form of assistance. Social Services is available to assist in this process. Patient Accounts is also notified when patients (inpatient or outpatient) are treated who do not have any insurance. They discuss with the patient available options and provide information/applications for both RAMC Charity Care programs and county, state or federal assistance programs. At any time, patients may inquire with hospital personnel regarding questions they have on their ability to pay. Financial Advisors are available to help as is our Consumer Advocate. The Consumer Advocate offers complimentary patient assistance services, including, but not limited to, Medicare, Medicaid, private insurance, interpretation of Explanation of Benefits (EOBs) and direction to additional consumer resources.

Identifier	ReturnReference	Explanation
SchH_P06_S00_L04	Schedule H, Part VI, Line 4	<p>RAMC is located in the city of Reedsburg, Wisconsin in North Central Sauk County. The primary service area extends west to Cazenovia, east to Rock Springs, south to Hillpoint and north from Wonewoc to just west of Lake Delton. This geographic area covers four counties, the majority being in Sauk County, and is responsible for approximately 75.5% of RAMC's discharged patients. Since 2000, Sauk County has seen a 12.2% population growth while the State of Wisconsin has experienced a 6.0% population growth. Sauk County has also experienced a sizable increase in its minority populations over the past several years, most notably in the Hispanic community. In 2010, 4.3% of Sauk County residents were Hispanic/Latino compared to 5.9% for the State. The median income in Sauk County for 2010 was \$50,390 (\$51,598 for the State) and the unemployment rate was 3.9% (4.6% for the State). 9.4% of County residents were living below the poverty line (11.6% for the State) and 6.7% received Food Stamp/SNAP benefits in the last 12 months (7.7% for the State). 14.7% of County residents were aged 65 or older (13.7% for the State) and 27.9% were receiving Social Security (27.4% for the State). There are no other hospitals located in RAMC's primary service area. Primary competition is from other community hospitals located in neighboring communities and tertiary care hospitals in Madison that provide specialized services not available at RAMC.</p>

Identifier	ReturnReference	Explanation
SchH_P06_S00_L05	Schedule H, Part VI, Line 5	<p>RAMC is committed to the health of our community and the important part we play in maintaining and improving the overall health of our constituents. We take an active role in equipping our community members with the skills needed to create better health. RAMC provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, including the health of low-income patients. Consistent with our mission, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources of are underinsured. Community benefits also include unpaid costs of treating the elderly, health screenings, community education and other health-related services. Our community building activities work to address underlying health determinants and support programs meant to improve health before intervention is required as well as providing resources for those looking to improve their current health situation. RAMC employees are active in educating the community on a wide variety of health topics and participate on numerous local boards. Health-related board positions range from those focusing on area dental and emergency medical services to the Rural Wisconsin Health Cooperative and Sauk County Health Boards. Many employees are also members of community service boards and volunteer groups. RAMC is mindful of and proactive in developing or partnering with groups working to better the current economic and environmental conditions of our community. RAMC is organized and operated with the goal of promoting the health of the community we serve. We support this mission with a board comprised of local, independent community members, a medical staff organized in the public interest and open to all qualified physicians and an emergency room available to all, regardless of ability to pay. The Board takes a balanced approach when it sets policy and strategic direction for the hospital, working to align community needs with business and financial concerns. The use of surplus funds is largely determined by the board in its attempt to meet this goal. RAMC is the sole hospital in our community and provides numerous volunteer opportunities for area residents.</p>

Identifier	ReturnReference	Explanation
SchH_P06_S00_L07	Schedule H, Part VI, Line 7	Wisconsin

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  
REEDSBURG AREA MEDICAL CENTER

Employer identification number  
39-1091432

Part I General Information on Grants and Assistance

1

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

☒ Yes ☐ No

2

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

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

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Reedsburg Area Senior Life Center2350 North Dewey Avenue Reedsburg, WI 53959	76-0775289	501(c)(3)	400,080	0	FMV	N/A	General operations
(2) Reedsburg Area Medical Center Foundation2090 Ridgeview Drive Reedsburg, WI 53959	39-1243616	501(c)(3)	15,000	0	FMV	N/A	Free clinic

2

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

2

3

Enter total number of other organizations . . . . .

0



Part IIIGrants 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) Tuition Assistance	32	63,772	0	FMV	N/A
(2) Stipends	18	7,250	0	FMV	N/A

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

Identifier	Return Reference	Explanation
SchI_P01_S00_L02	Schedule I, Part I, Line 2	Grants were provided by RAMC to Reedsburg Area Senior Life Center and the Reedsburg Area Medical Center Foundation. RAMC has (at least monthly) access to both of these organization's financial records and board meeting minutes, allowing for review of how funds are allocated. RAMC also provides scholarships and tuition assistance to employees pursuing health-care related higher education. This assistance is made available to employees for studies where professional staff are needed and the demand for these positions is greater than the supply available. Usually, the shortage is not only seen locally, but also state- and nation-wide. The intention is to have these trained professionals continue at RAMC within their new position, accomplishing our mission and commitment to providing high-quality, local care for our community. Proof of the cost of tuition and successful course completion are required.

Schedule J  
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization  
REEDSBURG AREA MEDICAL CENTER

Employer identification number  
  
39-1091432

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. <div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain	1b	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply. <div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:		
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	4a	No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	No
c	Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III	4c	No
	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	Yes
b	Any related organization? If "Yes," to line 5a or 5b, describe in Part III	5b	No
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:		
a	The organization?	6a	Yes
b	Any related organization? If "Yes," to line 6a or 6b, describe in Part III	6b	No
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53.4958-4(a)(3)? If "Yes," describe in Part III	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9	

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) George Johnson	(i)	183,895	0	0	0	0	183,895	163,333
	(ii)	0	0	0	0	0	0	0
(2) Gerry Chrabaszcz	(i)	270,393	0	12,340	12,250	9,071	304,054	289,747
	(ii)	0	0	0	0	0	0	0
(3) Christopher Bjorklund	(i)	267,386	0	0	12,250	9,486	289,122	275,190
	(ii)	0	0	0	0	0	0	0
(4) Eric Newgent MD	(i)	225,739	14,715	21,819	12,250	9,486	284,009	257,836
	(ii)	0	0	0	0	0	0	0
(5) Kenneth Olson	(i)	247,738	0	0	12,250	9,071	269,059	258,190
	(ii)	0	0	0	0	0	0	0
(6) Kevin McBride	(i)	247,318	0	0	12,250	9,486	269,054	265,214
	(ii)	0	0	0	0	0	0	0
(7) Robert Van Meeteren	(i)	173,270	0	2,786	8,878	12,126	197,060	190,956
	(ii)	0	0	0	0	0	0	0
(8) Joseph Svetlik	(i)	133,152	0	11,914	32,827	12,126	190,019	188,639
	(ii)	0	0	0	0	0	0	0
(9) Beverly Hoege	(i)	134,004	0	0	18,653	4,888	157,545	161,539
	(ii)	0	0	0	0	0	0	0
( 10 )								
( 11 )								
( 12 )								
( 13 )								
( 14 )								
( 15 )								
( 16 )								

Part IIISupplemental 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
SchJ_P01_S00_L05	Schedule J, Part I, Line 5	Physician is eligible and received payment based on charges generated from health care services provided by this physician.
SchJ_P01_S00_L06	Schedule J, Part I, Line 6	Officers receive bonus compensation based on organization net income and meeting targeted strategic planning goals.

