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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

"INSPIRED BY THE GOSPEL OUR CATHOLIC TRADITION, MERCY REGIONAL HEALTH CENTER, INC SERVES AS A HEALING PRESENCE WITH SPECIAL CONCERNS FOR OUR NEIGHBORS WHO ARE VULNERABLE AS PART OF THE VIA CHRISTI HEALTH SYSTEM THE HISTORY EXTENDS BACK OVER 100 YEARS AND TODAY, ALONG WITH OUR SPONSORING CONGREGATIONS THE SISTERS OF THE SORROWFUL MOTHER, CONGREGATION OF ST JOSEPH, SISTERS OF ST JOSEPH OF CARONDOLET AND THE DAUGHTERS OF CHARITY WE CONTINUE TO RESPOND TO COMMUNITY NEEDS IN KANSAS AND NORTHEASTERN OKLAHOMA

2

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

Yes

No

If "Yes," describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

Yes

No

If "Yes," describe these changes on Schedule O

4

Describe the exempt purpose achievements for each of the organization's three largest program services by expenses

Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a

(Code) (Expenses \$ 3,307,424 including grants of \$) (Revenue \$)

Chanty Care - Free or discounted health services provided to persons who cannot afford to pay and who meet Mercy Regional Health Center, Inc 's criteria for financial assistance Charity care is reported in terms of costs, not charges Charity care does not include bad debt

4b

(Code) (Expenses \$ 1,810,874 including grants of \$) (Revenue \$)

Government Sponsored Means-Tested Health Care - Includes unpaid costs of public programs for low-income persons This is the shortfall created when Mercy Regional Health Center, Inc receives payments that are less than the cost of caring for public program beneficiaries This payment shortfall is not the same as a contractual allowance, which is the full difference between charges and government payments

4c

(Code) (Expenses \$ 67,067,343 including grants of \$) (Revenue \$ 91,012,487)

Mercy Regional Health Center, Inc provides a full range of inpatient and outpatient services to individuals in the community regardless of socioeconomic or demographic background Mercy Regional Health Center, Inc is committed to community health with programs including but not limited to Diabetes Education, Nutrition Education, Fitness Education, and Lifesaving Education Mercy Regional Health Center, Inc sponsors the American Heart Walk, provides fitness centers, exercise classes, ergonomic reviews, and provides scholarships to students attending nursing school

4d

Other program services (Describe in Schedule O)

(Expenses \$ including grants of \$) (Revenue \$)


















4e

Total program service expenses

\$ 72,185,641

Form 990 (2010)

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	116
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	1,191
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

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

Section A. Governing Body and Management

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

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

		Yes	No
10a	Does the organization have local chapters, branches, or affiliates?		No
10b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	Yes	
11b	Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Does the organization have a written conflict of interest policy? If "No," go to line 13	Yes	
12b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	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	
	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?	Yes	
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?		No

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed <input checked="" type="checkbox"/> KS
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization <input checked="" type="checkbox"/> SHELLY TRENT 8200 E THORN DRIVE WICHITA, KS 67226 (316) 719-3200

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) PAT BOSCO TRUSTEE	1 0	X						0	0	0
(2) MIKE DANIELS VICE CHAIR	1 0	X		X				0	0	0
(3) TRACEY DEBRUYN CHAIRPERSON	1 0	X		X				0	0	0
(4) MARK GROS MD TRUSTEE	1 0	X						0	0	0
(5) DOUG HINKIN MD TRUSTEE	1 0	X						0	0	0
(6) TOM HOLCOMBE TREASURER	1 0	X		X				0	0	0
(7) MARK KNACKENDOFFEL TRUSTEE	1 0	X						0	0	0
(8) SISTER LOIS ANN O'MALLEY SECRETARY	1 0	X		X				0	0	0
(9) JERRY PETTLE DDS TRUSTEE	1 0	X						0	0	0
(10) LANCE WHITE TRUSTEE	1 0	X						0	0	0
(11) DAVID HADLEY TRUSTEE	1 0	X						0	552,725	98,018
(12) RANDALL PETERSON TRUSTEE	1 0	X						0	537,324	159,950
(13) JOHN BROBERG EX-OFFICIO(CEO)	49 0	X		X				0	310,763	47,614
(14) MICHAEL CATES TRUSTEE	1 0	X						0	0	0
(15) MATT FOSTER MD MEDICAL STAFF PRESIDENT ELECT	1 0	X						0	0	0
(16) APOSTOLOS EVANGELIDIS MD TRUSTEE	1 0	X						0	0	0

Part VII

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(17) NANCY O'CONNOR TRUSTEE	1 0	X						0	0	0
(18) MARK DUFF MD TRUSTEE	1 0	X						0	0	0
(19) JANET CRIQUI CFO(THROUGH JUNE)	50 0			X				142,210	0	17,771
(20) GERALD LUEGER CFO(JUNE TO SEPTEMBER)	50 0			X				100,125	0	11,192
(21) MARCIA BUBAK VP PATIENT CARE	50 0				X			149,093	0	19,734
(22) WILLIAM FREUND MD PHYSICIAN	50 0					X		373,667	0	6,107
(23) PRIYANTHA S RANAWEERA MD PHYSICIAN	50 0					X		567,542	0	12,563
(24) CASEY M POELL MD PHYSICIAN	50 0					X		268,269	0	5,839
(25) DAVID M WICHMAN MD PHYSICIAN	50 0					X		225,148	0	12,874
(26) FADI V BEDROS MD PHYSICIAN	50 0					X		383,348	0	14,665
(27) RICHARD ALLEN FORMER CEO	0 0						X	0	175,331	0
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								2,209,402	1,576,143	406,327

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▶28

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	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
EMERGENCY PHYSICIANS OF MANHATTAN 10975 BENSON DRIVE OVERLAND PARK, KS 66210	PROFESSIONAL SERVICE	841,277
AUREUS RADIOLOGY LLC POBOX 3037 OMAHA, NE 681030037	CONTRACT LABOR	422,572
TRIMEDX LLC POBOX 636129 CINCINNATI, OH 45263	MANAGEMENT SERVICES	1,678,800
INSTITUTE OF EXTRACORPOREAL THERAPI 3521 GARY AVENUE MANHATTAN, KS 66503	DIALYSIS PROCEDURES	243,281
KANSAS LITHOTRIPSY 9825 SPECTRUM DR BLDG 3 AUSTIN, TX 78717	LITHOTRIPSY PROCEDUR	111,200
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 ▶13		

Part VIII

Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514		
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d	420				
	e	Government grants (contributions)	1e	2,500				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	54				
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f		2,974				
	Program Service Revenue	2a	NET PATIENT SERVICE REVENUE		621110	87,632,302	87,523,464	108,838
b								
c								
d								
e								
f		All other program service revenue						
g		Total. Add lines 2a-2f		87,632,302				
Other Revenue		3	Investment income (including dividends, interest and other similar amounts)		919,960			919,960
		4	Income from investment of tax-exempt bond proceeds . .		0			
	5	Royalties		0				
	6a	Gross Rents	(i) Real	(ii) Personal				
	b	Less rental expenses	147,785					
	c	Rental income or (loss)	158,351					
	d	Net rental income or (loss)	-10,566			16,874	-27,440	
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
	b	Less cost or other basis and sales expenses	1,269,439	8,900				
	c	Gain or (loss)		5,725				
	d	Net gain or (loss)	1,269,439	3,175				
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from fundraising events . .		0				
	9a	Gross income from gaming activities See Part IV, line 19 . .	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from gaming activities . .		0				
10a	Gross sales of inventory, less returns and allowances . .	a						
b	Less cost of goods sold	b						
c	Net income or (loss) from sales of inventory . .		0					
Miscellaneous Revenue		Business Code						
11a	EMS	621910	2,080,017	2,080,017				
b	FOOD SERVICES	722210	509,783	509,783				
c	MANAGEMENT	551114	447,673	447,673				
d	All other revenue		-45,860	451,550	66,493	-563,903		
e	Total. Add lines 11a-11d		2,991,613					
12	Total revenue. See Instructions		92,808,897	91,012,487	192,205	1,601,231		

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	0			
2	Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	985,299	215,744	769,555	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	32,401,315	28,648,678	3,752,637	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,928,485	149,968	1,778,517	
9	Other employee benefits	3,316,335	2,597,975	718,360	
10	Payroll taxes	2,634,551	2,066,105	568,446	
a	Fees for services (non-employees)				
	Management	0			
b	Legal	46,176	7,075	39,101	
c	Accounting	29,330		29,330	
d	Lobbying	0			
e	Professional fundraising services See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	13,851,869	6,553,592	7,298,277	
12	Advertising and promotion	235,721	4,033	231,688	
13	Office expenses	16,943,986	16,416,645	527,341	
14	Information technology	178,971	34,666	144,305	
15	Royalties	0			
16	Occupancy	2,031,234	1,819,242	211,992	
17	Travel	215,745	118,162	97,583	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	22,720	414	22,306	
20	Interest	2,400,708	2,397,371	3,337	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	5,524,821	5,340,279	184,542	
23	Insurance	1,183,174	1,132,147	51,027	
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	SALES & OTHER TAXES	41,922	37,861	4,061	
b	BAD DEBTS	4,566,604	4,566,604		
c	DUES	187,131	24,643	162,488	
d	PERSONNEL RECRUITING	164,068	2,140	161,928	
e	UNRELATED BUS INCOME TAXES	34,920	34,920		
f	All other expenses	233,793	17,377	216,416	
25	Total functional expenses. Add lines 1 through 24f	89,158,878	72,185,641	16,973,237	0
26	Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			0	1	7,342,087
	2	Savings and temporary cash investments			18,493,957	2	7,723,776
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			10,397,594	4	12,300,853
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L				6	
	7	Notes and loans receivable, net				7	
	8	Inventories for sale or use			3,008,630	8	2,577,413
	9	Prepaid expenses and deferred charges			347,021	9	28,042
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	113,017,148			
	b	Less: accumulated depreciation	10b	52,519,765	62,369,472	10c	60,497,383
	11	Investments—publicly traded securities				11	
	12	Investments—other securities. See Part IV, line 11			28,101,087	12	19,226,297
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			1,327,352	15	12,971,242
	16	Total assets. Add lines 1 through 15 (must equal line 34)			124,045,113	16	122,667,093
Liabilities	17	Accounts payable and accrued expenses			9,672,819	17	7,027,590
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities			31,936,061	20	30,101,599
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties			1,827,943	23	795,393
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities. Complete Part X of Schedule D			10,529,728	25	12,784,259
	26	Total liabilities. Add lines 17 through 25			53,966,551	26	50,708,841
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			69,918,050	27	71,958,252
	28	Temporarily restricted net assets			160,512	28	
	29	Permanently restricted net assets				29	
		Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			70,078,562	33	71,958,252
	34	Total liabilities and net assets/fund balances			124,045,113	34	122,667,093

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	92,808,897
2	Total expenses (must equal Part IX, column (A), line 25)	2	89,158,878
3	Revenue less expenses Subtract line 2 from line 1	3	3,650,019
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	70,078,562
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-1,770,329
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	71,958,252

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 checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		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 MERCY REGIONAL HEALTH CENTER INC	Employer identification number 48-1186704
--	--

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

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

Part IIIPart III

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

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

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

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

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2010. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization 		
b 33 1/3% support tests—2009. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization 		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions 		

Part IV

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

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization MERCY REGIONAL HEALTH CENTER INC	Employer identification number 48-1186704
--	--

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

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

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

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

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

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

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

Part II-A

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

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

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

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

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

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

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		11,462
j	Total lines 1c through 1i			11,462
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
LOBBYING ACTIVITIES	SCHEDULE C, PART II-B, LINE I	A Portion of dues paid to the various organizations listed below is used for lobbying. Dues % Lobbying Total AHA 16,444 24 60% 4,045 KHA 48,413 15 00% 7,262 Chamber of Commerce 3,097 5 00% 155 ----- 67,954 11,462

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
MERCY REGIONAL HEALTH CENTER INC

Employer identification number
48-1186704

Part I

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

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

Part II

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

1

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

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

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

	Held at the End of the Year
2a	
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

b

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

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

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

2

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

a

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

b

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

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations

3a(i)

☐ Yes

☐ No

(ii)

related organizations

3a(ii)

☐ Yes

☐ No

b

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

3b

☐ Yes

☐ No

4

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

Part VI

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

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		733,250		733,250
b Buildings		70,692,003	22,933,430	47,758,573
c Leasehold improvements		1,764,210	1,547,716	216,494
d Equipment		35,123,253	25,770,539	9,352,714
e Other		4,704,432	2,268,080	2,436,352
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				60,497,383

