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Form 990

Return of Organization Exempt From Income Tax

OMB No 1545-0047

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

2010

Open to Public Inspection

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

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

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

C Name of organization: WALTER KNOX MEMORIAL HOSPITAL. Doing Business As. Address: 1202 EAST LOCUST STREET, EMMETT, ID 836172715.

D Employer identification number: 82-6000422. E Telephone number: (208) 365-3561. G Gross receipts \$ 10,762,285.

F Name and address of principal officer: JOHN OLSON CEO, 1202 E LOCUST STREET, EMMETT, ID 83617.

H(a) Is this a group return for affiliates? No. H(b) Are all affiliates included? No. H(c) Group exemption number.

I Tax-exempt status: 501(c)(3)

J Website: WWW.WKMH.ORG

K Form of organization: Other - GOVERNMENT. L Year of formation: 1963. M State of legal domicile: ID.

Part I Summary

Table with 3 columns: Category (Activities & Governance, Revenue, Expenses, Net Assets or Fund Balances), Description, and Amount. Rows include mission statement, membership counts, revenue breakdown, expenses, and net assets.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Sign Here: Signature of officer (JOHN OLSON CEO) and Date (2012-03-23).

Paid Preparer Use Only: Preparer's name (THOMAS DINGUS), Date (2012-03-28), Firm's name (DINGUS ZARECOR & ASSOCIATES), and Firm's address (12015 E MAIN STE A, SPOKANE VALLEY, WA 99206).

May the IRS discuss this return with the preparer shown above? Yes No

**Part III Statement of Program Service Accomplishments**

Check if Schedule O contains a response to any question in this Part III  Yes  No

**1** Briefly describe the organization's mission  
PROVIDING EXCELLENT HEALTHCARE AND PROMOTING QUALITY OF LIFE IN OUR COMMUNITY

**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 \$ 7,617,589 including grants of \$ 4,364 ) (Revenue \$ 10,406,628 )  
WALTER KNOX MEMORIAL HOSPITAL IS A 16-BED CRITICAL ACCESS HOSPITAL THAT OFFERS ACUTE CARE, EMERGENCY CARE, GENERAL SURGERY, LABORATORY, DIAGNOSTIC IMAGING, OBSTETRICS, ONCOLOGY, PHYSICAL, OCCUPATIONAL, AND SPEECH THERAPY, VISITING SPECIALTY PROVIDER CLINICS, AND A VARIETY OF OUTPATIENT SERVICES EMERGENCY SERVICES ARE OFFERED REGARDLESS OF THE PATIENT'S ABILITY TO PAY THE FACILITY PROVIDED 1,118 DAYS OF PATIENT SERVICES WHICH INCLUDES 126 NURSERY DAYS THE FACILITY ALSO PROVIDED 6,056 EMERGENCY ROOM VISITS THE HOSPITAL PROVIDES CARE TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS AT BELOW COST AND TO INDIVIDUALS WHO ARE UNABLE TO PAY THE UNREIMBURSED VALUE OF PROVIDING CARE TO THESE PATIENTS WAS 371,784 FOR CHARITY CARE, 3,185,160 FOR MEDICARE, 2,072,210 FOR MEDICAID AND 2,548,244 FOR OTHER THIRD-PARTY PAYORS FOR THE YEAR ENDED SEPTEMBER 30, 2011

**4b** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

**4c** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

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

**4e Total program service expenses** \$ 7,617,589

**Part IV Checklist of Required Schedules**

	Yes	No
<b>1</b> Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A <input checked="" type="checkbox"/>	Yes	
<b>2</b> Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?		No
<b>3</b> 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		No
<b>4 Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II		No
<b>5</b> 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		No
<b>6</b> 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 <input checked="" type="checkbox"/>		No
<b>7</b> 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 <input checked="" type="checkbox"/>		No
<b>8</b> Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III <input checked="" type="checkbox"/>		No
<b>9</b> 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 <input checked="" type="checkbox"/>		No
<b>10</b> Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V <input checked="" type="checkbox"/>		No
<b>11</b> 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		
<b>a</b> Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. <input checked="" type="checkbox"/>	Yes	
<b>b</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. <input checked="" type="checkbox"/>		No
<b>c</b> 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. <input checked="" type="checkbox"/>		No
<b>d</b> 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. <input checked="" type="checkbox"/>		No
<b>e</b> Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. <input checked="" type="checkbox"/>	Yes	
<b>f</b> 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. <input checked="" type="checkbox"/>		No
<b>12a</b> Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII <input checked="" type="checkbox"/>	Yes	
<b>b</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 <input checked="" type="checkbox"/>		No
<b>13</b> Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E		No
<b>14a</b> Did the organization maintain an office, employees, or agents outside of the United States?		No
<b>b</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		No
<b>15</b> 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		No
<b>16</b> 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		No
<b>17</b> 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)		No
<b>18</b> 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		No
<b>19</b> 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		No
<b>20a</b> Did the organization operate one or more hospitals? If "Yes," complete Schedule H <input checked="" type="checkbox"/>	Yes	
<b>b</b> If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	Yes	