Schedule K (Form 990)	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	
	Department of the Treasury Internal Revenue Service											Open to Public Inspection
Name of the organization REEDSBURG AREA MEDICAL CENTER										Employer identification number 39-1091432		

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 City of Reedsburg	39-6005582		06-03-2003	2,600,000	Refund prior issue		X		X		X
B Wisconsin Health & Educational Facilities Authority	39-1337855	97710VH43	06-28-2006	11,865,000	Construct & equip facility & refund prior issue		X		X		X
C Wisconsin Health & Educational Facilities Authority	39-1337855	97710B XK3	09-16-2010	5,800,000	Refund prior issue		X		X		X
D Wisconsin Health & Educational Facilities Authority	39-1337855	97710B XP2	09-16-2010	4,273,300	Refund prior issue		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	1,094,736		2,375,000		0		0	
2	Amount of bonds legally defeased	0		0		0		0	
3	Total proceeds of issue	2,600,000		11,865,000		5,800,000		4,273,300	
4	Gross proceeds in reserve funds	0		1,183,280		580,000		0	
5	Capitalized interest from proceeds	0		0		0		0	
6	Proceeds in refunding escrow	2,600,000		3,522,124		5,104,000		4,180,408	
7	Issuance costs from proceeds	0		237,300		116,000		85,470	
8	Credit enhancement from proceeds	0		0		0		7,422	
9	Working capital expenditures from proceeds	0		0		0		0	
10	Capital expenditures from proceeds	0		6,922,296		0		0	
11	Other spent proceeds	0		0		0		0	
12	Other unspent proceeds	0		0		0		0	
13	Year of substantial completion	2003		2009		2010		2010	
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
		X		X		X		X	
15	Were the bonds issued as part of an advance refunding issue?		X	X			X		X
16	Has the final allocation of proceeds been made?	X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		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		X
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		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		X
b	Are there any research agreements that may result in private business use of bond-financed property?		X		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		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 %		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 %		0 %	
6	Total of lines 4 and 5	0 %		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		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		X
2	Is the bond issue a variable rate issue?	X			X		X	X	
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X		X		X
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X		X		X		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		X
6	Did the bond issue qualify for an exception to rebate?		X		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
SchK_P03_S00_L04	Schedule K, Part III, Line 4	The construction of the property financed by the 2006A revenue bonds (B) includes some portions used in private business use by entities other than a section 501(c)(3) organization or state or local government The portion of the building used by these entities was financed directly by RAMC through cash payments totaling \$4,913,708

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  
REEDSBURG AREA MEDICAL CENTER

Employer identification number  
39-1091432

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	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?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	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) Brooks Schommer	Family member of officer	55,565	Employment compensation		No
(2) Connie Molberg	Family member of director	42,313	Employment compensation		No
(3) Reedsburg Physicians Group	Two RAMC directors are also RPG partners	473,828	Physician call pay		No
(4) Harris Bank	Bank employee is RAMC trustee	29,214	Banking services		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
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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 REEDSBURG AREA MEDICAL CENTER	Employer identification number 39-1091432
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Identifier	Return Reference	Explanation
F990_P03_S00_L03	Form 990, Part III, Line 3	Due to fiscal considerations, RAMC discontinued its Cardiac Catheterization Lab in FYE 9/30/2011

Identifier	Return Reference	Explanation
F990_P06_S0B_L11b	Form 990, Part VI, Section B, Line 11b	Upon completion of the form 990, the Vice President of Finance reviews for accuracy and completeness. Upon his approval, it is presented to the Board of Directors for final approval. It is then signed by the President/CEO and filed with the IRS.

Identifier	Return Reference	Explanation
F990_P06_S0B_L12c	Form 990, Part VI, Section B, Line 12c	Members annually disclose any possible conflicts of interest when they sign the Conflict of Interest policies. Members routinely abstain from voting on any matters and excuse themselves from decisions on matters with which they have a conflict of interest.

Identifier	Return Reference	Explanation
F990_P06_S0B_L15	Form 990, Part VI, Section B, Line 15	Independent Wage and Salary surveys are used for all key employees, including the CEO/President Vendors used are the Rural Wisconsin Health Cooperative and Wisconsin Hospital Association

Identifier	Return Reference	Explanation
F990_P06_S0C_L19	Form 990, Part VI, Section C, Line 19	Copies of information are made available upon request

Identifier	Return Reference	Explanation
F990_P11_S00_L05	Form 990, Part XI, Line 5	Net change in unrealized gains and losses on investments, other than trading securities

**Reedsburg Area Medical Center, Inc. and  
Reedsburg Area Senior Life Center, Inc.**

Reedsburg, Wisconsin

**Special-Purpose Combined Financial Statements and  
Special-Purpose Additional Information**

Years Ended September 30, 2011 and 2010

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Special-Purpose Combined Financial Statements and Special-Purpose Additional Information

Years Ended September 30, 2011 and 2010

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## **Independent Auditor's Report on the Special-Purpose Combined Financial Statements**

Boards of Directors  
Reedsburg Area Medical Center, Inc. and  
Reedsburg Area Senior Life Center, Inc.  
Reedsburg, Wisconsin

We have audited the accompanying special-purpose combined balance sheets of the Obligated Group (as defined in Article V of the Master Trust Indenture dated June 1, 2006, between Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc. and Wells Fargo Bank, National Association) of Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc. as of September 30, 2011 and 2010, and the related special-purpose combined statements of operations and changes in net assets and cash flows for the years then ended. These special-purpose combined financial statements are the responsibility of management. Our responsibility is to express an opinion on these special-purpose combined 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these special-purpose combined financial statements were prepared in accordance with the accounting requirements set forth in the Master Trust Indenture and are not intended to be a complete presentation in conformity with generally accepted accounting principles.

In our opinion, the special-purpose combined financial statements of the Obligated Group as of and for the years ended September 30, 2011 and 2010, are fairly presented, in all material respects, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Boards of Directors and management of Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc. and the Trustee under the Master Trust Indenture and is not intended to be and should not be used by anyone other than these specified parties.

*Wipfli LLP*

Wipfli LLP

December 14, 2011  
Eau Claire, Wisconsin

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Special-Purpose Combined Balance Sheets

September 30, 2011 and 2010

<i>Assets</i>	2011	2010
Current assets:		
Cash and cash equivalents	\$ 5,552,013	\$ 9,390,712
Current portion of assets limited as to use	615,814	404,855
Investments	9,166,175	8,725,527
Patient and resident accounts receivable - Net	6,951,678	6,158,834
Inventories	1,550,573	1,683,752
Other current assets	490,119	787,224
Total current assets	24,326,372	27,150,904
Investments	2,159,212	-
Assets limited as to use - Net of amounts required to meet current obligations	3,347,330	1,937,402
Property and equipment - Net	39,465,658	40,730,641
Other assets:		
Interest in net assets of supporting organizations	1,705,909	1,866,932
Note receivable	100,000	79,426
Debt issuance costs	595,206	529,920
Deferred compensation plan assets	888,059	797,219
Other	40,739	60,506
Total other assets	3,329,913	3,334,003
<b>TOTAL ASSETS</b>	<b>\$ 72,628,485</b>	<b>\$ 73,152,950</b>

<i>Liabilities and Net Assets</i>	2011	2010
Current liabilities:		
Current maturities of long-term debt and capital lease obligations	\$ 1,047,830	\$ 490,585
Accounts payable - Trade	1,330,183	1,037,380
Accrued payroll and payroll taxes	1,024,676	1,870,080
Accrued vacation	2,062,328	1,910,407
Accrued medical claims payable	394,900	-
Accrued interest	337,858	243,911
Amounts payable to third-party reimbursement programs	29,610	336,000
Total current liabilities	6,227,385	5,888,363
Long-term liabilities:		
Deferred compensation	983,574	897,706
Long-term debt and capital lease obligations - Less current maturities	32,278,415	33,951,364
Total long-term liabilities	33,261,989	34,849,070
Total liabilities	39,489,374	40,737,433
Net assets:		
Unrestricted	31,430,185	30,545,568
Temporarily restricted	1,708,926	1,869,949
Total net assets	33,139,111	32,415,517
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 72,628,485</b>	<b>\$ 73,152,950</b>

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Special-Purpose Combined Statements of Operations and Changes in Net Assets