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements			
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return			
1	Total revenue, gains, and other support per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	
5	Total Revenue Add lines 3 and 4c . (This should equal Form 990, Part I, line 12)	5	

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

Part XIV Supplemental Information
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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
FIN 48	SCHEDULE D, PART X	THE ORGANIZATION FOLLOWS THE FIN 48 POLICY OF VIA CHRISTI HEALTH, INC (VCH) AND THE POLICY IS PROVIDED IN THE VCH CONSOLIDATED AUDITED FINANCIAL STATEMENTS WITH THE EXCEPTION OF CERTAIN ENTITIES, ALL OF THE ENTITIES IN THE HEALTH SYSTEM ARE ORGANIZATIONS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE AND ARE GENERALLY EXEMPT FROM PAYMENT OF INCOME TAXES ON RELATED INCOME PURSUANT TO SECTION 501(A) OF THE INTERNAL REVENUE CODE SUBSIDIARIES, WHICH ARE FOR-PROFIT ORGANIZATIONS, ARE SUBJECT TO FEDERAL AND STATE INCOME TAXES TAX ASSETS AND LIABILITIES ARE RECOGNIZED FOR THE FUTURE TAX CONSEQUENCES ATTRIBUTABLE TO DIFFERENCES BETWEEN THE FINANCIAL STATEMENT CARRYING AMOUNTS OF EXISTING ASSETS AND LIABILITIES AND THEIR RESPECTIVE TAX BASES AND OPERATING LOSS AND TAX CREDIT CARRYFORWARD INCOME TAX EXPENSE OR BENEFIT IS INCLUDED IN OTHER NON-OPERATING GAINS AND LOSSES IN THE CONSOLIDATED STATEMENTS OF OPERATION AND CHANGES IN NET ASSETS DEFERRED TAX ASSETS AND LIABILITIES ARE MEASURED USING ENACTED TAX RATES EXPECTED TO BE RECOVERED OR SETTLED THE EFFECT ON DEFERRED TAX ASSETS AND LIABILITIES OF A CHANGE IN TAX RATES IS RECOGNIZED IN INCOME IN THE PERIOD THAT INCLUDES THE ENACTMENT DATE

Additional Data

Software ID:

Software Version:

EIN: 48-1186704

Name: MERCY REGIONAL HEALTH CENTER INC

Form 990, Schedule D, Part VII - Investments— Other Securities

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
UNAMORT LOAN COSTS-BOND	1,017,457	F
NOTES REC-LT-PHYSICIAN	0	F
PENSION CONTROL NET OF ADJ	0	F
INVESTMENT IN AFFILIATES	2,329,826	F
FUNDED DEPR-SWEEP ACCT	0	F
FUNDED DEPR-UMB	0	F
UMB-2001-DEBT SERVICE RESERVE	0	F
UMB-2001-INTEREST ACCOUNT	0	F
UMB-2001-PRINCIPAL ACCOUNT	0	F
OPERATING-INVESTMENT-UMB BANK	0	F
AMBULANCE RESERVE FUND	0	F
FUNDED DEPR-UMB	0	F
LONG TERM INVESTMENTS	15,879,014	F

Form 990, Schedule D, Part IX, - Other Assets

(a) Description	(b) Book value
DEPOSITS	0
OTHER RECEIVABLES	0
CHAMPUS/TRICARE SETTLEMENT	550,500
SETTLEMENT RECEIVABLE	8,502
DUE TO/FROM RELATED PARTIES	-201,263
OTHER ASSETS-UNRELATED PART	888,953
BOARD DESIG FUNDS-CAP IMPROVEM	8,155,066
SELF INSURANCE ARRANGEMENTS	2,565,493
EDUCATION LOAN RECEIVABLE	16,511
PREPAID PENSION	987,480

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
MERCY REGIONAL HEALTH CENTER INC

Employer identification number
48-1186704

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 checked="" 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 type="checkbox"/> 150% <input checked="" 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"?		
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)			3,127,398	0	3,127,398	3 510 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			6,698,385	4,669,020	2,029,365	2 280 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)			0	0	0	0 %
d Total Financial Assistance and Means-Tested Government Programs			9,825,783	4,669,020	5,156,763	5 790 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			396,916	23,618	373,298	0 420 %
f Health professions education (from Worksheet 5)			255,323	0	255,323	0 290 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			128,985	0	128,985	0 140 %
j Total Other Benefits			781,224	23,618	757,606	0 850 %
k Total. Add lines 7d and 7j			10,607,007	4,692,638	5,914,369	6 640 %

Part IICommunity 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
1Physical improvements and housing						
2Economic development			892	0	892	0 %
3Community support			1,136	0	1,136	0 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total			2,028	0	2,028	0 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes
2	Enter the amount of the organization's bad debt expense (at cost)	2	1,580,045
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	25,617,959
6	Enter Medicare allowable costs of care relating to payments on line 5	6	27,922,128
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-2,304,169
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 type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other		

Section C. Collection Practices

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

Part IVManagement 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? 12

Name and address	Type of Facility (Describe)
1 See Additional Data Table	

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
ANNUAL COMMUNITY BENEFIT REPORT	PART I, LINE 6a	MRHC and WCH's annual report is prepared and printed in "Up Close", a magazine printed with 2,400 copies distributed to surrounding communities of Clay Center, Manhattan and Wamego "Up Close" is also available on MRHC's website at www.mercyregional.org

Identifier	ReturnReference	Explanation
COMMUNITY BENEFIT PROGRAMS	PART I, LINE 7	For examples of some of the community benefit programs provided by Mercy Regional Health Center and Wamego Hospital Association (a combined report) see the Schedule O footnote for Part III, Statement of Program Services

Identifier	ReturnReference	Explanation
COMMUNITY BUILDING ACTIVITIES	PART II	<p>Community building activities are essential roles for health-care organizations in that they address many of the underlying determinants of health. Research has consistently shown that when the socioeconomic factors influencing health are explored, health care actually plays the smaller role proportionately. A report in the Journal of American Medical Association and the Center for Disease Control suggests that the factors impacting health are as follows: lifestyle and behaviors, 50 percent, environment, 20 percent, genetics and human biology, 20 percent and health care, 10 percent. Community building activities help to address the other indicators outside of the role traditionally played by health care organizations. These activities are almost exclusively done in some form of partnership in which the community or other organizations are better suited to address identified community needs. VCH provides timely and specific resources to help community organizations through donations to fulfill their missions of improving the well-being of the community and contributing to its overall health status in ways that may differ from direct clinical services provided by the hospital. Donations such as staff time and expertise for trainings or presentations to Chamber, Rotary or other service groups, special population outreach efforts for at-risk children in need of mentoring, assistance in building homes for the homeless or domestic violence victims, donating outdated equipment to free clinics, or other durable goods provided to area shelters and other organizations are all ways to maximize those agencies' resources so they can provide more program services.</p> <p>Manhattan - Wamego, KS Presentations made to the Chamber of Commerce meetings in Manhattan, Wamego and other surrounding communities to update them on the results of the community health needs assessments, strategic plans of the hospital and participation in discussions regarding economic development and workforce development all benefit the communities. By actively sharing the findings of the community health needs assessments, it allows other Chamber members to be aware of the most up-to-date information and gives them an opportunity to partner with the hospital and other area businesses in finding solutions.</p>

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE	PART III, LINE 3	The organization has no suitable basis for estimating bad debt expense that would be attributable to patients eligible under the organization's charity care policy

Identifier	ReturnReference	Explanation
AUDIT FOOTNOTE - BAD DEBT EXPENSE	PART III, LINE 4	<p>The provision for bad debt expense is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payer category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for bad debt expense to establish an appropriate allowance for uncollectible accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, The Health System follows established guidelines for placing certain past-due patient balances with collection agencies, subject to terms of certain restrictions on collection efforts as determined by the Health System. Accounts receivable are written off after collections efforts have been followed in accordance with the Health System's policies. MRHC reports bad debts in accordance with generally accepted accounting principles (GAAP). Healthcare Financial Management Statement 15 is followed to the extent that it aligns with the guidelines set forth by GAAP. Bad debt expense at cost is determined using the same cost-to-charge ratio that is used for charity care and Medicaid shortfall. VCH follows the guidance from CHA and does not consider bad debt as a community benefit.</p>

Identifier	ReturnReference	Explanation
MEDICARE SHORTFALL	PART III, LINE 8	MRHC follows the CHA guidelines regarding Medicare and does not include it as community benefit The methodology described in the instructions to Schedule H, Part III, Section B, Line 7 for reporting Medicare shortfall does not take into account all costs incurred by the Hospital and does not represent the total Medicare shortfall The Medicare shortfall reported on Schedule H, Part III, Section B, Line 7 was determined using information from the organization's Medicare cost report (using the Medicare Cost report step-down methodology of allocating costs) However, utilizing an internal cost accounting system actually results in a Medicare shortfall of \$3,207,050 The most common reason for a difference between the Medicare shortfall reported on Schedule H and the actual shortfall reported above include inclusion of Medicare Advantage revenue and expenses, inclusion of Medicare Part B Revenue and Expenses, inclusion of other fee schedule revenue, other timing issues, and costs that are considered unallowable on the Medicare cost report that are, in fact, related to Medicare patient care

Identifier	ReturnReference	Explanation
DEBT COLLECTION POLICY	PART III, LINE 9B	<p>It is the policy of MRHC to promote socially just practices for billing and collections for all patients receiving care. The policy is intended to further the MRHC mission by requiring ethical conduct in billing and collecting self-pay balances from patient/guarantor's regardless of ability to pay. The policy ensures that prior to turning an account over to a Third Party Collection Agent (Agent) for collection activity, MRHC will perform a reasonable review of each account to verify that the patient/guarantor is not potentially eligible for any government assistance program (e.g., Medicaid, Medicare, etc.) and would likely not qualify for charity care. MRHC will direct its staff and Agents to periodically assess each patient/guarantor's ability to pay or to determine eligibility for charity care. The review and assessment should include but may not be limited to the following:</p> <ul style="list-style-type: none">a. Ensure the patient/guarantor has been notified of VCH's financial assistance policy,b. Ensure the patient/guarantor was offered a financial assistance application,c. Ensure documentation of any known extraordinary financial circumstances of the patient/guarantor or if they are medically indigent.

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	PART VI, LINE 2	Ministry representatives are involved with numerous coalitions that periodically assess community needs (e g Flint Hills Community Clinic, Kansas Health Care Collaborative, United Way of Riley County, Shepherds' Crossing and others) and in 2010 conducted their own health assessment Secondary data, other community assessments and one-on-one interviews with community leaders, social service providers, health care providers and government representatives were used to conduct the MRHC and WCH assessments

Identifier	ReturnReference	Explanation
PATIENT ELIGIBILITY FOR ASSISTANCE	PART VI, LINE 3	VCH financial assistance staff is trained on how to qualify patients for Medicaid, SCHIP and other income-based programs During the patient's registration, admissions and discharge processes, VCH attempts to identify patients who may be eligible for charity or discounted care through the charity care policy In addition, VCH uses a percentage of the Federal Poverty Guidelines (FPG) to determine free and discounted care

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	PART VI, LINE 4	<p>For Manhattan based ministries - The primary counties for Manhattan ministries includes Riley, Geary and Pottawatomie</p> <p>Riley County has a land area of 609 square miles with a 2010 population of 71,115 Pottawatomie County has a land area of 844 square miles with a 2010 population of 21,604 Geary County has a land area of 385 square miles with a 2010 population of 34,362 Riley County's population demographics includes 83.2% white, 6.4% Black, 0.6% American Indian, 4.25% Asian and 6.5% persons of Hispanic or Latino origin The diversity of the population in Riley County is greater than for Pottawatomie County Racial breakout for Pottawatomie County includes 93.6% white, 1.1% Black, 0.8% American Indian, 0.7% Asian persons, and 4.4% persons of Hispanic or Latino origin The demographic distribution for Geary County includes 66.2% white, 18.4% Black, 1.0% American Indian, 3.2% Asian, and 12.4% Hispanic or Latino origin Geary County has the highest diversity rates primarily due to Fort Riley, an Army base and Home of the 1st Infantry Division Almost 8.0% of the Riley County residents, 4.1% of the Pottawatomie County residents and 10.1% of the Geary County residents report that a language other than English is spoken at home When it comes to education, 94.2% of Riley County residents completed high school and 41.2% had a bachelor's degree or higher This compares to 92.8% and 27.1% for Pottawatomie County and 90.5% and 19.6% for Geary County Median household income for Riley County residents in 2010 was \$40,612 compared to \$54,949 for Pottawatomie County and \$44,033 for Geary County The median value of owner-occupied housing units in Riley County was \$148,600 in 2010 compared to \$124,600 in Pottawatomie and \$110,700 for Geary County residents Riley County reports 26.3% of its residents are below poverty level compared to 9.1% for Pottawatomie and 11.4% for Geary County The Statewide poverty level is around 13.2% MRHC is the only hospital in the City of Manhattan and is the largest full-service medical center in the area that is available to all persons regardless of their ability to pay</p>