**Part IV Checklist of Required Schedules** *(continued)*

<b>21</b> 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> . . .	<b>21</b>	No
<b>22</b> 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> . . .	<b>22</b>	No
<b>23</b> 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> . . .	<b>23</b>	Yes
<b>24a</b> 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> . . .	<b>24a</b>	Yes
<b>b</b> Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . .	<b>24b</b>	No
<b>c</b> Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . .	<b>24c</b>	Yes
<b>d</b> Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . .	<b>24d</b>	No
<b>25a Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . .	<b>25a</b>	No
<b>b</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> . . .	<b>25b</b>	No
<b>26</b> 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> . . .	<b>26</b>	No
<b>27</b> 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> . . .	<b>27</b>	No
<b>28</b> 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)		
<b>a</b> A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . .	<b>28a</b>	No
<b>b</b> A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . .	<b>28b</b>	Yes
<b>c</b> 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> . . .	<b>28c</b>	No
<b>29</b> Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	<b>29</b>	No
<b>30</b> Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . .	<b>30</b>	No
<b>31</b> Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . .	<b>31</b>	No
<b>32</b> 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> . . .	<b>32</b>	No
<b>33</b> 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> . . .	<b>33</b>	No
<b>34</b> 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> . . .	<b>34</b>	No
<b>35</b> Is any related organization a controlled entity within the meaning of section 512(b)(13)? . . .	<b>35</b>	No
<b>a</b> Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
<b>36 Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . .	<b>36</b>	No
<b>37</b> 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>	<b>37</b>	No
<b>38</b> Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . .	<b>38</b>	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

Table with columns for question ID, question text, and Yes/No response boxes. Includes sections for backup withholding, employee reporting, foreign accounts, prohibited transactions, and charitable contributions.

**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
<b>1a</b>	Enter the number of voting members of the governing body at the end of the tax year . . . . .		
	<b>1a</b> 11		
<b>b</b>	Enter the number of voting members included in line 1a, above, who are independent . . . . .		
	<b>1b</b> 9		
<b>2</b>	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
<b>3</b>	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
<b>4</b>	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
<b>5</b>	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .		No
<b>6</b>	Does the organization have members or stockholders? . . . . .		No
<b>7a</b>	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? . . . . .		No
<b>b</b>	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . . . . .	Yes	
<b>8</b>	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
<b>a</b>	The governing body? . . . . .	Yes	
<b>b</b>	Each committee with authority to act on behalf of the governing body? . . . . .	Yes	
<b>9</b>	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
<b>10a</b>	Does the organization have local chapters, branches, or affiliates? . . . . .		No
<b>b</b>	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization? . . . . .		
<b>11a</b>	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?		No
<b>b</b>	Describe in Schedule O the process, if any, used by the organization to review this Form 990 . . . . .		
<b>12a</b>	Does the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .	Yes	
<b>b</b>	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	Yes	
<b>c</b>	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done . . . . .	Yes	
<b>13</b>	Does the organization have a written whistleblower policy? . . . . .		No
<b>14</b>	Does the organization have a written document retention and destruction policy? . . . . .	Yes	
<b>15</b>	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?		
<b>a</b>	The organization's CEO, Executive Director, or top management official . . . . .	Yes	
<b>b</b>	Other officers or key employees of the organization . . . . .		No
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)		
<b>16a</b>	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .		No
<b>b</b>	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements? . . . . .		

**Section C. Disclosure**

- 17** List the States with which a copy of this Form 990 is required to be filed
- 18** Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.  
 Own website  Another's website  Upon request
- 19** Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
- 20** State the name, physical address, and telephone number of the person who possesses the books and records of the organization   
 JOHN OLSON  
 1202 EAST LOCUST STREET  
 EMMETT, ID 83617  
 (208) 365-3561

**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) MAX LONG CEO	40 00	X		X			193,997	0	18,318	
(2) DAVE SHAW CHAIRMAN	1 00	X		X			0	0	0	
(3) STEVE SALSKOV VICE CHAIRMA	1 00	X		X			0	0	0	
(4) CARLOS BILBAO MEMBER	1 00	X					0	0	0	
(5) JAY JENSEN MEMBER	1 00	X					0	0	0	
(6) ANITA TAYLOR MEMBER	1 00	X					0	0	0	
(7) BRYAN STONE MD MEMBER	1 00	X					0	0	0	
(8) LAN SMITH MEMBER	1 00	X					0	0	0	
(9) EARL DEFUR MEMBER	1 00	X					0	0	0	
(10) STAN STURTZ MEMBER	1 00	X					0	0	0	
(11) JUDY BARBERA MEMBER	1 00	X					0	0	0	
(12) LARRY DROPPERS CFO	40 00			X			124,891	0	14,227	
(13) SHANNON SCHANTZ MD PHYSICIAN	40 00				X		124,872	0	4,904	
(14) DOUG STANSBERY IMAGING MANA	40 00				X		110,003	0	6,043	
(15) LAURENCE SCHUERMANN LAB MANAGER	40 00				X		108,237	0	6,156	
(16) DIANE WOOD CNO	40 00				X		107,643	0	6,162	