Years Ended September 30, 2011 and 2010

	2011	2010
Unrestricted net assets:		
Revenue:		
Net patient and resident service revenue	\$ 47,051,594	\$ 44,870,789
Other revenue	1,421,185	936,478
Total revenue	48,472,779	45,807,267
Expenses:		
Salaries and wages	20,130,771	19,163,934
Employee benefits	7,692,097	6,242,521
Other expenses	15,073,550	14,716,646
Provision for bad debts	572,532	399,311
Interest	1,424,474	1,159,254
Depreciation and amortization	2,737,986	2,635,272
Total expenses	47,631,410	44,316,938
Income from operations	841,369	1,490,329
Other income (expense):		
Loss on advance refunding	-	(365,162)
Gain on repurchase of bonds	169,688	-
Distribution from sponsored organization	150,000	-
Investment income	741,471	416,254
Loss on disposal of equipment	(144,291)	(11,698)
Excess of revenue over expenses	1,758,237	1,529,723
Net assets released from restriction used for property and equipment	22,000	43,076
Net change in unrealized gains and losses on investments, other than trading securities	(895,620)	414,902
Increase in unrestricted net assets	884,617	1,987,701
Temporarily restricted net assets:		
Change in interest in net assets of supporting organizations	(139,023)	158,517
Net assets released from restrictions for property and equipment	(22,000)	(43,076)
Increase (decrease) in temporarily restricted net assets	(161,023)	115,441
Increase in net assets	723,594	2,103,142
Net assets at beginning	32,415,517	30,312,375
Net assets at end	\$ 33,139,111	\$ 32,415,517

See accompanying notes to special-purpose combined financial statements.

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Special-Purpose Combined Statements of Cash Flows

Years Ended September 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Increase in net assets	\$ 723,594	\$ 2,103,142
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,689,718	2,597,325
Amortization of debt issuance costs	48,268	37,947
Gain on repurchase of bonds	(169,688)	-
Loss on advance refunding	-	365,162
Loss on disposal of equipment	144,291	11,698
Donated equipment	(7,000)	-
Change in interest in net assets of supporting organizations	139,023	(158,517)
Net change in realized and unrealized gains and losses on investments	343,805	(643,211)
Distribution from sponsored organization	(150,000)	-
Provision for bad debts	572,532	399,311
Deferred compensation - Net	9,682	165,577
Changes in operating assets and liabilities:		
Patient and resident accounts receivable	(1,365,376)	(438,687)
Inventories	133,179	(361,882)
Amounts receivable from third-party reimbursement programs	-	124,840
Other current assets	297,105	(40,799)
Accounts payable - Trade	348,751	(476,555)
Accrued payroll and payroll taxes	(845,404)	429,840
Accrued vacation	151,921	86,933
Accrued medical claims payable	394,900	-
Accrued interest	93,947	(6,734)
Amounts payable to third-party reimbursement programs	(306,390)	336,000
Total adjustments	2,523,264	2,428,248
Net cash provided by operating activities	3,246,858	4,531,390

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Special-Purpose Combined Statements of Cash Flows (Continued)

Years Ended September 30, 2011 and 2010

	2011	2010
Cash flows from investing activities:		
Purchase of property and equipment	\$ (554,524)	\$ (1,351,937)
Change in investments and assets limited as to use	(4,564,552)	(1,451,880)
Proceeds from sale of property and equipment	42,756	5,402
Distribution of interest in net assets of supporting organizations	22,000	43,076
Distribution from sponsored organization	150,000	-
Payments received on note receivable	1,329	30,563
Advance on note receivable	(21,903)	-
(Increase) decrease in other assets	19,767	17,396
Net cash used in investing activities	(4,905,127)	(2,707,380)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	-	20,800,000
Advance defeasance of Series 2006B bonds	-	(19,775,000)
Advance repurchase of Series 2006A bonds	(1,180,312)	-
Payment of bond issuance costs	(113,554)	(350,176)
Payments on long-term debt and capital lease obligations	(871,910)	(1,199,308)
Distributions of deferred compensation	(14,654)	(180,254)
Net cash used in financing activities	(2,180,430)	(704,738)
Net increase (decrease) in cash	(3,838,699)	1,119,272
Cash and cash equivalents at beginning	9,390,712	8,271,440
Cash and cash equivalents at end	\$ 5,552,013	\$ 9,390,712
<b>Supplemental disclosures of cash flow information:</b>		
Cash payments for interest	\$ 1,330,527	\$ 1,165,988
<b>Supplemental schedule of noncash financing activities:</b>		
Property acquired under capital lease obligations	1,106,206	891,541
<b>Supplemental schedule of noncash investing activities:</b>		
Property and equipment purchases included in accounts payable	-	55,948

See accompanying notes to special-purpose combined financial statements.

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 1      **Summary of Significant Accounting Policies**

#### **The Entity**

Reedsburg Area Medical Center, Inc. (the "Hospital"), a nonstock, not-for-profit Wisconsin corporation, operates a hospital. The Hospital provides comprehensive inpatient and outpatient services.

Reedsburg Area Senior Life Center, Inc. (the "Senior Life Center"), a nonstock, not-for-profit Wisconsin corporation, operates a skilled nursing facility and assisted living facility. The Center provides skilled and intermediate nursing care for aged and disabled residents.

#### **Principles of Combination**

As discussed in Note 8, Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc. form an Obligated Group under certain loan and related agreements with the Wisconsin Health and Educational Facilities Authority. The Master Trust Indenture requires that financial statements be prepared that only include the members of the Obligated Group. Accordingly, the accompanying special-purpose combined financial statements include the accounts of Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc., collectively referred to as the "Corporations." These Corporations are affiliated through common management. All significant intercompany accounts and transactions have been eliminated in combination. Pursuant to Article V of the Master Trust Indenture dated June 1, 2006, between Reedsburg Area Medical Center, Inc.; Reedsburg Area Senior Life Center, Inc.; and Wells Fargo Bank, National Association, the special-purpose combined financial statements do not include the assets, liabilities, revenue, and expenses of other affiliated corporations with common management.

#### **Basis of Accounting**

The accompanying special-purpose combined financial statements were prepared for the purpose of complying with the Master Trust Indenture and are not intended to be a complete presentation of Reedsburg Area Medical Center, Inc. or Reedsburg Area Senior Life Center, Inc. in conformity with accounting principles generally accepted in the United States (GAAP). The special-purpose combined financial statements of the Obligated Group result in an incomplete presentation under GAAP only to the extent necessary to meet the special purpose for which they were prepared. In all other respects, GAAP is followed in presenting the special-purpose combined financial statements.



# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Financial Statement Presentation**

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

#### **Use of Estimates**

The preparation of the accompanying special-purpose combined financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the special-purpose combined financial statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Cash Equivalents**

The Corporations consider all highly liquid instruments with an original maturity of three months or less to be cash equivalents, excluding assets limited to use or restricted.

#### **Patient and Resident Accounts Receivable and Credit Policy**

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

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Patient and Resident Accounts Receivable and Credit Policy** (Continued)

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

Patient and resident accounts receivable are recorded in the accompanying special-purpose combined balance sheets net of contractual adjustments and allowances for doubtful accounts.

#### **Inventories**

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

#### **Investments, Assets Limited as to Use, and Investment Income**

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

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Investments, Assets Limited as to Use, and Investment Income** (Continued)

Assets limited as to use include assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, and assets set aside under terms of a bond trust indenture agreement. Amounts required to meet current liabilities of the Corporations have been classified as current assets.

Investments are measured at fair value in the special-purpose combined financial statements. The Corporations monitor the difference between the cost and fair value of their investments. If investments experience a decline in value that the Corporations determine is other than temporary, the Corporations record a realized loss in investment income.

#### **Interest in Net Assets of Supporting Organizations**

The interest in net assets of supporting organizations represents the Corporations' interest in the net assets of the Reedsburg Area Medical Center Foundation, Ltd. (the "Foundation") and the Partners of Reedsburg Area Medicare Center (the "Partners"). Accordingly, the Corporations recognize their interest in the net assets of the supporting organizations and adjust that interest for their share of the change in the net assets of the supporting organizations.