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	PART VI, LINE 5	<p>MRHC and its affiliates enrich the communities in which they operate as well as the broader community, improving medicine through research, educating physicians and other healthcare providers, and providing care and support to people in need</p> <p>MRCH further supports this mission with a community board, open medical staff and an emergency room available to patients regardless of ability to pay</p> <p>Community representation on the Governing Body - The Board of Trustees is the governing body of MRCH</p> <p>The majority of its members are external members comprised of persons who reside in or around Sedgwick County and has overall responsibility for the charitable mission of the organization as set forth in its Articles of Incorporation and By Laws</p> <p>These trustees are selected based on their expertise, experience and other criteria established by the nominating committee of the Board of Trustees</p> <p>Areas of expertise and experience include such areas as healthcare, finance, education, and local government</p> <p>The Board actively debates and sets policy and strategic direction for the ministry but does not get involved in issues related to daily operations</p> <p>The Board takes a balanced approach when addressing community and business/financial concerns</p> <p>The Board is also the primary group for determining the use of surplus funds generated by the organization which are reinvested in the ministry in order to allow the ministry to sustain its mission and prepare for the future</p> <p>Open Medical Staff - The medical staff of MRCH is an open medical staff and is composed of physicians, dentists and podiatrists licensed to practice medicine in the State of Kansas</p> <p>MRHC staff also participates in the community on boards of other not-for-profit organizations, government entities, foundations, area colleges and university committees, state-wide coalitions, etc</p>

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM	PART VI, LINE 6	MRHC is an affiliate of Via Christi Health, Inc (VCH) VCH's affiliates are large multi-faceted, integrated, not-for-profit ministries including Hospital and Non-Hospital ministries (Physician Group Practices, Hospital organizations, Research, Home Health, Durable Medical Equipment and Senior Facilities) These ministries work together to care for patients, joined by common systems and a philosophy of serving as a healing presence with special concern for our neighbors, especially those who are vulnerable This community benefit happens through its focus on patient care, education and research The organizations work together to serve their communities at the local, regional and state level

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	PART VI, LINE 7	Kansas does not require hospitals to file community benefit reports but Via Christi Health distributes our community benefit totals and activities annually in press releases as well as in our annual report

Additional Data

Software ID:

Software Version:

EIN: 48-1186704

Name: MERCY REGIONAL HEALTH CENTER INC

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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? <u>12</u>	
Name and address	Type of Facility (Describe)
WOMEN'S IMAGING 1133 COLLEGE AVE BLDG G SUITE 130 MANHATTAN,KS 66502	OUTPATIENT DIAGNOSTIC SERVICES
BEHAVIORAL HEALTH SERVICES 1105 SUNSET AVE MANHATTAN,KS 66505	OUTPATIENT BEHAVIORAL HEALTH CLINIC
DIABETES CENTER 1105 SUNSET AVE MANHATTAN,KS 66505	DIABETES EDUCATION CLINIC
RILEY COUNTY EMS 2011 CLAFLIN ROAD MANHATTAN,KS 66505	EMERGENCY MEDICAL SERVICES
POTTAWATOMIE COUNTY EMS - WAMEGO STATION 406 MILLER DR SUITE F WAMEGO,KS 66547	EMERGENCY MEDICAL SERVICES
POTTAWATOMIE COUNTY EMS - WESTMORELAND S 312 MAIN STREET WESTMORELAND,KS 66549	EMERGENCY MEDICAL SERVICES
MERCY EAST 415 E POYNTZ AVE MANHATTAN,KS 66502	OUTPATIENT REHABILITATION SERVICES
MERCY WEST 315 S SETH CHILD RD MANHATTAN,KS 66502	OUTPATIENT REHABILITATION SERVICES AND OCCUPATIONAL HEALTH SERVICES
SLEEP DISORDERs SERVICES 1105 SUNSET AVE MANHATTAN,KS 66505	SLEEP LAB SERVICES
PAIN MANAGEMENT CLINIC 1105 SUNSET AVE MANHATTAN,KS 66505	OUTPATIENT PAIN MANAGEMENT CLINIC
MERCY LIGHT 1105 SUNSET AVE MANHATTAN,KS 66505	MEDICALLY SUPERVISED WEIGHT MANAGEMENT
SENIOR ADULT PROGRAM 1105 SUNSET AVE MANHATTAN,KS 66505	SENIOR ADULT DAY PROGRAM

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
MERCY REGIONAL HEALTH CENTER INC

Employer identification number
48-1186704

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> <div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div></div> <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> <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 type="checkbox"/> Written employment contract</div></div> <div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div></div> <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	Yes
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a	The organization?	5a	No
b	Any related organization?	5b	No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?	6a	No
b	Any related organization?	6b	No
	If "Yes," to line 6a or 6b, describe in Part III		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9	

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) DAVID HADLEY	(i)	0	0	0	0	0	0	0
	(ii)	419,685	123,438	9,602	87,169	10,849	650,743	0
(2) RANDALL PETERSON	(i)	0	0	0	0	0	0	0
	(ii)	443,357	81,238	12,729	151,362	8,588	697,274	0
(3) JOHN BROBERG	(i)	0	0	0	0	0	0	0
	(ii)	260,198	43,850	6,715	37,141	10,473	358,377	0
(4) JANET CRIQUI	(i)	136,653	40	5,517	9,882	7,889	159,981	0
	(ii)	0	0	0	0	0	0	0
(5) WILLIAM FREUND MD	(i)	369,627	0	4,040	0	6,107	379,774	0
	(ii)	0	0	0	0	0	0	0
(6) PRIYANTHA S RANAWEERA MD	(i)	564,690	40	2,812	2,450	10,113	580,105	0
	(ii)	0	0	0	0	0	0	0
(7) CASEY M POELL MD	(i)	249,060	18,040	1,169	0	5,839	274,108	0
	(ii)	0	0	0	0	0	0	0
(8) RICHARD ALLEN	(i)	0	0	0	0	0	0	0
	(ii)	0	0	175,331	0	0	175,331	0
(9) MARCIA BUBAK	(i)	144,487	40	4,566	9,636	10,098	168,827	0
	(ii)	0	0	0	0	0	0	0
(10) DAVID M WICHMAN MD	(i)	223,953	40	1,155	2,314	10,560	238,022	0
	(ii)	0	0	0	0	0	0	0
(11) FADI V BEDROS MD	(i)	381,240	40	2,068	2,450	12,215	398,013	0
	(ii)	0	0	0	0	0	0	0
(12)								
(13)								
(14)								
(15)								
(16)								

Part III

Supplemental Information

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

Identifier	Return Reference	Explanation
SEVERANCE PAYMENTS FROM A RELATED ORGANIZATION	PART I, QUESTION 4A	Richard Allen 168,807.74
SUPPLEMENTAL NON-QUALIFIED RETIREMENT PLAN PAID BY A RELATED ORGANIZATION	PART I, QUESTION 4B	Randall Peterson \$132,987.12 David Hadley \$71,243.56 John Broberg \$21,216.00 Janet Criqui \$ 8,474.66

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 MERCY REGIONAL HEALTH CENTER INC	Employer identification number 48-1186704
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Identifier	Return Reference	Explanation
FORM 990 REVIEW	PART VI, SECTION A, QUESTION 11A	THE AUDIT COMMITTEE REVIEWS AND APPROVES THE FORM 990 PRIOR TO THE DATE OF FILING THE AUDIT COMMITTEE REPORTS ON THE REVIEW TO THE BOARD OF TRUSTEES AND ASSURES THAT THE BOARD HAS THE OPPORTUNITY TO REVIEW THE FINAL FORM 990 AS FILED A COPY OF FORM 990 IS PROVIDED TO THE BOARD OF TRUSTEES VIA A SECURE EMAIL PRIOR TO FILING WITH THE IRS

Identifier	Return Reference	Explanation
CONFLICT OF INTEREST POLICY	PART VI, SECTION B, QUESTION 12C	MERCY REGIONAL HEALTH CENTER, INC FOLLOWS VIA CHRISTI HEALTH, INC 'S CONFLICT OF INTEREST POLICY IT IS MONITORED AND ENFORCED AS PART OF THE SYSTEM-WIDE PROCEDURES AND IS NOT HANDLED AT THE ORGANIZATION LEVEL THE SYSTEM MONITORS AND ENFORCES THE CONFLICT OF INTEREST POLICY AS FOLLOWS 1) AT TIME OF APPOINTMENT AND ANNUALLY THEREAFTER, ALL INTERESTED PERSONS, INCLUDING BOARD AND COMMITTEE MEMBERS COMPLETE A DISCLOSURE STATEMENT WHICH ADDRESSES ACTUAL OR POTENTIAL CONFLICTS OF INTEREST 2) THE DISCLOSURE STATEMENT IS DONE ELECTRONICALLY AND THE RETURN OF THE COMPLETED STATEMENT IS A CONDITION OF CONTINUED APPOINTMENT, EMPLOYMENT OR PARTICIPATION WITH THE ORGANIZATION 3) ALL ACTUAL OR POTENTIAL CONFLICTS ARE REVIEWED, INVESTIGATED AND RESOLVED BY THE CHIEF GOVERNANCE OFFICER AND THE CORPORATE RESPONSIBILITY OFFICER, WITH THE RESULTS SHARED WITH THE CHIEF EXECUTIVE OF THE ORGANIZATION 4) PERIODIC REVIEWS ARE CONDUCTED BY GOVERNANCE, COMPLIANCE AND INTERNAL AUDIT TO ENSURE THE ORGANIZATION IS OPERATING CONSISTENT WITH THE POLICY AND ENFORCING THE POLICY'S TERMS

Identifier	Return Reference	Explanation
COMPENSATION REVIEW	PART VI, SECTION B, QUESTION 15	<p>Mercy Regional Health Center, Inc uses the policies established by Via Christi Health, Inc (VCH) VCH has established a common philosophy, strategy, and processes for executive compensation to be used throughout the Via Christi Health System VCH's philosophy, strategy and process for executive compensation are described next Through the oversight of the VCH Executive Compensation Committee, executive compensation is competitively positioned at its stated market position when compared to the compensation paid by relevant organizations (comparably-sized health systems, hospitals, and long-term care providers) VCH recognizes its responsibility to ensure that its executive compensation program is appropriate in view of its mission and tax-exempt status and that its compensation levels and expenditures are reasonable and not excessive To ensure these ends, the VCH Executive Compensation Committee has established and approved the executive compensation philosophy for VCH and all related entities It will also approve all changes in the compensation package for VCH executives in advance On an annual basis, the Committee conducts a comprehensive review of total compensation for all executives It also reviews and approves "off-cycle" compensation transactions as needed In their review, the Committee considers the following factors</p> <ul style="list-style-type: none"> * Market data from independent compensation surveys and sources that reflect comparable positions in organizations of similar size and scope * Difficulties in recruiting and retaining executives * Skills, experience and performance history of individual executives * Critical business or strategic issues that the organization may face * Market position for total compensation <p>The adequacy, competitiveness, and cost of the VCH total executive compensation program are reviewed on an ongoing basis and changes are made as the Committee determines appropriate The executive compensation program will be maintained such that it will fall within the safe harbor guidelines established by the Intermediate Sanctions regulations The Committee also employs the services of an independent compensation consultant to prepare market analysis to aid and support the Committee's actions, provide documentation of market trends for budget setting purposes, review annual compensation changes to ensure "reasonableness" and provide attestation, and provide consultation on all executive compensation issues The Committee also relies on third-party validation of performance measures used in the determination of compensation</p>

Identifier	Return Reference	Explanation
GOVERNING DOCUMENTS	PART VI, SECTION C, QUESTION 19	MERCY REGIONAL HEALTH CENTER, INC 'S GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY ARE AVAILABLE TO THE PUBLIC UPON REQUEST