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

Table with 6 main columns: (A) Name and Title, (B) Average hours per week, (C) Position, (D) Reportable compensation from the organization, (E) Reportable compensation from related organizations, (F) Estimated amount of other compensation. Includes sub-totals and totals for lines 1b, 1c, and 1d.

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

Table with 3 columns: Question number, Yes, No. Contains questions 3, 4, and 5 regarding compensation reporting and services.

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

Table with 3 columns: (A) Name and business address, (B) Description of services, (C) Compensation. Lists contractors like MATTHEW MACHA and A BENSON ENTERPRISE INC.

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

**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	
<b>Contributions, gifts, grants and other similar amounts</b>	<b>1a</b> Federated campaigns . . . . . <b>1a</b>					
	<b>b</b> Membership dues . . . . . <b>1b</b>					
	<b>c</b> Fundraising events . . . . . <b>1c</b>					
	<b>d</b> Related organizations . . . . . <b>1d</b>					
	<b>e</b> Government grants (contributions) <b>1e</b>					
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above <b>1f</b>	22,086				
	<b>g</b> Noncash contributions included in lines 1a-1f \$					
	<b>h Total.</b> Add lines 1a-1f . . . . . ▼		22,086			
	<b>Program Service Revenue</b>	<b>2a</b> NET PATIENT SERVICE REVENUE	722210	10,406,628	10,406,628	
<b>b</b> RENTAL INCOME		621110	13,015	13,015		
<b>c</b> _____						
<b>d</b> _____						
<b>e</b> _____						
<b>f</b> All other program service revenue						
<b>g Total.</b> Add lines 2a-2f . . . . . ▼			10,419,643			
<b>Other Revenue</b>		<b>3</b> Investment income (including dividends, interest and other similar amounts) . . . . . ▼		114,154		114,154
	<b>4</b> Income from investment of tax-exempt bond proceeds . . . . . ▼					
	<b>5</b> Royalties . . . . . ▼					
	<b>6a</b> Gross Rents	(i) Real				
		(ii) Personal				
		<b>b</b> Less rental expenses				
		<b>c</b> Rental income or (loss)				
	<b>d</b> Net rental income or (loss) . . . . . ▼					
	<b>7a</b> Gross amount from sales of assets other than inventory	(i) Securities	132,662			
		(ii) Other				
		<b>b</b> Less cost or other basis and sales expenses	160,699		8,590	
		<b>c</b> Gain or (loss)	-28,037		-8,590	
	<b>d</b> Net gain or (loss) . . . . . ▼		-36,627		-36,627	
	<b>8a</b> Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . . <b>a</b>					
<b>b</b> Less direct expenses . . . . . <b>b</b>						
<b>c</b> Net income or (loss) from fundraising events . . . . . ▼						
<b>9a</b> Gross income from gaming activities See Part IV, line 19 . . . . . <b>a</b>						
	<b>b</b> Less direct expenses . . . . . <b>b</b>					
	<b>c</b> Net income or (loss) from gaming activities . . . . . ▼					
<b>10a</b> Gross sales of inventory, less returns and allowances . . . . . <b>a</b>						
	<b>b</b> Less cost of goods sold . . . . . <b>b</b>					
	<b>c</b> Net income or (loss) from sales of inventory . . . . . ▼					
Miscellaneous Revenue	Business Code					
<b>11a</b> ACCOUNTS RECEIVABLE INTEREST	722210	39,280			39,280	
	<b>b</b> CAFETERIA	900099	28,553		28,553	
	<b>c</b> OTHER	900099	5,907		5,907	
	<b>d</b> All other revenue . . . . .					
	<b>e Total.</b> Add lines 11a-11d . . . . . ▼		73,740			
<b>12 Total revenue.</b> See Instructions . . . . . ▼		10,592,996	10,419,643		151,267	