#### **Fair Value Measurements**

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

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Fair Value Measurements** (Continued)

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

Level 2      Inputs to the valuation methodology include:

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

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

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

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

#### **Property, Equipment, and Depreciation**

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

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Property, Equipment, and Depreciation** (Continued)

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

#### **Impairment of Long-Lived Assets**

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

#### **Asset Retirement Obligation**

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

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Net Assets**

The Corporations classify their net assets into three categories, which are unrestricted, temporarily restricted, and permanently restricted.

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

#### **Excess of Revenue Over Expenses**

The special-purpose combined statements of operations and changes in net assets include the classification excess of revenue over expenses, which is considered the operating indicator. Changes in unrestricted net assets, which are excluded from the operating indicator consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfer of assets to and from affiliates for other than goods and services, and contributions of long-lived assets including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets.

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Net Patient and Resident Service Revenue**

Net patient and resident 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.

#### **Charity Care**

The Corporations provide care to patients who meet certain criteria under their charity care policy without charge or at amounts less than their established rates. The Corporations maintain records to identify the amount of charges forgone for services and supplies furnished under the charity care policy. Because the Corporations do not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient and resident service revenue in the accompanying special-purpose combined statements of operations and changes in net assets.

#### **Contributions and Donor-Restricted Gifts**

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the Corporations are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the special-purpose combined statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying special-purpose combined financial statements.

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Debt Issuance Costs**

Debt issuance costs are deferred and amortized over the term of the related debt.

#### **Unemployment Compensation**

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

#### **Advertising Costs**

Advertising costs are expensed as incurred.

#### **Income Taxes**

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

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

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

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



# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 1      Summary of Significant Accounting Policies (Continued)

#### Real Estate Taxes

The majority of real estate owned by the Corporations is exempt from real estate taxes by the State of Wisconsin and its political subdivisions.

#### New Accounting Pronouncements

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

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

#### Subsequent Event

Subsequent events have been evaluated through December 14, 2011, which is the date the special-purpose combined financial statements were issued.

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 2      Reimbursement Arrangements With Third-Party Payors

The Corporations have agreements with third-party payors that provide for reimbursement at amounts that vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

#### Hospital

*Medicare and Medicaid* - The Hospital is designated as a critical access hospital (CAH). Under this designation, inpatient and outpatient hospital services are paid based upon a cost-reimbursement methodology, with the exception of certain lab, mammography, and therapy services, which remain on a fee schedule. Professional services provided by physicians and other clinicians are reimbursed based on prospectively determined fee schedules.

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

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 2      Reimbursement Arrangements With Third-Party Payors (Continued)

#### Senior Life Center

*Medicaid* - Resident care services rendered to Medicaid and Family Care beneficiaries are reimbursed based on a schedule of prospectively determined daily rates determined by Wisconsin's Medicaid program. A rate is assigned to each resident based on the resident's ability to perform certain activities of daily living and on certain other clinical factors.

The State of Wisconsin uses a Minimum Data Set (MDS) resident assessment system. As a result, Medicaid residents are classified into one of 34 RUGs (Resource Utilization Groups) for purposes of establishing payment rates. Every three months, a case mix average is developed for the Senior Life Center's Medicaid residents based on their respective RUGs score, and the Senior Life Center is reimbursed based on the resulting composite case mix index. Rate adjustments under this program are reflected in income when determinable.

*Medicare* - Medicare pays for Part A services based on a predetermined rate per resident day, which varies depending on the resident's level of care and the types of services provided. Medicare pays for Part B services based on predetermined fee schedules.

#### Accounting for Contractual Arrangements

The Corporations are reimbursed for certain cost reimbursable items at an interim rate, and final settlements are determined after audit of the Corporations' related annual cost reports by the respective Medicare and Medicaid fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying special-purpose combined financial statements. The Corporations' Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2008. The Corporations' Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2005.

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 2      **Reimbursement Arrangements With Third-Party Payors** (Continued)

#### **Change in Estimate of Amounts Payable to Third-Party Reimbursement Programs**

Medicare and Medicaid reimbursement is determined based on annual cost reports filed with the fiscal intermediary. Reimbursement guidelines for preparing annual cost reports can be complex and are subject to interpretation by the Corporations and fiscal intermediaries. During fiscal year 2010, the Corporations recorded additional receivables of approximately \$686,000 related to Medicare and Medicaid cost report settlements and filing for the years ended September 30, 2009, 2008, and 2005. The \$686,000 was reflected as a reduction to contractual adjustments in fiscal year 2010 in accordance with the Corporations' policy as previously described.

#### **Medicaid Reimbursable Costs**

Through June 30, 2010, the Hospital was reimbursed for cost-based Medicaid services at tentative rates received during the year. The final settlement of reimbursable amounts was retrospectively determined by the State of Wisconsin (State), using cost reports that are filed annually and subsequently audited by the Medicare program (in conjunction with its audits of both Medicare and Medicaid reimbursable amounts).

Since the inception of the Medicare and Medicaid CAH programs, the State has completed relatively few hospital Medicaid settlements with CAHs. The Hospital was designated a CAH as of January 1, 2005, and the respective reimbursable hospital cost settlements from October 1, 2005, through September 30, 2009, remain unresolved by the State. Furthermore, the Hospital is uncertain as to when or if the remaining settlements may be resolved by the State.

At September 30, 2011 and 2010, the aggregate amounts requested from the State, as reflected on the respective Medicaid cost reports, utilizing information through September 30, 2009, totaled approximately \$765,000. Due to the uncertainty of receipt, the Hospital has recognized valuation allowances of an equal amount at September 30, 2011 and 2010, respectively. The amount requested from the State for the Medicaid cost settlements for the period from October 1, 2009, through June 30, 2010, was not reasonably determinable, since significant information necessary for such determination has not been provided by the State.

Differences between the Hospital's estimates and subsequent final settlements by the State will be included in future special-purpose combined statements of operations and changes in net assets and disclosed, if material, in those future years in which the final settlements occur.

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 2      **Reimbursement Arrangements With Third-Party Payors** (Continued)

#### **Wisconsin Hospital Assessments**

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

#### **Medicaid Electronic Health Record Incentive Funding**

At September 30, 2011, the Hospital applied for funding from the Wisconsin Department of Health Services under the Electronic Health Record ("EHR") Incentive Program. The funding period for the Medicaid EHR Incentive Program is based on eligible hospitals submitting applications to the Medicaid program prior to each federal fiscal year ending on September 30. It was determined by the Wisconsin Department of Health Services that the Hospital was entitled to \$420,390 in funding from the program through September 30, 2011. The Hospital has recognized this amount in amounts payable to third-party reimbursement programs and in other operating revenue on the special-purpose combined financial statements. The Hospital anticipates that additional funding will be available from the Medicaid EHR incentive program in subsequent years and will record amounts when future applications are filed and funding can reasonably be determined.