Identifier	Return Reference	Explanation
RELATED TAX-EXEMPT ORGANIZATIONS	SCHEDULE R, PART II	MERCY REGIONAL HEALTH CENTER, INC IS CONTROLLED BY VIA CHRISTI HEALTH, INC VIA CHRISTI HEALTH, INC IS JOINTLY SPONSORED AND CONTROLLED BY ASCENSION HEALTH AND MARIAN HEALTH SYSTEM, WHICH IN TURN ARE SPONSORED BY THE SISTERS OF THE SORROWFUL MOTHER, FOUR PROVINCES OF THE DAUGHTERS OF CHARITY , THE CONGREGATION OF ST JOSEPH, AND THE SISTERS OF ST JOSEPH OF CARONDELET DUE TO SUCH SPONSORSHIP AND CONTROL, AND IN THE INTEREST OF INCREASED CLARITY AND TRANSPARENCY , BOTH ASCENSION HEALTH AND MARIAN HEALTH SYSTEM ARE BEING LISTED AS RELATED ORGANIZATIONS ON SCHEDULE R

Identifier	Return Reference	Explanation
MEMBERS	PART VI, SECTION A, Q6, 7A, AND 7B	<p>VIA CHRISTI HEALTH, INC AND MEMORIAL HOSPITAL ASSOCIATION, INC ARE THE MEMBERS THE MEMBERS MAY APPROVE AND REMOVE INDIVIDUALS ON THE BOARD OF TRUSTEES ARTICLE 2 OF THE BY LAWS PROVIDE THE MEMBERS WITH THE FOLLOWING POWERS</p> <ul style="list-style-type: none"> *Approve, before they may become effective, all mission, philosophy, and value statements of the corporation and all amendments thereto *Monitor compliance with the mission and philosophy of the corporation through receipt of annual reports, financial statements and other pertinent information *Approve Articles of Incorporation and Bylaws of the corporation or amendments thereto *Approve appointment and removal of all Directors of the corporation *Approve, before it may become effective, any merger or consolidation involving the corporation *Approve any partial or total dissolution of the corporation *Approve the issuance of any debt by the corporation in excess of \$1 million or the amount specified in writing from time to time by the Corporate Members *Approve all transfers, leases, encumbrances or other conveyances of the property of all assets of the corporation in excess of \$1 million or the amount specified in writing from time to time by the Corporate Members *Approve, before it may become effective, the creation of any subsidiary organization to the corporation *Receive reports on all operating and capital budgets of the corporation *Receive reports on all unbudgeted expenses in excess of \$50,000 or the amount specified in writing from time to time by the Members *Receive information and reports on all long-range strategic and financial plans of the corporation *Receive reports on all alliances and affiliations entered into by the corporation

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS	PART XI LINE 5	UNREALIZED LOSS (2,386,191) NET PENSION ADJUSTMENT (115,715) RELEASED FROM RESTRICTION (50,000) K-1 ADJUSTMENTS PFI LLC (1,711) MERCY IMAGING LLC 783,288 781,577 ----- PART XI LINE 5 (1,770,329)

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT REPORT	PART III	<p>Part I - Summary As a part of Via Christi Health, we share this Mission Inspired by the Gospel and our Catholic tradition, we serve as a healing presence with special concern for our neighbors who are vulnerable Part III - Statement of Program Service Accomplishments Mercy Regional Health Center (MRHC) is a member of Via Christi Health, Inc (VCH) As a Catholic health system, VCH has its origins in faith-based responses to health needs of our communities, with a particular concern for those living in poverty and who are vulnerable In addition to typical inpatient and outpatient services, VCH operates primary care clinics, a low income neighborhood outreach clinic, specialty hospitals and centers, home medical services, therapy centers and long-term care villages The obligation to reach out to those in need and to improve community health flows directly from VCH's identity as a faith-based healing ministry VCH continues its tradition in providing community benefit because we are committed to - Promoting and defending human dignity - Caring for persons living in poverty and other vulnerable populations - Promoting the common good - Stewarding resources responsibly According to the VCH mission statement, "As a part of Via Christi Health, we share this Mission Inspired by the Gospel and our Catholic tradition, we serve as a healing presence with special concern for our neighbors who are vulnerable " The financial information in this report was prepared in accordance with the Catholic Health Association's (CHA) A Guide for Planning and Reporting Community Benefit Guidelines Per these Guidelines, we report the net expense for community benefit services (i.e., the total community benefit expense minus any associated revenue from patients, residents, payers, and other external sources) The CHA Guidelines reflect a conservative approach to reporting quantifiable community benefit The goal of the Guidelines is to produce community benefit financial reports that reflect true costs and that describe community benefit activities that increase access to health care and improve community health for all The following are MRHC's definitions for quantifiable community benefits Charity Care - Free or discounted health services provided to persons who cannot afford to pay and who meet VCH's criteria for financial assistance Charity care is reported in terms of costs, not charges Charity care does not include bad debt Government Sponsored Means-Tested Health Care - Includes unpaid costs of public programs for low-income persons - the shortfall created when VCH receives payments that are less than the cost of caring for public program beneficiaries This payment shortfall is not the same as a contractual allowance, which is the full difference between charges and government payments Health Professions Education - Helping to prepare future health care professionals is a distinguishing characteristic of not-for-profit health care and constitutes a significant community benefit This category includes programs and financial assistance for physicians and medical students, nurses and nursing students, interns and other health professionals For fiscal year ended September 30, 2011 Community Benefit (MRHC, Inc and Subsidiaries) 1 Charity care - at cost \$3.1 million 2 Government sponsored health care - net expense \$2.0 million Unpaid cost of public indigent care programs (includes Medicaid, SCHIP, other safety net programs, does not include Medicare shortfall) 3 Community Benefit Programs - net expense \$0.8 million 4 Total Quantifiable Community Benefit \$5.9 million Listed below are just a few of the community benefit programs offered by Mercy Regional Health Center (MRHC) and Wamego City Hospital (WCH) during FY2011 This is not a complete listing but a sampling of how the hospital gives back to the community while meeting current needs</p>

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT REPORT	PART III CONTINUED	<p>Car Seat Clinics - MRHC conducts various car seat inspection clinics that the general public is invited to participate in to assess and educate parents on how to properly use the car seat and to ensure its base is securely installed in the parent's vehicle. Nearly 150 car seats were checked for a cost of \$1,095 in community benefit.</p> <p>Heart Education Health News - Numerous newsletters were printed and distributed on cardiac related issues and shared with patients who have had a history of heart disease but who are now under physician care to improve their cardiac efficiency. Approximately \$1,800 was spent to print and distribute their heart education newsletter.</p> <p>Targeted Population Health Fairs are conducted annually for children, seniors and the broader community. During this tax year, 290 people were served for a cost of \$1,505 by having their blood pressure checked, eye exams, hearing tests and recommendations for establishing a medical home with either a physician and/or the free clinic.</p> <p>Several Support Groups are hosted (e.g. cardiac, bereavement) and numerous educational presentations (e.g. Bereaved Parents, Cardiac, etc) are given in the Manhattan /Wamego area. In FY2011, over 125 attendees participated in these educational events at a cost of nearly \$500.</p> <p>Community Education is a program shared with the community to improve their understanding of specific diseases or improve their skills in taking care of others. MRHC offered educational forums on advance directives, babysitter's basics, breastfeeding and child birth basics, CPR, depression/anxiety, EMS, fitness/wellness and a host of other topics for the general public during FY2011. Nearly 3,000 attendees took advantage of these educational opportunities at a cost of just below \$5,000.</p> <p>SANE/SART is a program in response to all victims of sexual assault who present themselves to MRHC hospital by providing immediate and follow-up medical, advocacy and criminal justice services in an ethical and compassionate manner. Over 106 individuals were assisted by the SANE/SART team of nurses at a cost of \$17,626.</p> <p>Flint Hills Community Clinic, in partnership with MRHC, oversees uninsured and underinsured individuals. MRHC provides staff support, as well as free diagnostic testing (e.g. lab, x-rays, etc) for the clinic. During this fiscal year, nearly 2,100 instances of service were provided by MRHC at a cost of \$231,282.</p> <p>Similarly, Wamego City Hospital provided 245 free labs for individuals helped by the Community Health Ministries Clinic in Wamego for a cost of \$23,939.</p> <p>Health Profession Education of area physicians, nurses, physician assistants, nursing students and other health care professionals who are either looking for continuing education credits, wanting more hands-on training, or are in need of field practicum placements, etc are welcomed at MRHC and WCH for additional training opportunities. Nearly 660 health care professionals and/or students hoping to enter the health care field were offered training opportunities through the various programs offered by MRHC and WCH at a cost of \$255,781.</p> <p>Security Transport is a support service provided by MRHC when patients are brought to the hospital emergency department but are in need of psychiatric placement but are unable to pay for transportation to get access to the facilities, which are located outside of the Manhattan area. Most of these patients are transferred to Larned, Osawatome, Kansas University Medical Center in Kansas City or other locations. In FY2011, MRHC supplied security transport 140 times at a cost of \$27,189.</p> <p>In-Kind Donations through service on community boards that are health related (e.g. American Red Cross, United Way, Flint Hills Community Clinic), and sharing of hospital space to conduct health related not-for-profit business is another area in which MRHC and WCH gives back to the community. In fiscal year 2011, MRHC and WCH contributed just over \$129,052 through financial and in-kind contributions. Nearly \$31,000 was expended in tracking community benefit activities offered by MRHC and WCH for fiscal year 2011. This includes the gearing up for a community-wide health needs assessment that was scheduled for FY2011.</p> <p>Community benefit staff uses and trains others to use the Community Benefit Inventory Social Accountability (CBISA) software, developed by Lyon Software and used by over 1,700 hospitals throughout the country. CBISA software follows the reporting guidelines adopted by Catholic Health Association and does not include bad debt or unpaid Medicare reimbursements as community benefit.</p> <p>Community Benefit Operations - Community benefit staff uses and trains others to use the Community Benefit Inventory Social Accountability (CBISA) software, developed by Lyon Software and used by over 1,700 hospitals throughout the country. CBISA software follows the reporting guidelines adopted by Catholic Health Association and does not include bad debt or unpaid Medicare reimbursements as commun</p>

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT REPORT	PART III CONTINUED	ity benefit Overall, MRCH and WCH combined community benefit programs (not counting tradi tional charity care, unpaid reimbursement of Medicaid, and/or Community-Building activitie s) accounted for \$758,452 to the geographical area of Manhattan and Wamego, Kansas during FY2011

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME DAVID HADLEY TITLE TRUSTEE HOURS 49

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME RANDALL PETERSON TITLE TRUSTEE HOURS 49

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME JOHN BROBERG TITLE EX-OFFICIO(CEO) HOURS 1

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
MERCY REGIONAL HEALTH CENTER INC

Employer identification number
48-1186704

Part I

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

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

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
See Additional Data Table							

Part III

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

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

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) AFFILIATED MEDICAL SERVICES LAB INC 2916 E CENTRAL WICHITA, KS67214 48-1239522	MEDICAL LAB	KS	VC HEALTH	C-CORP	12,321,597	7,892,802	100 000 %
(2) SUNFLOWER ASSURANCE LTD 98-0223159	INSURANCE	CJ	NA	FOREIGN CORP	3,651,768	38,500,707	100 000 %
(3) INTEGRATED HEALTHCARE SYSTEMS INC 3311 EAST MURDOCK WICHITA, KS67208 48-0941549	CLINIC SERVICES	KS	NA	C CORP	58,758,618	41,790,046	100 000 %
(4) VCH IOWA PC TRUST 8200 THORN DRIVE SUITE 300 WICHITA, KS67226 27-6937322	BENEFICIARY TRUST	IA	NA	TRUST	0	0	100 000 %
(5) VCH IOWA PC 8200 THORN DR WICHITA, KS67226 27-3983977	PROF CORP	IA	NA	CORP	0	0	100 000 %
(6) VIA CHRISTI CLINIC PA 3311 EAST MURDOCK WICHITA, KS67208 48-0993446	PROF CORP	KS	NA	CORP	116,439,508	24,067,602	100 000 %

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by other organization(s)

f

Sale of assets to other organization(s)

g

Purchase of assets from other organization(s)

h

Exchange of assets

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees

o

Reimbursement paid to other organization for expenses

p

Reimbursement paid by other organization for expenses

q

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

r

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

Yes

No

No

No

No

No

No

No

No

No

No

No

Yes

No

Yes

No

Yes

2

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) MERCY IMAGING LLC	P	319,306	
(2) WAMEGO HOSPITAL ASSOCIATION	P	3,743,712	
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2010

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

[illegible]

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation
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Software ID:

Software Version:

EIN: 48-1186704

Name: MERCY REGIONAL HEALTH CENTER INC

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	
						Yes	No
Catholic Care Center Inc 6700 E 45th St N Wichita, KS67226 48-1067110	Rtrmnt Home	KS	501(c)(3)	9	na		
CIBOR INC 9229 E 27TH ST N SUITE 200 Wichita, KS67226 27-0564463	Research	KS	501(c)(3)	7	na		
Cornerstone Assisted Living Inc 3636 N Ridge Road Wichita, KS67205 48-1241079	Rtrmnt Home	KS	501(c)(3)	9	na		
Gerard House Inc 3144 N Hood Wichita, KS67204 48-1049532	Shelter	KS	501(c)(3)	7	na		
Marian Health System Inc 1923 South Utica Avenue Tulsa, OK74104 36-3659989	Hospital Supp	DE	501(c)(3)	11	na		
Mercy Community Health Foundation Inc 1823 College Ave Manhattan, KS66502 48-1152279	Foundation	KS	501(c)(3)	11	na		
Mercy Regional Home Medical Services LLC 2439 Claflin Road Manhattan, KS66502 43-2024491	Home Medical	KS	501(c)(3)	11	na		
MOUNT CARMEL FOUNDATION INC 1102 E Centennial Dr Pittsburg, KS66762 48-0961283	Foundation	KS	501(c)(3)	11	na		
Salina Regional Home Medical Services 520 S Santa Fe Ave Ste 140 Salina, KS67401 43-1948057	Home Medical	KS	501(c)(3)	11	na		
St John's Inc 2225 Cantebury Dr Hays, KS67601 20-2828680	Rtrmnt Home	KS	501(c)(3)	9	na		
Via Christi Foundation Inc 723 N McLean Blvd Wichita, KS67203 48-1173588	Foundation	KS	501(c)(3)	11	na		
Via Christi Health Partners Inc 8200 E Thorn DR SUITE 300 Wichita, KS67226 48-0958974	Mgmnt Co	KS	501(c)(3)	9	na		

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	
						Yes	No
Via Christi Health Inc 8200 E Thorn DR SUITE 300 Wichita, KS67226 48-1172107	Hospital Supp	KS	501(c)(3)	9	na		
Via Christi Healthcare Outreach Program 2622 W Central Suite 100 Wichita, KS67203 48-1236589	PACE Communit	KS	501(c)(3)	9	na		
Via Christi Home Health Wichita Inc 555 S Washington Wichita, KS67211 48-1046371	Home Health	KS	501(c)(3)	9	na		
Via Christi Hospital Pittsburg Inc 1102 E Centennial Dr Pittsburg, KS66762 48-0543778	Hospital	KS	501(c)(3)	3	na		
Via Christi Hospital Wichita St Teresa 14800 W St Teresa Wichita, KS67235 27-1965272	Hospital	KS	501(c)(3)	3	na		
Via Christi Hospitals Wichita Inc 929 N St Francis Wichita, KS67214 48-1172106	Hospital	KS	501(c)(3)	3	na		
VC IMMEDIATE CARE MOTHER MARY ANNE INC 929 N St Francis Wichita, KS67214 20-8374099	Med Clinic	KS	501(c)(3)	9	na		
Via Christi Property Services Inc 1100 N St Francis Suite 240 Wichita, KS67214 48-0948571	Property Mgmt	KS	501(c)(4)	N/A	na		
Via Christi Rehabilitation Hospital Inc 1151 N Rock Road Wichita, KS67206 48-1158274	Rehab	KS	501(c)(3)	3	na		
Via Christi Village Georgetown Inc 1655 S Georgetown Wichita, KS67218 48-1129325	Rtrmnt Home	KS	501(c)(3)	9	na		
Via Christi Village Manhattan Inc 2800 Willowgrove Rd Manhattan, KS66502 48-1078862	Rtrmnt Home	KS	501(c)(3)	9	na		
Via Christi Village McLean Inc 777 N McLean Blvd Wichita, KS67203 48-1247723	Rtrmnt Home	KS	501(c)(3)	9	na		

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	
						Yes	No
Via Christi Village Ponca City Inc 1601 Academy Rd Ponca City, OK74604 73-1153337	Rtrmnt Home	OK	501(C)(3)	9	na		
Via Christi Village Pittsburg Inc 1502 E Centennial Dr Pittsburg, KS66762 74-3070971	Rtrmnt Home	KS	501(c)(3)	9	na		
Via Christi Villages Inc 2622 W Central Suite 100 Wichita, KS67203 48-0559086	Mgmnt Co	KS	501(c)(3)	11	na		
Wamego Hospital Association 711 Genn Dr Wamego, KS66547 72-1526400	Hospital	KS	501(c)(3)	3	na		
Ascension Health PO BOX 45998 ST LOUIS, MO63145 31-1662309	HLTH SYS GOV	MO	501(c)(3)	11	N/A		
Via Christi InMyHome Inc 2622 W Central Suite 100 Wichita, KS67203 27-1889960	HLTH AGENCY	KS	501(c)(3)	9	NA		
VIA CHRISTI CLINIC SERVICES INC 8200 THORN DRIVE SUITE 300 WICHITA, KS67226 27-3984287	MED CLINIC	KS	501(C)(3)	11	NA		

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income (\$)	(g) Share of end-of-year assets (\$)	(h) Dispropportionate allocations?		(i) Code V-UBI amount on Box 20 of K-1 (\$)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
Ambulatory Surgery Center LP 8200 E THORN Dr SUITE 300 Wichita, KS67226 48-1114690	SURGERY CTR	KS	NA	N/A	0	0			0			0 %
AMS Diagnostics LLC 8200 E THORN Dr SUITE 300 Wichita, KS67214 48-1223653	RADIOLOGY SVC	KS	NA	N/A	0	0			0			0 %
KS Surgery and Recovery Ctr LLC 2770 North Webb Road Wichita, KS67226 48-1148580	SURGERY CTR	KS	NA	N/A	0	0			0			0 %
Mercy Imaging LLC 1823 College Avenue Manhattan, KS66502 48-1251984	RADIOLOGY SVC	KS	NA	N/A	-783,288				0			75 000 %
MR Imaging Center LLC 8200 E THORN Dr SUITE 300 Wichita, KS67214 48-1000538	Diagnostic Im	KS	NA	N/A	0	0			0			0 %
PFI LLC 8200 E THORN Dr SUITE 300 Wichita, KS67226 72-1557076	MED CHEM MFG	KS	NA	N/A	16,306				0			3 165 %
Preferred PET Imaging of KS LLC 8200 E THORN Dr SUITE 300 Wichita, KS67214 48-1250123	Diagnostic Im	KS	NA	N/A	0	0			0			0 %
Via Christi Cyberknife LLC 8200 E THORN Dr SUITE 300 Wichita, KS67214 35-4588711	RADIOLOGY SVC	KS	NA	N/A	0	0			0			0 %

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income (\$)	(g) Share of end-of- year assets (\$)	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1 (\$)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
St Joseph MRI LLC 8200 E THORN Dr SUITE 300 Wichita, KS67214 48-1007220	MEDICAL SVCS	KS	NA	N/A	0	0			0			0 %

Mercy Regional Health Center, Inc. and Affiliates

**Consolidated Financial Statements and
Consolidating Financial Information
September 30, 2011 and 2010**

Mercy Regional Health Center, Inc. and Affiliates

Index

September 30, 2011 and 2010

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Report of Independent Auditors

To the Board of Trustees
Mercy Regional Health Center, Inc. and Affiliates

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and changes in net assets and statements of cash flows present fairly, in all material respects, the financial position of Mercy Regional Health Center, Inc. and Affiliates (the "Center") at September 30, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 22 and 23 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities. Accordingly, we do not express an opinion on the financial position and results of operations of the individual entities. However, the consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

As discussed in note 2 to the consolidated financial statements, the Center changed the manner in which it accounts for noncontrolling interest during fiscal year 2011.

PricewaterhouseCoopers LLP

March 15, 2012

Mercy Regional Health Center, Inc. and Affiliates
Consolidated Balance Sheets
September 30, 2011 and 2010

(in thousands of dollars)

	2011	2010
Assets		
Current assets		
Cash and cash equivalents, including restricted cash of \$111 in 2011 and \$161 in 2010	\$ 8,731	\$ 10,558
Short-term investments	8,942	10,954
Patient accounts receivable (less allowance for uncollectible accounts of \$2,862 in 2011 and \$2,640 in 2010)	14,075	11,615
Inventories	2,706	3,150
Prepaid expenses and other current assets	1,092	982
Estimated amounts due from third party payors	471	20
Total current assets	<u>36,017</u>	<u>37,279</u>
Assets whose use is limited		
Designated by Board for capital improvements	8,865	5,589
Held by trustee in debt bond indenture	2,565	2,566
Total assets whose use is limited	<u>11,430</u>	<u>8,155</u>
Property and equipment		
Land and improvements	2,639	2,638
Buildings and fixed equipment	75,714	75,234
Movable equipment	39,322	39,167
Less accumulated depreciation	(55,036)	(50,853)
Construction in progress	1,533	74
Total net property and equipment	<u>64,172</u>	<u>66,260</u>
Other assets		
Long-term investments	15,879	15,927
Funds held in trust and other investments of the Foundation	3,455	3,087
Other assets	2,363	2,597
Total other assets	<u>21,697</u>	<u>21,611</u>
Total assets	<u>\$ 133,316</u>	<u>\$ 133,305</u>

The accompanying notes are an integral part of these consolidated financial statements

Mercy Regional Health Center, Inc. and Affiliates
Consolidated Balance Sheets
September 30, 2011 and 2010

(in thousands of dollars)

	2011	2010
Liabilities and Net Assets		
Current liabilities		
Current maturities of long-term debt	\$ 2,808	\$ 2,306
Accounts payable	3,183	3,185
Accrued expenses	4,760	6,569
Total current liabilities	<u>10,751</u>	<u>12,060</u>
Noncurrent liabilities		
Long-term debt, less current maturities	37,579	39,658
Asset retirement obligation	4,697	4,432
Total noncurrent liabilities	<u>42,276</u>	<u>44,090</u>
Total liabilities	<u>53,027</u>	<u>56,150</u>
Net assets		
Unrestricted-controlling interest	73,584	71,037
Unrestricted-noncontrolling interest	3,123	2,816
Temporarily restricted	2,797	2,654
Permanently restricted	785	648
Total net assets	<u>80,289</u>	<u>77,155</u>
Total liabilities and net assets	<u>\$ 133,316</u>	<u>\$ 133,305</u>

The accompanying notes are an integral part of these consolidated financial statements

Mercy Regional Health Center, Inc. and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
Years Ended September 30, 2011 and 2010

(in thousands of dollars)

	2011	2010
Operating revenues		
Net patient service revenues	\$ 98,421	\$ 96,747
Provision for bad debt	5,203	2,705
Net patient service revenues less provision for bad debt	93,218	94,042
Other operating revenues	3,575	3,825
Total operating revenues	96,793	97,867
Operating expenses		
Salaries and employees benefits	47,528	49,259
Purchased services and other	21,125	16,503
Supplies	16,493	16,810
Depreciation and amortization	6,491	7,075
Interest	2,520	2,528
Total operating expenses	94,157	92,175
Income from operations	2,636	5,692
Nonoperating gains (losses)		
Interest and dividend income	927	805
Net gains (losses) on investments	(1,116)	1,245
Equity in earnings of investee organization	169	40
Contributions and other, net	394	207
Total nonoperating gains	374	2,297
Excess of revenues over expenses	\$ 3,010	\$ 7,989

The accompanying notes are an integral part of these consolidated financial statements

Mercy Regional Health Center, Inc. and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
Years Ended September 30, 2011 and 2010

(in thousands of dollars)

	2011	2010
Unrestricted net assets, controlling interest		
Excess of revenues over expenses	\$ 3,010	\$ 7,989
Other changes	(41)	1,385
Change in net assets attributable to noncontrolling interest	(307)	(335)
Net pension adjustment	(115)	26
Increase in unrestricted net assets, controlling interest	<u>2,547</u>	<u>9,065</u>
Unrestricted net assets, noncontrolling interest		
Excess of revenue over expenses	307	335
Distribution and other	-	(60)
Increase in unrestricted net assets, noncontrolling interest	<u>307</u>	<u>275</u>
Increase(decrease) in unrestricted net assets	<u>2,854</u>	<u>9,340</u>
Temporarily restricted net assets		
Contributions	210	210
Investment income and gains	18	163
Net assets released from restrictions and other changes	(85)	(213)
Increase in temporarily restricted net assets	<u>143</u>	<u>160</u>
Permanently restricted net assets		
Contributions	137	-
Investment gains	-	1
Increase in permanently restricted net assets	<u>137</u>	<u>1</u>
Increase in net assets	3,134	9,501
Net assets		
Beginning of year	<u>77,155</u>	<u>67,654</u>
End of year	<u>\$ 80,289</u>	<u>\$ 77,155</u>

The accompanying notes are an integral part of these consolidated financial statements

Mercy Regional Health Center, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended September 30, 2011 and 2010