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

### Note 3 Patient and Resident Accounts Receivable

Patient and resident accounts receivable is comprised of the following at September 30:

	2011	2010
Accounts receivable	\$ 12,027,741	\$ 11,286,594
Less:		
Contractual adjustments	3,533,700	3,581,400
Allowance for doubtful accounts	1,542,363	1,546,360
Patient and resident accounts receivable - Net	\$ 6,951,678	\$ 6,158,834

### Note 4 Investments, Assets Limited as to Use, and Investment Income

The composition of investments at September 30 is set forth in the following table:

	2011	2010
Certificates of deposit	\$ 381,078	\$ 377,853
Money market funds	268,966	301,946
Mutual funds investing in fixed income securities	3,619,568	3,644,559
Mutual funds investing in equity securities	3,131,431	2,107,195
Common trust fund securities	1,521,251	1,309,214
Preferred equity securities	-	202,884
Fixed income securities - Bonds	2,403,093	781,876
	\$ 11,325,387	\$ 8,725,527

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

### Note 4 Investments, Assets Limited as to Use, and Investment Income (Continued)

The composition of assets limited as to use at September 30 is set forth in the following table:

	2011	2010
Cash and cash equivalents	\$ -	\$ 747,190
Money market funds	782,902	601,386
Mutual funds investing in equity securities	541,121	-
Mutual funds investing in fixed income securities	1,062,424	-
Fixed income securities - Corporate bonds	1,576,697	993,681
	3,963,144	2,342,257
Less - Current obligations	615,814	404,855
	\$ 3,347,330	\$ 1,937,402

Investment income, including gains and losses, consisted of the following for the years ended September 30:

	2011	2010
Interest and dividends	\$ 189,656	\$ 187,945
Net realized gains on sales of investments	551,815	228,309
Total investment income	\$ 741,471	\$ 416,254

Other changes in unrestricted net assets:

Net change in unrealized gains and losses on other than trading securities	\$ (895,620)	\$ 414,902
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Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investments securities will occur in the near term and that such changes could materially affect the amounts reported in the special-purpose combined balance sheets.

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### **Note 4**                      **Investments, Assets Limited as to Use, and Investment Income** (Continued)

Management assesses individual investment securities as to whether declines in market value are other-than-temporary and result in impairment. For equity securities, the Corporations consider whether they have the ability and intent to hold the investment until a market price recovery. Evidence considered in this includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, the issuer's financial condition, and the general market condition in the geographic area or industry in which the investee operates. For debt securities, if the Corporations have made a decision to sell the security, or if it is more likely than not the Corporations will sell the security before the recovery of the security's cost basis, an other-than-temporary impairment is considered to have occurred. If the Corporations have not made a decision or do not have the intent to sell the debt security, but the debt security is not expected to recover its value due to a credit loss, an other-than temporary impairment is considered to have occurred. At September 30, 2011 and 2010, the Corporations noted no material, other than temporary, impairment loss in their investments.

### **Note 5**                      **Fair Value Measurement**

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

Money market funds are valued at historical cost, which approximates fair value. Quoted market prices are used to determine the fair value of investments in marketable equity securities. Mutual funds invested in equity or fixed income securities are valued at quoted market prices, which represent the net asset value (NAV) of shares held by the Corporations at year-end. Fixed income securities are primarily invested in corporate bonds and are valued using quotes from pricing vendors for identical or similar assets based on recent trading activity, other observable market data, or historical bond pricing and interest rates. Common trust funds are primarily invested in fixed income securities such as corporate and U.S. Government bonds and are valued based on a compilation of pricing of the underlying securities by a financial institution which uses pricing vendors for identical or similar assets based on recent trading activity, other observable market data, or historical bond pricing and interest rates. Cash surrender values of life insurance policies are based upon the net premiums paid, distributions, and accrued interest and dividends from information provided by various life insurance companies.



# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

### Note 5 Fair Value Measurement (Continued)

The following tables set forth by level, within the fair value hierarchy, the Corporations' assets (principally investments, assets limited as to use, and deferred compensation plan assets) at fair value as of September 30:

	2011			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Assets:				
Money market funds	\$ -	\$ 1,051,868	\$ -	\$ 1,051,868
Mutual funds - Equity securities:				
Blend funds	452,054	-	-	452,054
Growth funds	2,007,078	-	-	2,007,078
Index funds	108,636	-	-	108,636
Value funds	792,130	-	-	792,130
Other funds	312,654	-	-	312,654
Mutual funds - Fixed income securities:				
Short-term bond funds	-	1,133,004	-	1,133,004
Intermediate-term bond funds	-	2,397,745	-	2,397,745
Other bond funds	-	1,151,243	-	1,151,243
Fixed income securities:				
U.S. Government Agency and Municipal	-	1,976,299	-	1,976,299
Corporate Bonds and Commercial Paper	-	2,003,491	-	2,003,491
Common trust funds:				
Fixed income securities	-	1,392,023	-	1,392,023
Equity securities	-	129,228	-	129,228
Cash surrender value of life insurance	-	-	888,059	888,059
	\$ 3,672,552	\$ 11,234,901	\$ 888,059	\$ 15,795,512

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

### Note 5 Fair Value Measurement (Continued)

	2010			
	Fair Value Measurements Using			Total Assets at
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Money market funds	\$ -	\$ 1,650,522	\$ -	\$ 1,650,522
Mutual funds - Equity securities.				
Blend funds	224,747	-	-	224,747
Growth funds	882,229	-	-	882,229
Index funds	176,164	-	-	176,164
Value funds	656,793	-	-	656,793
Other funds	167,263	-	-	167,263
Mutual funds - Fixed income securities:				
Short-term bond funds	-	746,720	-	746,720
Intermediate-term bond funds	-	1,664,127	-	1,664,127
Other bond funds	-	1,233,712	-	1,233,712
Fixed income securities:				
U.S. Government Agency and Municipal	-	260,320	-	260,320
Corporate Bonds and Commercial Paper	-	1,515,237	-	1,515,237
Common trust funds:				
Fixed income securities	-	1,144,203	-	1,144,203
Equity securities	-	165,012	-	165,012
Marketable equity securities	-	202,884	-	202,884
Cash surrender value of life insurance	-	-	797,219	797,219
	\$ 2,107,196	\$ 8,582,736	\$ 797,219	\$ 11,487,151

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

### Note 5 Fair Value Measurement (Continued)

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

The following tables are a rollforward of the special-purpose combined balance sheet amounts for financial instruments that were classified by the Corporations within Level 3 of the fair value hierarchy as defined above as of September 30:

	2011	Cash Surrender Value of Life Insurance Policies
Fair value October 1, 2010	\$	797,219
Increase in premiums paid on policies		68,631
Net disbursements		(14,654)
Gain on investments		36,863
Fair value September 30, 2011	\$	888,059

	2010	Cash Surrender Value of Life Insurance Policies
Fair value October 1, 2009	\$	872,584
Increase in premiums paid on policies		69,335
Net disbursements		(180,253)
Gain on investments		35,553
Fair value September 30, 2010	\$	797,219

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 5 Fair Value Measurement (Continued)

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

The estimated value of long-term debt based on quoted market prices for the same or similar issues of revenue bonds was approximately \$436,000 greater than the carrying value on the special-purpose combined balance sheet as of September 30, 2011.

### Note 6 Property and Equipment

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

	2011	2010
Land and land improvements	\$ 2,002,727	\$ 2,002,727
Buildings	46,484,816	46,412,241
Furniture and equipment	13,410,806	14,273,092
Construction in progress	133,672	22,437
Total property and equipment	62,032,021	62,710,497
Less - Accumulated depreciation and amortization	22,566,363	21,979,856
Property and equipment - Net	\$ 39,465,658	\$ 40,730,641

Depreciation expense totaled \$2,689,718 and \$2,597,325 at September 30, 2011 and 2010, respectively.