(in thousands of dollars)

	2011	2010
Operating activities		
Increase in net assets	\$ 2,827	\$ 9,226
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	6,491	7,075
Provision for bad debts	5,203	2,705
Net (gains) losses on investments	1,116	(1,245)
Loss on disposal of property and equipment	15	293
Donated land and equipment	(32)	-
Noncontrolling interest in net income of affiliates	307	335
Equity in earnings of investee organization	169	(40)
Restricted contributions	(347)	(210)
Amortization of unamortized bond discount	(9)	(24)
Accretion of asset retirement obligation	265	252
Net pension adjustment	21	(26)
Increase (decrease) in operating assets		
Net accounts receivable	(7,663)	(2,664)
Inventories	444	199
Prepaid expenses and other assets	(260)	113
Increase (decrease) in operating liabilities		
Accounts payable	(2)	(652)
Accrued expenses	(1,809)	340
Net estimated amounts due to/from third party payors	(451)	(335)
Other liabilities	-	(1,529)
Net cash provided by operating activities	<u>6,285</u>	<u>13,813</u>
Investing activities		
Acquisitions of property and equipment	(4,323)	(4,658)
Proceeds from sale of property and equipment	25	-
Proceeds from sales or maturities of investments	4,163	2,569
Purchases of investments	(6,494)	(16,192)
Net cash (used) in investing activities	<u>(6,629)</u>	<u>(18,281)</u>
Financing activities		
Payments on long-term debt and capital lease obligation	(2,283)	(2,589)
Proceeds from long-term debt	715	2,267
Restricted contributions	85	213
Distributions to noncontrolling owners	-	(60)
Net cash (used) in financing activities	<u>(1,483)</u>	<u>(169)</u>
Net decrease in cash and cash equivalents	(1,827)	(4,637)
Cash and cash equivalents		
Beginning of year	<u>10,558</u>	<u>15,195</u>
End of year	<u>\$ 8,731</u>	<u>\$ 10,558</u>
Other cash and non cash disclosure		
Cash paid during the year for interest	\$ 2,533	\$ 2,294
Capital lease obligation	\$ 435	\$ 862

The accompanying notes are an integral part of these consolidated financial statements

Mercy Regional Health Center, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2011 and 2010

1. Organization

Mercy Regional Health Center, Inc. ("MRHC") is a not-for-profit corporation that operates a general hospital providing inpatient and outpatient services primarily to the residents of Riley County, Kansas (the "County") and the surrounding area. MRHC was incorporated in 1996 as the result of an operational consolidation executed by Via Christi Health, Inc. ("VCH") and Memorial Hospital Association ("Memorial").

Both VCH and Memorial contributed assets and transferred liabilities to create MRHC in exchange for a 50% interest for each. The assets contributed and liabilities transferred by VCH formerly belonged to its wholly owned subsidiary, The Saint Mary Hospital ("St. Mary's"). The two corporate members have entered into an operating agreement regarding the consolidation and operation of MRHC, including a requirement for a management agreement with VCH. Under these agreements, the Chief Executive Officer of MRHC is an employee of VCH and VCH provides a number of services to MRHC, including information technology, purchasing, legal, financial, and human resources.

On July 1, 2002, MRHC and Wamego City Hospital ("WCH") entered into an agreement to form Wamego Hospital Association ("WHA"), which operates as a not-for-profit hospital located in Wamego, Kansas. WCH contributed assets and transferred liabilities and MRHC contributed cash in exchange for a 49% and 51% ownership, respectively, in WHA. WHA has a management agreement with VCH and MRHC and a leased employee agreement with MRHC. Under these agreements, the Chief Executive Officer of WHA is an employee of VCH, VCH, as well as MRHC, provide a number of services to WHA including information technology, purchasing, legal, financial, and human resources. The results of operations of WHA are included in the consolidated financial statements.

The Mercy Community Health Foundation, Inc. (the "Foundation") is a not-for-profit charitable foundation which was created to support the operations of MRHC.

Mercy Imaging, LLC ("MILLC") is a joint venture between Manhattan Radiology, GP and MRHC with ownership allocated 25% and 75%, respectively. The operations of MILLC commenced on October 1, 2001.

MRHC is a tax-exempt organization described under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal tax on income from related, exempt activities.

2. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. All significant intercompany balances and transactions have been eliminated in consolidation. All subsidiaries that are majority owned are consolidated. The consolidated financial statements include the accounts of MRHC and its affiliates (hereinafter collectively referred to as the "Center").

Mercy Regional Health Center, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2011 and 2010

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in unrestricted net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank deposits, investments in money market funds, bankers acceptances and certificates of deposits purchased and with maturities of three months or less. Restricted cash represents cash temporarily restricted for operations of the County ambulance service.

The Center entered into repurchase agreements with a bank, to purchase and resell direct obligations that are not FDIC insured. At September 30, 2011 and 2010, \$2,507,000 and \$9,410,000, respectively, of such repurchase agreements are included in cash and cash equivalents.

Assets Whose Use is Limited and Investments

Assets whose use is limited include assets set aside by the Board of Trustees for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes. Funds held by the trustee will not be used to pay current debt.

Assets whose use is limited and investments are reported at fair value determined primarily from quoted market prices provided by financial institutions which hold such investments.

Interest and dividend income and realized gains (losses) and unrealized gains (losses) on trading portfolios are included in excess of revenues over expenses in the accompanying statements of operations and changes in net assets.

Inventories

Inventories, which consist primarily of supplies, are stated at the lower of cost, using the average cost, or market.

Property and Equipment

Property and equipment are stated at cost (or fair value at date of donation, if applicable). The costs of repairs and maintenance are charged to operations as incurred, and the costs of replacements, renewals, and betterments are capitalized. Upon the retirement or other disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized. Depreciation is computed by the straight-line method over the estimated useful lives ranging from 2 to 30 years.

The Center reviews its property and equipment for impairments when events or changes in circumstances indicate that the carrying value of the assets may not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their fair values, if fair value is less than the carrying value, determined by management based on facts and circumstances at the time of the determination. No impairment was recorded during fiscal 2011 or 2010.

Mercy Regional Health Center, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2011 and 2010

Temporarily and Permanently Restricted Net Assets

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

Net Patient Service Revenues

Net patient service revenues and accounts receivable are 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. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for estimated third-party payor settlements and adjustments are estimated in the period the related services are rendered and adjusted in future periods as final settlements are determined. Management believes that adequate provision has been made in the financial statements for any adjustments that may result from final settlements. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Center. Adjustments to estimated third-party settlements increased (decreased) net patient service revenue and net operating income by \$114,000 and \$627,000 for the years ended September 30, 2011 and 2010, respectively.

During 2011 and 2010, approximately 38% and 36% of net patient service revenue was received under the Medicare program. During both 2011 and 2010, approximately 5% of net patient service revenue was received under the Medicaid program. Services rendered under the Medicare and Medicaid programs are recorded at established rates and reduced to the estimated amounts due through the recording of contractual allowances. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable probability that recorded estimates may change by a material amount in the near term.

The provision for bad debt expense is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payer category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for bad debt expense to establish an appropriate allowance for uncollectible accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, MRHC follows established guidelines for placing certain past-due patient balances with collection agencies, subject to terms of certain restrictions on collection efforts as determined by MRHC. Accounts receivable are written off after collections efforts have been followed in accordance with MRHC policies.

Charity Care

The Center has a policy of providing charity care to those who are deemed unable to pay for the services received based on financial information obtained from the patient or other sources. Since the Center does not expect or pursue payment, charges for charity care are not reported in net patient service revenue.

Contributions, Gifts, Bequests, and Grants

Unconditional promises to give cash and other assets 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

Mercy Regional Health Center, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2011 and 2010

or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations and changes in net assets as other operating revenue. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions within other operating revenue in the accompanying consolidated statements of operations.

Fair Value of Financial Instruments

The following methods and assumptions were used by the Center in estimating the fair value of its financial instruments:

Cash and Cash Equivalents, Other Current Assets and Accrued Expenses

The carrying amounts reported in the balance sheets for cash and cash equivalents, other current assets and accrued expenses approximate their fair values.

Assets Whose Use is Limited and Investments

These assets consist primarily of cash, short-term investments, marketable equity securities, corporate debt instruments, U.S. government obligations and interest receivable. Investments are stated at fair value in the balance sheets, based generally on quoted market prices.

Performance Indicator

Operating Income

The Center's net operating income includes all unrestricted revenue, gains, net assets released for restrictions for operations, and other support and expenses from operations for the reporting period except for net capital contributions to and from unconsolidated affiliates, contributions of long-lived assets, and extraordinary items and transfers to affiliates.

Excess of Revenues Over Expenses

The Center's excess of revenues over expenses excludes other changes in unrestricted net assets, which is consistent with industry practice, including permanent transfers of assets to and from unconsolidated affiliates for goods and services and contributions of long-lived assets (including assets acquired using contributions which donor restriction were to be used for the purposes of acquiring such assets).

Adoption of New Accounting Standards

In August 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-23, *Health Care Entities* (Topic 954), *Measuring Charity Care for Disclosure*. ASU 2010-23 requires that costs be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing charity care. The amendments also require disclosure of the method used to identify or determine such costs. The Center elected to adopt this standard in 2011 and applied the provisions to all the periods presented. Adoption of the standard did not have a significant impact on the computation of the cost of charity care in 2011 or 2010 as disclosed in note 3 in 2011 and 2010.

In January 2011, the FASB issued ASU 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions*, which establishes accounting and disclosure requirements for how a not-for-profit entity determines whether a combination is a merger or acquisition, how to account for each, and the required disclosures. In addition, ASU 2010-07 includes amendments to FASB's Accounting Standards

Mercy Regional Health Center, Inc. and Affiliates

Notes to Consolidated Financial Statements

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Codification (the Codification, or ASC) Topic 350, *Intangibles-Goodwill and Other*, and ASC Topic 810, *Consolidation*, to make both applicable to not-for-profit entities. ASC Topic 810 clarifies the accounting for noncontrolling interests and establishes accounting and reporting standards for the noncontrolling interest in a subsidiary, including classification as a component of net assets. MRHC adopted this standard as of September 30, 2011, which did not have a significant impact on the consolidated financial statements.

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities* (Topic 954) *Presentation and Disclosure of Patient Services Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASU 2011-07 includes amendments to FASB's ASC Topic 954, Health Care Entities. The objective of the update is to provide financial statement users with greater transparency about a health care entity's net patient service revenue and the related allowance for doubtful accounts. The amendments require health care entities that recognize significant amounts of patient service revenue at the time services are rendered, even though they do not immediately assess the patients' ability to pay, to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statement of operations. The Center elected to adopt this standard as of September 30, 2011, which did not have a significant impact on the consolidated financial statements.

The Center adopted FASB ASC 820-20, Fair Value Measurements and Disclosures, subject to the deferral provisions of FASB ASC 820-10. In accordance with FASB ASC 820-20, assets and liabilities recorded at fair value in the financial statements are categorized, for disclosure purposes, based upon whether the inputs used to determine their fair value are observable or unobservable. See Note 7 for related fair value disclosures.

Subsequent Events

In accordance with FASB ASC 855 ("Subsequent Events") the Center's management has performed an evaluation of subsequent events through March 15, 2012, the date on which the financial statements were available to be issued.

Reclassifications

Certain prior year amounts were reclassified to conform to current year presentation.

3. Charity Care and Community Benefits

The Center has adopted the community benefit reporting guidelines outlined in *Community Benefit Planning and Reporting Guide* developed by The Catholic Health Association of the United States, VHA, Inc. and others.

- Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.
- Unpaid cost of public programs represents the unpaid cost of services provided to persons covered by public programs for the poor.
- Cost of other community benefit programs and services includes unreimbursed costs of programs specifically designed to serve the poor and vulnerable of the community as well as the general community, including health promotion and education, health clinics and screenings, and medical research.

Mercy Regional Health Center, Inc. and Affiliates
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

The net cost to the Center of providing care of persons who are poor and for the broader community is as follows

<i>(in thousands of dollars)</i>	(Unaudited)	
	2011	2010
Traditional charity care provided, at cost	\$ 3,127	\$ 4,579
Unpaid cost of public programs	2,029	759
Other community benefit programs, at cost	760	742
Total community benefit	<u>\$ 5,916</u>	<u>\$ 6,080</u>

All amounts are reported at cost, not charges. Community benefit, as reported above, does not include the cost of bad debt or the unreimbursed costs of providing care to Medicare beneficiaries.