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 7      Note Receivable

Note receivable is comprised of the following at September 30:

	2011	2010
5% mortgage note due from the Rural Wisconsin Health Cooperative, payable in semiannual installments of \$3,315, including interest, with a final payment, due on October 15, 2016. During 2011, an additional \$21,903 was advanced on the note by the Hospital.	\$ 100,000	\$ 79,426

The Hospital is a member of the Rural Wisconsin Health Cooperative

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

### Note 8 Long-Term Debt and Capital Lease Obligations

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

	2011	2010
City of Reedsburg Revenue Bonds, dated June 30, 2003, payable in annual installments on April 15 of \$136,842, plus interest at 3.19%, due in 2022.	\$ 1,505,264	\$ 1,642,106
Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2006A, dated June 28, 2006, payable in annual installments ranging from \$380,000 to \$995,000, due in 2025, interest payable semiannually at 5.65%.	9,490,000	11,160,000
Wisconsin Health and Educational Facilities Authority Revenue Refunding Bonds, Series 2010A, dated August 31, 2010, payable in annual installments ranging from \$95,000 to \$1,525,000, due in 2028, interest payable semiannually at 2.5% to 6.1%.	5,800,000	5,800,000
Wisconsin Health and Educational Facilities Authority Adjustable Demand Revenue Refunding Bonds, Series 2010B, dated September 1, 2010, payable in annual installments, ranging from \$65,000 to \$2,060,000, due in 2036, interest payable monthly at a variable rate (0.17% at September 30, 2011).	15,000,000	15,000,000
Capital lease obligations with interest imputed ranging between 3.14% and 11.69%, collateralized by leased equipment, payable in monthly installment payments.	1,530,981	839,843
Totals	33,326,245	34,441,949
Less - Current maturities	1,047,830	490,585
Long-term portion	\$ 32,278,415	\$ 33,951,364

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### **Note 8**      **Long-Term Debt and Capital Lease Obligations (Continued)**

The loans and related agreements with the Wisconsin Health and Educational Facilities Authority provide, among other things, that the members of the Obligated Group (Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.) are jointly and severally obligated for debt service on all obligations issued there under.

The loan agreements on the bonds contain various covenants including those relating to limitations on incurring additional debt and satisfaction of certain financial performance measures as long as the agreements are outstanding. The agreements are also secured by the property and equipment of the Corporations.

During 2011, the Corporations advance repurchased \$1,350,000 of the Series 2006A bonds from a bond holder at a discount. The Corporations repurchased these bonds for \$1,180,312 and retired these bonds. The difference between the original issue price of the bonds and the repurchase price resulted in a gain on the advance repurchase of the bonds of \$169,688, which is recognized in other income (expense) in the special-purpose combined statements of operations and changes in nets assets.

Effective August 31, 2010, and September 1, 2010, the Corporations refinanced the outstanding obligations of the Wisconsin Health and Educational Authority variable rate demand revenue bonds, Series 2006B. This refinancing was accomplished by the issuance of the Wisconsin Health and Educational Authority revenue refunding bonds, Series 2010A, in the amount of \$5,800,000 and the Wisconsin Health and Educational Authority adjustable demand revenue refunding bonds, Series 2010B in the amount of \$15,000,000. This refinancing included the repayment of the Series 2006B bonds plus all accrued interest through the date of repayment on the Series 2006B bonds and the cost of issuance expenses related to the Series 2010A and 2010B bonds, except for \$100,826, which was funded from the Corporations' investments. At the time of repayment, the Corporations also cancelled the letter of credit totaling \$19,996,047, which was security on the Series 2006B bonds and was set to expire on July 31, 2011.

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

### Note 8 Long-Term Debt and Capital Lease Obligations (Continued)

The Series 2010B bonds can be called on a daily basis by the bond holder. The Corporations have a remarketing agreement with the underwriter that provides for a "best efforts" remarketing of the bonds. The Corporations anticipate that additional bonds will be issued to extend the maturities; however, there can be no guarantee that these bonds can or will be remarketed. The 2010B bonds are secured by a letter of credit in the amount of \$15,207,124, which expires on September 15, 2013. If the letter of credit is drawn on to pay for the bonds that were not remarketed, such amounts are due over the term of the letter of credit. As of September 30, 2011, the Series 2010B bonds have been successfully remarketed and, therefore, the letter of credit was not drawn upon.

Scheduled payments of principal on long-term debt and capital lease obligations at September 30, including current maturities and assuming the letter of credit is not drawn upon, are summarized as follows:

	Long-Term Debt	Capital Lease Obligations
2012	\$ 706,842	\$ 485,190
2013	736,842	485,097
2014	766,842	597,011
2015	801,842	292,046
2016	841,842	3,631
Thereafter	27,941,054	-
	<u>\$ 31,795,264</u>	1,862,975
Less - Amounts representing interest on capital lease obligations		<u>331,994</u>
		<u>\$ 1,530,981</u>



# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 9      Charity Care

The Corporations provide health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community including the health of low-income patients. Consistent with the mission of the Corporations, care is provided to patients and residents regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources or are underinsured. The Corporations give discounts from established charges to self-pay patients without regard to ability to pay and consider these discounts a part of their community benefit.

Patients and residents who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on qualifying criteria as defined in the Corporations' charity care policy and from applications completed by patients and residents and their families.

Benefits for the community also include unpaid costs of treating the elderly, health screenings, community education through seminars and classes, and other health-related services.

The amount of charges foregone for services and supplies furnished under the Corporations' charity care policy aggregated approximately \$1,695,000 and \$1,875,000 for the years ended September 30, 2011 and 2010, respectively.

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

### Note 10 Clinic Leases

The Hospital rents clinic facilities and land to physicians under noncancellable operating leases for which the Hospital has secured agreements through 2027. Approximately 25% of the property and equipment listed below includes the clinic facilities and land being leased at September 30:

	2011	2010
Land and land improvements	\$ 193,128	\$ 193,128
Buildings	5,882,719	5,882,719
Equipment	347,925	326,244
Total leased property	6,423,772	6,402,091
Less - Accumulated depreciation	886,342	696,067
Leased property - Net	\$ 5,537,430	\$ 5,706,024

Rental income, including cancellable and noncancellable leases, included in other income in the accompanying special-purpose combined statements of operations and changes in net assets for the years ended September 30, 2011 and 2010, was \$474,984 and \$521,060, respectively.

Total minimum rental income receivable at September 30, 2011, under noncancellable leases with terms greater than one year follows:

2012	\$ 129,742
2013	106,400
2014	106,400
2015	106,400
2016	106,400
Thereafter	1,200,483
	\$ 1,755,825

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

### Note 11 Supporting Organizations

#### Reedsburg Area Medical Center Foundation, Inc.

The Foundation was established during 1976 to raise funds to support the operation of the Corporations. The Foundation's bylaws provide that all funds raised, except for funds required for operation of the Foundation, be distributed to or held primarily for the benefit of the Corporations. During 2010, the Foundation contributed funds to the Corporations in the amount of \$43,076.

A summary of the financial information from internal records of the Foundation for the twelve month periods ended September 30 is as follows:

	2011	2010
Assets	\$ 1,590,166	\$ 1,730,490
Liabilities	\$ 432	\$ -
Net assets	\$ 1,589,734	\$ 1,730,490
Total revenue	\$ 62,189	\$ 214,589
Total expenses	202,945	164,736
Increase (decrease) in net assets	(140,756)	49,853
Net assets at beginning	1,730,490	1,680,637
Net assets at end	\$ 1,589,734	\$ 1,730,490

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 11      Supporting Organizations (Continued)

#### Partners of Reedsburg Area Medical Center

The Partners organization was established during 1974 to raise funds to support the operation and mission of the Hospital. The Partners' bylaws provide that funds raised shall be donated to the various departments of the Hospital and held and distributed in accordance with objectives established by the Partners and the Hospital. During 2011, the Partners contributed funds to the Hospital in the amount of \$22,000.

A summary of the financial information from internal records for the Partners for the twelve month periods ended September 30 is as follows:

	2011	2010
Assets	\$ 116,175	\$ 136,442
Net assets	\$ 116,175	\$ 136,442
Total revenue	\$ 26,976	\$ 57,314
Total expenses	47,243	77,813
Change in net assets	\$ (20,267)	\$ (20,499)

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 12      Related Parties

#### **Reedsburg Area Life Center, LLC**

Reedsburg Area Life Center, LLC is the sole corporate member of Ridgeview Heights Independent Living Corporation, Inc. (RH), Ridgeview Heights Independent Living Corporation II (RH II), and the Senior Life Center.

The Senior Life Center received a contribution from RH of \$100,000 and \$0 during the years ended September 30, 2011 and 2010.

RH and RH II have contracted with the Hospital to provide administrative and maintenance services. Services of \$54,186 and \$41,887, respectively, were provided by the Hospital for the year ended September 30, 2011. The Hospital provided administrative and maintenance services to RH and RH II of approximately \$55,349 and \$42,536, respectively, for the year ended September 30, 2010.

#### **Home Health United, Inc.**

The Hospital appoints one member (of five) to the respective boards of Home Health United, Inc. and its affiliates, HHU Xtra Care, Inc., and Home Care United, Inc. and is considered a sponsoring organization to these organizations. The Hospital received a distribution from Home Health United, Inc. of \$150,000 in 2011, which is included under other income (expense) in the special-purpose combined statements of operations and changes in net assets.

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

### Note 13 Concentration of Credit Risk

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

Accounts receivable consist of amounts due from patients and residents, their insurers, or governmental agencies (primarily Medicare and Medicaid) for health care provided to the patients and residents. The majority of the Corporations' patients and residents are from Reedsburg, Wisconsin, and the surrounding area. The mix of receivables from patients, residents, and third-party payors was as follows at September 30:

	2011	2010
Medicare and Medicare Advantage Plans	22%	25%
Medicaid and Medicaid HMO Plans	12%	12%
Other third-party payors	38%	36%
Patients	28%	27%
Totals	100%	100%

The following table reflects the approximate portion of services provided to patients and residents whose bills were paid in full or in part by the following programs or third-party payors, which are considered to be the significant sources of revenue for the Corporations for the years ended September 30:

	2011	2010
Medicare and Medicare Advantage Plans	34%	39%
Medicaid and Medicaid HMO Plans	16%	16%

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### **Note 13**      **Concentration of Credit Risk** (Continued)

The Corporations maintain depository relationships with several area financial institutions including banks that are Federal Depository Insurance Corporation (FDIC) insured institutions. On November 9, 2010, the FDIC issued a final rule implementing Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited insurance coverage of non-interest-bearing transaction accounts through December 31, 2012. Operating cash requirements frequently require that amounts on deposit exceed FDIC limits. The Corporations have also invested some of their surplus operating funds in savings accounts and certificates of deposit at these institutions. Management has entered into pledging agreements and obtained additional depository insurance to provide for additional collateral on amounts in excess of the insured limits. At September 30, 2011, no deposits of the Corporations exceeded the insured limits.

### **Note 14**      **Employee Retirement Plan**

The Corporations sponsor a contributory defined contribution retirement plan covering employees who have attained age 21 and completed one year of service. The Corporations contributed an amount that approximates 5% of covered employees' salaries in both 2011 and 2010. The Corporations' retirement plan expense for the years ended September 30, 2011 and 2010, was approximately \$789,000 and \$774,000, respectively.

### **Note 15**      **Self-Funded Insurance**

Effective January 1, 2011, the Corporations began using a self-funded health care plan, which provides medical benefits to employees and their dependents. Employees share in the cost of health benefits with health care premiums paid by employees in amounts determined by actuaries based on historical experience. Health care expense is based upon actual claims paid, reinsurance premiums, administration fees, and unpaid claims at year-end. The Corporations' purchase reinsurance to cover catastrophic individual claims over a specific limit.

Health care expense was \$3,115,365 and \$2,097,792 in 2011 and 2010, respectively. A liability of \$394,900 for claims outstanding at September 30, 2011, has been recorded in current liabilities in the accompanying special-purpose combined balance sheets. Management believes this liability is sufficient to cover estimated claims including claims incurred but not yet reported.

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 16      Professional Liability Insurance

The Corporations' professional liability insurance for claim losses of less than \$1,000,000 per claim and \$3,000,000 per year covers professional liability claims reported during a policy year ("claim made" coverage). The Corporations are insured against losses in excess of these amounts through their participation in the mandatory Patients' Compensation Fund of the State of Wisconsin. The professional liability insurance policy is renewable annually and has been renewed by the insurance carrier for the annual period extending to August 13, 2012.

Under a claims made policy, the risk for claims and incidents not asserted within the policy period remains with the Corporations. Although there exists the possibility of claims arising from services provided to patients through September 30, 2011, which have not yet been asserted, the Corporations are unable to determine the ultimate cost, if any, of such possible claims and, accordingly, no provision has been made.

The Corporations also maintain umbrella coverage for claims in excess of the professional liability limits to a maximum of \$5,000,000 per occurrence and a \$5,000,000 aggregate per year.

### Note 17      Laws and Regulations

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



# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 17      **Laws and Regulations (Continued)**

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

### Note 18      **Functional Expenses**

The Corporations provide general health care services to residents within their geographic location. Expenses related to providing these services for the years ended September 30 are as follows:

	2011	2010
Health care services	\$ 36,408,795	\$ 33,339,763
General and administrative	11,222,615	10,977,175
	<u>\$ 47,631,410</u>	<u>\$ 44,316,938</u>

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Notes to Special-Purpose Combined Financial Statements

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### Note 19      **Operating Leases**

The Corporations lease certain equipment under noncancellable operating lease agreements. Total future minimum rental payments are as follows:

2012	\$	399,705
2013		181,905
2014		130,743
		<hr/>
		\$ 712,353

The Corporations' rental expense was approximately \$463,300 and \$606,800 for the years ended September 30, 2011 and 2010, respectively.

### Note 20      **Residential Bank Loan Guarantee**

The Hospital has guaranteed up to \$82,962 of a bank loan for a residential asset for a physician. The Hospital will be liable for these payments if the physician defaults on the loan and the market value of the residential asset is less than the outstanding debt on the property.

### Note 21      **Deferred Compensation**

The Hospital has entered into deferred compensation agreements for certain members of management, which provide for a payment upon retirement equal to the cash value of the agreement as of their retirement date. Amounts deferred under the plan are included as deferred compensation on the special-purpose combined balance sheets. The amount of deferred compensation expense for the years ended September 30, 2011 and 2010, was approximately \$106,900 and \$94,300, respectively.

### Note 22      **Reclassifications**

Certain reclassifications were made to the 2010 special-purpose combined financial statements to conform with the classifications used in 2011.

## Special-Purpose Additional Information



## Independent Auditor's Report on the Special-Purpose Additional Information

Boards of Directors  
Reedsburg Area Medical Center, Inc. and  
Reedsburg Area Senior Life Center, Inc.  
Reedsburg, Wisconsin

Our report on our audit of the basic special-purpose combined financial statements of Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc. for the years ended September 30, 2011 and 2010, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic special-purpose combined financial statements taken as a whole. The additional information appearing on pages 43 through 47 is presented for purposes of additional analysis and is not a required part of the basic special-purpose combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic special-purpose combined financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic special-purpose combined financial statements taken as a whole.

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

Wipfli LLP

December 14, 2011  
Eau Claire, Wisconsin

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Special-Purpose Combining Balance Sheet

September 30, 2011

<i>Assets</i>	Reedsburg Area Medical Center, Inc.	Reedsburg Area Senior Life Center, Inc.	Eliminations	Total
Current assets:				
Cash and cash equivalents	\$ 4,424,810	\$ 1,127,203	\$ -	\$ 5,552,013
Current portion of assets limited as to use	615,814	-	-	615,814
Investments	9,160,799	5,376	-	9,166,175
Patient and resident accounts receivable - Net	6,635,318	316,360	-	6,951,678
Other accounts receivable	329,122	-	(329,122)	-
Inventories	1,550,573	-	-	1,550,573
Other current assets	469,976	20,143	-	490,119
<b>Total current assets</b>	<b>23,186,412</b>	<b>1,469,082</b>	<b>(329,122)</b>	<b>24,326,372</b>
Investments	2,159,212	-	-	2,159,212
Assets limited as to use - Net of amounts required to meet current obligations	3,347,330	-	-	3,347,330
Property and equipment - Net	29,547,451	9,918,207	-	39,465,658
Other assets:				
Interest in net assets of supporting organizations	1,086,986	618,923	-	1,705,909
Note receivable	100,000	-	-	100,000
Debt issuance costs	397,518	197,688	-	595,206
Deferred compensation plan assets	888,059	-	-	888,059
Other	40,739	-	-	40,739
<b>Total other assets</b>	<b>2,513,302</b>	<b>816,611</b>	<b>-</b>	<b>3,329,913</b>
<b>TOTAL ASSETS</b>	<b>\$ 60,753,707</b>	<b>\$ 12,203,900</b>	<b>\$ (329,122)</b>	<b>\$ 72,628,485</b>