The Center actively sponsors community benefit programs that respond to identified community needs. These programs focus on the poor and underserved of the community and are implemented with the intention of improving the overall health of the community. The Center endorses a broad definition of the meaning of a healthy community by encouraging systematic change, removal of barriers to access to health care, and development of strong partnerships within each community. Examples of these efforts are health education, community health screenings, community case management, resources for indigent clinics, mental health services, SART Sexual Assault program, and 24-hour emergency rooms.

4. Net Patient Service Revenues

The Center has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare**
Inpatient acute care and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Outpatient services are paid on prospective payment methodologies that are based on clinical classification of the services provided.

Skilled nursing facility services are paid at prospectively established per diem rates. These rates vary according to a patient classification system that is based on clinical assessments.

For those services that the Center is paid on a cost reimbursement basis (primarily those services delivered by WHA), a tentative rate is initially computed with a final settlement determined after submission of an annual cost report by the Center and completion of an audit thereof by the Medicare fiscal intermediary. The Center's cost reports have been audited by the Medicare fiscal intermediary through 2008.

- **Medicaid**
Inpatient services rendered Medicaid program beneficiaries are based on a prospectively established per diem rate. Outpatient services are reimbursed on a fee for service basis from predetermined fee schedules.

Mercy Regional Health Center, Inc. and Affiliates
Notes to Consolidated Financial Statements
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- **Other Contracted Payors**

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

- **Uninsured**

For uninsured patients that do not qualify for charity care, MRHC recognizes revenue on the basis of its standard rates for services less an uninsured discount applied to the patient's account that approximates the average discount for managed care payers. On the basis of historical experience, a significant portion of MRHC's uninsured patients who are deemed able to pay will be unwilling to pay for services provided. MRHC records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payer sources, is as follows for the years ended September 30, 2011 and 2010 as follows:

(in thousands of dollars)

	2011		2010	
	Gross Charges	Deductions	Gross Charges	Deductions
Medicare	\$ 111,906	\$ 74,391	\$ 103,592	\$ 69,074
Medicaid	19,744	15,045	16,616	11,525
Managed care and other	116,492	62,502	112,625	55,800
Uninsured and self pay	12,534	10,317	13,170	12,857
	<u>\$ 260,676</u>	<u>\$ 162,255</u>	<u>\$ 246,003</u>	<u>\$ 149,256</u>
Provision for uncollectible accounts		5,203		2,705
Total	<u>\$ 260,676</u>	<u>\$ 167,458</u>	<u>\$ 246,003</u>	<u>\$ 151,961</u>

5. **Concentration of Credit Risk**

The Center grants credit to patients, substantially all of whom are local residents. The Center generally does not require collateral or other security in extending credit to patients. The distribution of net patient accounts receivable by payor at September 30, 2011 and 2010 is as follows:

	2011	2010
Medicare	33 %	26 %
Medicaid	4	1
Managed care organizations	56	58
Self-pay	7	15
	<u>100 %</u>	<u>100 %</u>

Mercy Regional Health Center, Inc. and Affiliates
Notes to Consolidated Financial Statements
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6. Assets Whose use is Limited and Investments

As of September 30, the Center reported the following investments and assets whose use is limited

(in thousands of dollars)

	2011	2010
Assets whose use is limited		
VCH Pooled Funds	\$ 8,155	\$ 4,730
Cash and short-term investments	<u>3,275</u>	<u>3,425</u>
	<u>\$ 11,430</u>	<u>\$ 8,155</u>
Long-term Investments and Investments of the Foundation		
VCH Pooled Funds	\$ 15,879	\$ 15,877
Cash and short-term investments	481	620
Fixed income securities	1,684	754
Equity funds	<u>1,290</u>	<u>1,763</u>
	<u>\$ 19,334</u>	<u>\$ 19,014</u>

Mercy Regional Health Center, Inc. (MRHC) began participating in the Via Christi pooled fund in August 2010. MRHC owns an undivided interest in the pooled fund, its unit of account for fair value measurement purposes is the pooled fund value as provided by fund managers. MRHC cannot identify specific underlying assets for fair value measurement purposes, therefore, must consider if relevant observable inputs exist for interests in the pooled funds. The pooled fund is classified as Level 3 under the fair value hierarchy because no observable inputs exist for interests in the pooled fund.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although MRHC believes its valuation methodologies or assumptions are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

7. Fair Value of Financial Instruments

Effective September 2009, the Center adopted FASB ASC 820-10-50, Fair Value Measurements ("ASC 820"). ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value, and expands disclosures about fair value measurements. The three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities on the reporting date

Level 2 - Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specific (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Mercy Regional Health Center, Inc. and Affiliates
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Level 3 - Inputs that are unobservable for the asset or liability

The fair values of Level 1 assets and liabilities were determined through quoted market prices, while fair values of Level 2 assets and liabilities were determined through prices obtained from third-party pricing sources, where quoted prices for such assets and liabilities are not available

The carrying amounts of certain of our financial instruments including cash and cash equivalents, accounts receivable and accounts payable, approximate fair value because of their short maturities

The fair value of the Center's long-term debt has been derived based on the market price of bonds in the secondary market and comparison to borrowing rates currently available to comparable organizations. The carrying amount of long-term debt approximates its fair value

The fair value of investments is listed below (in thousands)

Fair Value Measurements at September 30, 2011				
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 3,520	\$ -	\$ 3,520	\$ -
Certificate of deposits	1,600	-	1,600	-
Marketable equity securities	1,290	1,290	-	-
U S Government obligations	506	-	506	-
Corporate fixed income	1,178	-	1,111	67
VC Pooled funds	31,612	-	-	31,612
	<u>\$ 39,706</u>	<u>\$ 1,290</u>	<u>\$ 6,737</u>	<u>\$ 31,679</u>

Fair Value Measurements at September 30, 2010				
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 3,650	\$ 105	\$ 3,545	\$ -
Certificate of deposits	4,010	-	4,010	-
Marketable equity securities	647	647	-	-
U S Government obligations	754	321	433	-
Corporate fixed income	1,117	653	390	74
VC Pooled funds	27,945	-	-	27,945
	<u>\$ 38,123</u>	<u>\$ 1,726</u>	<u>\$ 8,378</u>	<u>\$ 28,019</u>

Mercy Regional Health Center, Inc. and Affiliates
Notes to Consolidated Financial Statements
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The following table is a rollforward of the amounts for financial instruments classified by the Center within level 3 of the fair value hierarchy

(in thousands of dollars)

	VC Pooled funds	Corporate Fixed Income
Balance at September 30, 2009	\$ -	\$ 37
Interest and dividends	44	-
Realized and unrealized gains	831	-
Purchases, sales, issuances and settlements, net	27,070	37
Balance at September 30, 2010	\$ 27,945	\$ 74
Interest and dividends	906	-
Realized and unrealized losses	(1,118)	(7)
Purchases, sales, issuances and settlements, net	3,879	-
Balance at September 30, 2011	\$ 31,612	\$ 67

MRHC participates in the VC Pooled Funds with allocation as follows

	2011 Allocation	2010 Allocation
Cash and cash equivalents	5%	11%
Marketable equity securities	39%	36%
U S government obligations	27%	28%
Corporate fixed income	20%	17%
Real estate	3%	4%
Commodities	6%	5%
Investment receivables/payables/other	0%	-1%
	<u>100%</u>	<u>100%</u>

8. Other Assets

Other assets consist of the following at September 30, 2011 and 2010

(in thousands of dollars)

	2011	2010
Investment in unconsolidated affiliate	\$ 334	\$ 273
Prepaid pension costs	987	1,008
Bond issuance costs	1,017	1,106
Notes receivable and other	25	210
	<u>\$ 2,363</u>	<u>\$ 2,597</u>

Mercy Regional Health Center, Inc. and Affiliates
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9. Accrued Expenses

Accrued expenses are comprised of the following at September 30, 2011 and 2010

<i>(in thousands of dollars)</i>	2011	2010
Accrued salaries, wages and withholdings	\$ 2,660	\$ 4,371
Accrued vacation and other paid time off	1,715	1,724
Other	385	474
	<u>\$ 4,760</u>	<u>\$ 6,569</u>

10. Long-Term Debt

Long-term debt consisted of the following at September 30, 2011 and 2010

<i>(in thousands of dollars)</i>	2011	2010
City of Manhattan, Kansas Hospital Revenue Bonds, Series 2001, serial and term bonds payable in various amounts from August 2003 to 2031, interest ranging from 3 75% to 5 5% interest paid semiannually	\$ 31,315	\$ 32,205
Mortgage note to VCH, payable in monthly installments through 2030, 6 65% interest, collateralized by mortgage on the land and buildings of former St Mary Hospital, subordinated to interest of bondholders	2,453	2,515
Mortgage note to VCH, payable in monthly installments through 2023, 6 65% interest, collateralized by mortgage on the land and buildings of former St Joseph's Village, subordinated to interest of bondholders	753	791
Note to VCH payable in monthly installments through 2028, 6 75% interest, collateralized by mortgages on building improvements	2,709	2,797
Note to Riley County, payable in annual installments of \$250,000, through 2011 with a balloon payment in 2012 for \$650,000, variable interest rate, collateralized by Sunset building	650	900
Note to Kansas State Bank, payable in monthly installments of \$60,109 through 2014, collateralized by property and equipment	2,036	2,097
Note to Manhattan Radiology payable in monthly installments of \$3,061 through 2020, collateralized by mortgage on building improvements	256	-
Capital leases	493	928
	<u>40,665</u>	<u>42,233</u>
Less Current portion	(2,808)	(2,306)
Less Unamortized Bond Discount	<u>(278)</u>	<u>(269)</u>
Long-term Debt, less current portion	<u>\$ 37,579</u>	<u>\$ 39,658</u>

The balance of any amounts due VCH under the mortgage notes become payable in full if the management agreement with VCH is terminated or if VCH ceases to be a corporate sponsor for the Center

Mercy Regional Health Center, Inc. and Affiliates

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In February 2001, the Center issued \$38,000,000 City of Manhattan, Kansas Hospital Revenue Bonds ("Mercy Regional Health Center") Series 2001 (the "2001 Series") to fund the construction and acquisition of improvements to the Center's facilities, particularly additions and improvements to the former St Mary Hospital. The 2001 Series consists of serial bonds totaling \$10,180,000 due in annual installments of various amounts from August 2003 to 2016 and bearing interest at 3.75% to 5.5%, and term bonds totaling \$27,820,000 due in various amounts from August 2010 to 2031 and bearing interest at 5.125% to 5.5%. Interest on the bonds is paid semiannually. The term bonds are subject to mandatory sinking fund requirements beginning August 2009 through 2031. Bonds maturing on or after August 2012 are subject to optional redemption by the Center in whole or in part after 2011, at principal plus accrued interest.

The trustee for the 2001 Series is UMB Bank, N.A. During the term of indebtedness under the 2001 Series, the City of Manhattan holds legal title to the Center's facilities at the former St Mary Hospital and the Center leases the facilities for its operations from the City under a lease agreement. Under the terms of this lease, the Center is required to make base rental payments sufficient to pay the principal and interest on the bonds. The 2001 Series is collateralized by a debt reserve fund held by the trustee and a security interest in the unrestricted revenues of the Center (as defined under the bond indenture). Payment of principal and interest on the 2001 Series is also guaranteed under a municipal bonds insurance policy issued by Financial Security Assurance, Inc. The bond agreements contain certain restrictive covenants for the Center, including: 1) limitations on additional indebtedness, and 2) maintenance of a minimum annual debt service ratio of 1.35 to 1. The Center was in compliance with the covenants at September 30, 2010.

Mercy Imaging, L.L.C. purchased a MRI and PET/CT Scanner, which were placed in service June 1, 2010. These units replaced older units that were leased beginning in 2001. A note to Kansas State Bank for \$2,096,601, payable in monthly installments, financed the equipment. The MRI and PET/CT Scanner serves as collateral for the note.