<i>Liabilities and Net Assets</i>	Reedsburg Area Medical Center, Inc.	Reedsburg Area Senior Life Center, Inc.	Eliminations	Total
Current liabilities:				
Current maturities of long-term debt and capital lease obligations	\$ 1,047,830	\$ -	\$ -	\$ 1,047,830
Accounts payable - Trade	1,242,845	87,338	-	1,330,183
Accounts payable - Other	-	329,122	(329,122)	-
Accrued payroll and payroll taxes	1,003,788	20,888	-	1,024,676
Accrued vacation	1,861,761	200,567	-	2,062,328
Accrued medical claims payable	307,500	87,400	-	394,900
Accrued interest	337,858	-	-	337,858
Amounts payable to third-party reimbursement programs	29,610	-	-	29,610
Total current liabilities	5,831,192	725,315	(329,122)	6,227,385
Long-term liabilities:				
Deferred compensation	983,574	-	-	983,574
Long-term debt and capital lease obligations - Less current maturities	21,551,715	10,726,700	-	32,278,415
Total long-term liabilities	22,535,289	10,726,700	-	33,261,989
Total liabilities	28,366,481	11,452,015	(329,122)	39,489,374
Net assets:				
Unrestricted	31,315,193	114,992	-	31,430,185
Temporarily restricted	1,072,033	636,893	-	1,708,926
Total net assets	32,387,226	751,885	-	33,139,111
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 60,753,707</b>	<b>\$ 12,203,900</b>	<b>\$ (329,122)</b>	<b>\$ 72,628,485</b>

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Special-Purpose Combining Statement of Operations and Changes in Net Assets Year Ended September 30, 2011

	Reedsburg Area Medical Center, Inc.	Reedsburg Area Senior Life Center, Inc.	Eliminations	Total
Unrestricted net assets.				
Revenue				
Net patient and resident service revenue	\$ 41,990,137	\$ 5,070,750	\$ (9,293)	\$ 47,051,594
Other revenue	1,808,301	577,226	(964,342)	1,421,185
Total revenue	43,798,438	5,647,976	(973,635)	48,472,779
Expenses				
Salaries and wages	17,498,265	2,632,506	-	20,130,771
Employee benefits	6,649,221	1,042,876	-	7,692,097
Other expenses	14,776,699	1,270,486	(973,635)	15,073,550
Provision for bad debts	572,532	-	-	572,532
Interest	1,203,723	220,751	-	1,424,474
Depreciation and amortization	2,369,929	368,057	-	2,737,986
Total expenses	43,070,369	5,534,676	(973,635)	47,631,410
Income from operations	728,069	113,300	-	841,369
Other income (expense)				
Gain on repurchase of bonds	169,688	-	-	169,688
Distribution from sponsored organization	150,000	-	-	150,000
Investment income	741,037	434	-	741,471
Loss on disposal of equipment	(143,921)	(370)	-	(144,291)
Excess of revenue over expenses	1,644,873	113,364	-	1,758,237
Net assets released from restriction used for property and equipment	22,000	-	-	22,000
Net change in unrealized gains and losses on investments, other than trading securities	(895,620)	-	-	(895,620)
Increase in unrestricted net assets	771,253	113,364	-	884,617
Temporarily restricted net assets				
Change in interest in net assets of supporting organizations	(82,720)	(56,303)	-	(139,023)
Net assets released from restrictions for property and equipment	(22,000)	-	-	(22,000)
Decrease in temporarily restricted net assets	(104,720)	(56,303)	-	(161,023)
Increase in net assets	666,533	57,061	-	723,594
Net assets at beginning	31,720,693	694,824	-	32,415,517
Net assets at end	\$ 32,387,226	\$ 751,885	\$ -	\$ 33,139,111

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Special-Purpose Combining Schedule of Net Patient and Resident Service Revenue

Years Ended September 30, 2011 and 2010

	2011	2010
Reedsburg Area Medical Center, Inc.:		
Gross patient service revenue:		
Nursing services	\$ 4,783,562	\$ 4,810,455
Nursery	453,750	438,168
Operating and recovery room	7,478,069	7,994,316
Labor and delivery room	1,349,663	1,248,255
Special care	715,112	774,776
Medical and surgical supplies	3,965,730	4,870,251
Emergency services	7,403,506	6,841,912
Electrocardiography	294,938	294,611
Radiology	3,355,267	3,019,219
Ultrasound	3,222,147	3,166,991
CT scan	4,943,414	5,302,726
Pharmacy	5,628,836	5,150,399
Laboratory	14,572,177	14,243,551
Nuclear medicine	1,099,072	1,053,561
Occupational therapy	521,357	470,850
Occupational health	139,348	213,504
Anesthesia	2,474,453	2,563,893
Inhalation therapy	1,597,150	1,427,827
Physical therapy	1,603,398	1,317,755
Speech therapy	109,875	50,241
Audiology	249,852	191,695
Massage therapy	76,219	49,749
Orthopedic services	1,478,678	471,920
Cardiac rehabilitation	202,386	220,557
Consulting services	4,920	8,572
Ambulatory care	701,345	714,592
Magnetic resonance imaging	3,359,978	2,970,393
Urgent care	776,451	722,484
Cardiac catheterization	130,055	457,760
Pulmonary rehabilitation	31,290	32,360
Sleep lab	1,271,368	1,397,213
Chemotherapy	205,379	238,323
Surgical partners	1,937,851	-
Total gross patient service revenue forwarded	76,136,596	72,728,879



# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Special-Purpose Combining Schedule of Net Patient and Resident Service Revenue (Continued)

Years Ended September 30, 2011 and 2010

	2011	2010
Reedsburg Area Medical Center, Inc.: (Continued)		
Total gross patient service revenue brought forward	\$ 76,136,596	\$ 72,728,879
Deductions from revenue:		
Medicare and Medicare Advantage plans	14,994,972	14,571,185
Medicaid and Medicaid HMO plans	6,933,610	6,422,759
HMO	4,906,522	5,352,431
Other	7,311,355	6,049,590
Total deductions from revenue	34,146,459	32,395,965
Net patient service revenue - Reedsburg Area Medical Center, Inc.	41,990,137	40,332,914
Reedsburg Area Senior Life Center, Inc.		
Nursing services	4,679,472	4,203,193
Pharmacy	391,278	340,274
Net resident service revenue - Reedsburg Area Senior Life Center, Inc.	5,070,750	4,543,467
Intercompany eliminations	(9,293)	(5,592)
Total net patient and resident service revenue	\$ 47,051,594	\$ 44,870,789

# Reedsburg Area Medical Center, Inc. and Reedsburg Area Senior Life Center, Inc.

## Special-Purpose Combining Schedule of Other Revenue

Years Ended September 30, 2011 and 2010

	2011	2010
Reedsburg Area Medical Center, Inc.:		
Cafeteria sales	\$ 780,672	\$ 708,439
Medical records	1,811	1,404
Space rental	474,984	521,060
Contributions	9,995	27,657
Operating grants	446,554	-
Other	94,285	114,003
Total other revenue - Reedsburg Area Medical Center, Inc	1,808,301	1,372,563
Reedsburg Area Senior Life Center, Inc.:		
Contributions	515,000	427,111
Operating grants	-	936
Other	62,226	53,615
Total other revenue - Reedsburg Area Senior Life Center, Inc.	577,226	481,662
Intercompany eliminations	(964,342)	(917,747)
Total other revenue	\$ 1,421,185	\$ 936,478