Scheduled principal repayments of notes, mortgages and bonds payable including capital leases at September 30, 2011 are as follows:

(in thousands of dollars)

Years Ending September 30,	Notes, Leases and Mortgages	Bonds	Total
2012	\$ 1,873	\$ 935	\$ 2,808
2013	1,064	975	2,039
2014	962	1,025	1,987
2015	274	1,075	1,349
2016	291	1,130	1,421
Thereafter	4,886	26,175	31,061
	9,350	31,315	40,665
Less: Net unamortized discount	-	(278)	(278)
	<u>\$ 9,350</u>	<u>\$ 31,037</u>	<u>\$ 40,387</u>

Mercy Regional Health Center, Inc. and Affiliates
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at September 30, 2011 and 2010

<i>(in thousands of dollars)</i>	2011	2010
Equipment and other health programs	<u>\$ 2,797</u>	<u>\$ 2,654</u>

Designated health care programs relate mainly to assets held by foundations which are designated by donors or grantors to be used in specific health care programs for medical and patient services

At September 30, 2011 and 2010, there was \$785,000 and \$648,000, respectively, of permanently restricted net assets which are designated by donors at the Foundation

MRHC and affiliates invest funds associated with restricted net assets in the MRHC's investments for the purpose of maintaining the original gift amount and providing earnings with which to support programs as desired by the donors, and to the extent limited by statute MRHC generally appropriates for expenditure the earnings on such funds at the time earned, therefore reports such earnings in unrestricted net assets

12. Pension and Retirement Plans

Certain employees of the former St Mary's Hospital were eligible to participate in a combined defined benefit pension plan (the "Plan") sponsored by the Center, for their service prior to the 1996 operational consolidation The prepaid pension asset was \$987,000 and \$1,008,000 for fiscal year 2011 and fiscal year 2010, respectively Net other comprehensive income (loss) recognized as a change in net assets was (\$115,000) in fiscal year 2011 and \$26,000 in fiscal year 2010

The Center also sponsors a noncontributory retirement plan that covers all employees who meet the age and service requirements of the Plan Employer contributions are based on a percentage of eligible employees' annual compensation, using a graduated percentage according to years of service Contributions to the Plan are fully vested after three years of service The Center's expense for the Plan was \$2,164,000 and \$1,647,000 for the years ended September 30, 2011 and 2010, respectively

13. Related Party Transactions

In addition to the items described herein, the following additional related party transactions were entered into during 2011 and 2010

The Center incurred \$2,350,000 and \$1,372,000 of expenses for the years ended September 30, 2011 and 2010, respectively, for legal, accounting, information technology, human resources and management services provided by VCH The Center paid principal of \$188,000 and \$462,000 for the years ended September 30, 2011 and 2010 and incurred related interest expense of \$402,000 and \$422,000 for debt related to amounts due to VCH as described in Note 10 Additional expenses paid were \$1,247,000 and \$1,122,000 for insurance for the years ended September 30, 2011 and 2010, respectively The Center has amounts due to VCH of \$760,000 and \$260,000, at September 30, 2011 and 2010, respectively, for certain administrative expenses that VCH paid on behalf of the Center

Mercy Regional Health Center, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2011 and 2010

The Center incurred \$426,000 and \$298,000 of expenses for the years ended September 30, 2011 and 2010, respectively, for eICU management fees and e-Pharmacy services provided by Via Christi Clinical Services

The Center received \$290,112 and \$218,000 in revenue for services rendered from St. Joseph Village, an affiliate of VCH, for the years ended September 30, 2011 and 2010, respectively

14. Professional Liability Insurance

The Center is insured for medical malpractice claims up to \$200,000 per occurrence and a \$600,000 annual aggregate under a commercial claims-made policy. The Kansas Health Care Stabilization Fund (the "HCSF") bears the liability for the next \$800,000 per occurrence and \$2,400,000 aggregate. There is additional umbrella coverage above these limits under a claims-made policy through a captive insurance company that is a subsidiary of VCHS. Management is not aware of any such claims that could have a materially adverse effect on the Center's financial statements. The HCSF also provides coverage within limits for claims incurred before, but reported after, cancellation or expiration of the Center's claims-made insurance policies.

15. Commitments and Contingencies

Operating Leases

The Center leases various equipment and facilities under operating leases expiring at various dates. Total rental expense approximated \$1,050,000 and \$1,048,000 during 2011 and 2010, respectively. Future minimum rentals, by year and in the aggregate, under noncancelable operating leases with initial or remaining terms of one year or more consisted of the following at September 30, 2011:

(in thousands of dollars)

Years ending September 30

2012	\$ 648
2013	362
2014	214
2015	184
2016	184
Thereafter	465
	<u>\$ 2,057</u>

Litigation

The Center is periodically involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Center's future financial position, results from operations, or cash flows.

Regulatory Compliance

We operate in a highly regulated and litigious industry. As a result, various lawsuits, claims and legal and regulatory proceedings have been and can be expected to be instituted or asserted against us. In addition, various "technical" violations under the Stark law that were discovered through routine internal audit activities will be disclosed under the government's new self-disclosure protocol, but the timing and amount of any settlements under that self-disclosure protocol are not

Mercy Regional Health Center, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2011 and 2010

possible to estimate at this time. Management believes the resolution of any such lawsuits, claims or legal and regulatory proceedings would not have a material, adverse effect on our results of operations or financial position, however actual results could be different.

Health care companies are subject to numerous investigations by various governmental agencies. Under the federal false claims act ("FCA") private parties have the right to bring *qui tam*, or "whistleblower," suits against companies that submit false claims for payments to, or improperly retain overpayments from, the government. Depending on whether the underlying conduct in these or future inquiries or investigations could be considered systemic, their resolution could have a material, adverse effect on our results of operations or financial position.

The U.S. Department of Justice and other federal agencies are increasing resources dedicated to regulatory investigations and compliance audits of healthcare providers. The Center is subject to these regulatory efforts but has not been notified of any such significant initiatives by federal agencies.

In addition, the Center must comply with various reporting and operating regulations mandated by the federal and state programs. Failure to comply with these regulations could result in the Center losing its eligibility to receive funds under these programs. Management is not aware of any operations or activities which would jeopardize the Center's eligibility under these programs.

Through its operational review processes, the Center identified potential overpayments for services provided to Medicare beneficiaries from 2002 through the end of fiscal 2008. Upon completion of a thorough review and with advice from legal counsel, the Center self-disclosed the overpayments to a representative of the Medicare program and submitted a refund of approximately \$2.9 million on January 16, 2009. A second refund of approximately \$86,000 was issued on October 9, 2009. The Center implemented corrective action steps, including educational activities and several operational process improvements to prevent overpayments from occurring in the future. Management is not aware of any other overpayments from federal and state programs, nor from private insurance payers.

Other Self-Insurance

The Center also participates in self-insurance programs sponsored by VCH for general liability, workers' compensation, and employee health risks. The general liability coverage is a blanket arrangement through the captive insurance company subsidiary of VCH. VCH has purchased stop-loss coverage to limit exposure to significant levels of employee health claims and reinsurance coverage for worker's compensation claims. Under certain circumstances, VCH may assess the Center for additional premiums and cost of claims on a retrospective basis. Currently, there is not expected to be any assessments made by VCH.

16. Functional Expenses

The Center provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

<i>(in thousands of dollars)</i>	2011	2010
Health care services	\$ 75,145	\$ 74,173
General and administrative	19,012	18,002
	<u>\$ 94,157</u>	<u>\$ 92,175</u>

CONSOLIDATING INFORMATION

Mercy Regional Health Center, Inc. and Affiliates
Consolidating Schedule - Balance Sheet
September 30, 2011

(in thousands of dollars)

	MRHC	Foundation	Mercy Imaging	Wamego	Eliminations	Consolidated Total
Assets						
Current assets						
Cash and Cash Equivalents, Including						
restricted cash	\$ 7,488	\$ 96	\$ 297	\$ 850	\$ -	\$ 8,731
Short Term Investments	7,578	-	1	1,363	-	8,942
Patient accounts receivable, net	12,301	-	484	1,291	(1)	14,075
Inventories	2,577	-	-	129	-	2,706
Prepaid expenses and other current assets	716	22	12	267	75	1,092
Estimated amounts due from third-party payors	560	-	-	800	(889)	471
Total current assets	31,220	118	794	4,700	(815)	36,017
Assets whose use is limited						
Designated by Board for capital improvement	8,155	-	-	710	-	8,865
Held by trustee in debt board indenture	2,565	-	-	-	-	2,565
Total noncurrent portion of assets whose use is limited	10,720	-	-	710	-	11,430
Property and equipment						
Land and Improvements	2,639	-	-	-	-	2,639
Building and fixed equipment	75,253	-	276	185	-	75,714
Moveable equipment	33,674	23	2,892	2,733	-	39,322
Accumulated Depreciation	(52,520)	(21)	(836)	(1,659)	-	(55,036)
Construction in progress	1,451	-	-	82	-	1,533
Total net property and equipment	60,497	2	2,332	1,341	-	64,172
Long term investments	15,879	-	-	-	-	15,879
Funds held in trust and other investments of the Foundation	-	3,455	-	-	-	3,455
Other assets	4,351	1	-	-	(1,989)	2,363
Total other assets	20,230	3,456	-	-	(1,989)	21,697
Total assets	\$122,667	\$ 3,576	\$ 3,126	\$ 6,751	\$ (2,804)	\$ 133,316
Liabilities and Net Assets						
Current maturities of long-term debt						
Accounts payable	\$ 2,133	\$ -	\$ 675	\$ -	\$ -	\$ 2,808
Accrued expenses	2,806	1	54	248	74	3,183
	5,111	5	10	523	(889)	4,760
Total current liabilities	10,050	6	739	771	(815)	10,751
Noncurrent liabilities						
Long-term debt, less current maturities	35,962	-	1,617	-	-	37,579
Asset retirement obligation	4,697	-	-	-	-	4,697
Total noncurrent liabilities	40,659	-	1,617	-	-	42,276
Total liabilities	50,709	6	2,356	771	(815)	53,027
Net assets						
Unrestricted-controlling interest	71,847	99	770	5,980	(5,112)	73,584
Unrestricted-noncontrolling interest	-	-	-	-	3,123	3,123
Temporarily restricted	111	2,686	-	-	-	2,797
Permanently restricted	-	785	-	-	-	785
Total net assets	71,958	3,570	770	5,980	(1,989)	80,289
Total liabilities and net assets	\$122,667	\$ 3,576	\$ 3,126	\$ 6,751	\$ (2,804)	\$ 133,316

Mercy Regional Health Center, Inc. and Affiliates

Consolidating Schedule - Statement of Operations and Changes in Net Assets

September 30, 2011

(in thousands of dollars)

	MRHC	Foundation	Mercy Imaging	Wamego	Eliminations	Consolidated Total
Revenues, gains and other support						
Net patient services revenues	\$ 87,632	\$ -	\$ 1,682	\$ 9,107	\$ -	\$ 98,421
Provision for bad debt	4,567	-	92	544	-	5,203
Net patient service revenues less provision for bad debt	83,065	-	1,590	8,563	-	93,218
Other operating revenues	3,705	-	-	39	(169)	3,575
Total operating revenues	86,770	-	1,590	8,602	(169)	96,793
Operating expenses						
Salaries and employee benefits	42,309	-	144	5,075	-	47,528
Purchased services and other	18,869	-	356	2,061	(161)	21,125
Supplies	15,612	-	83	806	(8)	16,493
Depreciation and amortization	5,525	-	629	337	-	6,491
Interest	2,401	-	119	-	-	2,520
Total operating expenses	84,716	-	1,331	8,279	(169)	94,157
Income from operations	2,054	-	259	323	-	2,636
Non operating gains (losses)						
Interest and dividend income	920	-	(1)	8	-	927
Net gain (loss) on investments	(1,116)	-	-	-	-	(1,116)
Equity in earnings of investee organization	169	-	-	-	-	169
Contributions and other, net	18	339	-	37	-	394
Total nonoperating gains	(9)	339	(1)	45	-	374
Excess of revenues over expenses (expenses over revenue)	2,045	339	258	368	-	3,010
Unrestricted net assets, controlling						
Excess of revenues over expenses	2,045	339	258	368	-	3,010
Other changes	(2)	(330)	19	272	-	(41)
Noncontrolling interest	-	-	-	-	(307)	(307)
Net Pension Adjustment	(115)	-	-	-	-	(115)
Increase (decrease) in unrestricted net assets before noncontrolling interest	1,928	9	277	640	(307)	2,547
Unrestricted net assets, noncontrolling						
Excess of revenue over expenses	-	-	-	-	307	307
Increase (decrease) in unrestricted net assets, controlling interest	-	-	-	-	307	307
Increase (decrease) in unrestricted net assets	1,928	9	277	640	-	2,854
Temporarily restricted net assets						
Contributions	-	210	-	-	-	210
Investment income and gains (losses)	-	18	-	-	-	18
Net assets released from restrictions	(50)	(70)	-	-	-	(120)
Other Changes	-	35	-	-	-	35
Increase (decrease) in temporarily restricted net assets	(50)	193	-	-	-	143
Permanent restricted net assets						
Contributions	-	137	-	-	-	137
Increase in permanently restricted net assets	-	137	-	-	-	137
Increase (decrease) in net assets	1,878	339	277	640	-	3,134
Beginning of Year	70,080	3,231	493	5,340	(1,989)	77,155
End of Year	\$ 71,958	\$ 3,570	\$ 770	\$ 5,980	\$ (1,989)	\$ 80,289