**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
<b>1</b>	Grants and other assistance to governments and organizations in the U S See Part IV, line 21				
<b>2</b>	Grants and other assistance to individuals in the U S See Part IV, line 22	4,364	4,364		
<b>3</b>	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
<b>4</b>	Benefits paid to or for members				
<b>5</b>	Compensation of current officers, directors, trustees, and key employees . . . . .	362,917		362,917	
<b>6</b>	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .				
<b>7</b>	Other salaries and wages	3,362,406	2,545,934	816,472	
<b>8</b>	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	200,538	137,050	63,488	
<b>9</b>	Other employee benefits . . . . .	473,585	323,654	149,931	
<b>10</b>	Payroll taxes . . . . .	274,017	190,197	83,820	
<b>a</b>	Fees for services (non-employees)				
	Management . . . . .				
<b>b</b>	Legal . . . . .	18,065		18,065	
<b>c</b>	Accounting . . . . .	32,230		32,230	
<b>d</b>	Lobbying . . . . .				
<b>e</b>	Professional fundraising services See Part IV, line 17 . . . . .				
<b>f</b>	Investment management fees . . . . .				
<b>g</b>	Other . . . . .	1,236,272	1,031,271	205,001	
<b>12</b>	Advertising and promotion . . . . .	26,128		26,128	
<b>13</b>	Office expenses . . . . .	1,736,098	1,558,669	177,429	
<b>14</b>	Information technology . . . . .	162,217		162,217	
<b>15</b>	Royalties . . . . .				
<b>16</b>	Occupancy . . . . .	108,362	64,324	44,038	
<b>17</b>	Travel . . . . .	13,762	11,942	1,820	
<b>18</b>	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
<b>19</b>	Conferences, conventions, and meetings . . . . .	28,487	14,872	13,615	
<b>20</b>	Interest . . . . .	211,507	122,632	88,875	
<b>21</b>	Payments to affiliates . . . . .				
<b>22</b>	Depreciation, depletion, and amortization . . . . .	568,927	390,529	178,398	
<b>23</b>	Insurance . . . . .	43,857		43,857	
<b>24</b>	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 )				
<b>a</b>	BAD DEBT EXPENSE	1,080,632	1,080,632		
<b>b</b>	DUES & SUBSCRIPTIONS	16,785	389	16,396	
<b>c</b>	INDIRECT COST ALLOCATION		141,130	-141,130	
<b>d</b>					
<b>e</b>					
<b>f</b>	All other expenses				
<b>25</b>	<b>Total functional expenses.</b> Add lines 1 through 24f	9,961,156	7,617,589	2,343,567	0
<b>26</b>	<b>Joint costs.</b> Check here <input 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
<b>Assets</b>	<b>1</b> Cash—non-interest-bearing . . . . .		<b>1</b>	1,160,003
	<b>2</b> Savings and temporary cash investments . . . . .	1,806,990	<b>2</b>	2,641,136
	<b>3</b> Pledges and grants receivable, net . . . . .		<b>3</b>	
	<b>4</b> Accounts receivable, net . . . . .	1,163,108	<b>4</b>	1,524,605
	<b>5</b> Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . .		<b>5</b>	
	<b>6</b> 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 . . . . .		<b>6</b>	
	<b>7</b> Notes and loans receivable, net . . . . .		<b>7</b>	
	<b>8</b> Inventories for sale or use . . . . .	295,964	<b>8</b>	330,164
	<b>9</b> Prepaid expenses and deferred charges . . . . .	45,377	<b>9</b>	32,330
	<b>10a</b> Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	13,165,068		
	<b>b</b> Less accumulated depreciation . . . . .	7,150,126	<b>10c</b>	6,014,942
	<b>11</b> Investments—publicly traded securities . . . . .	5,671,514	<b>11</b>	3,724,626
	<b>12</b> Investments—other securities See Part IV, line 11 . . . . .		<b>12</b>	
	<b>13</b> Investments—program-related See Part IV, line 11 . . . . .		<b>13</b>	
	<b>14</b> Intangible assets . . . . .		<b>14</b>	
	<b>15</b> Other assets See Part IV, line 11 . . . . .	189,775	<b>15</b>	254,174
<b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	15,134,291	<b>16</b>	15,681,980	
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses . . . . .	730,789	<b>17</b>	430,726
	<b>18</b> Grants payable . . . . .		<b>18</b>	
	<b>19</b> Deferred revenue . . . . .		<b>19</b>	
	<b>20</b> Tax-exempt bond liabilities . . . . .	3,196,488	<b>20</b>	2,882,351
	<b>21</b> Escrow or custodial account liability Complete Part IV of Schedule D . . . . .		<b>21</b>	
	<b>22</b> Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L . . . . .		<b>22</b>	
	<b>23</b> Secured mortgages and notes payable to unrelated third parties . . . . .		<b>23</b>	
	<b>24</b> Unsecured notes and loans payable to unrelated third parties . . . . .		<b>24</b>	
	<b>25</b> Other liabilities Complete Part X of Schedule D . . . . .	13,812	<b>25</b>	543,861
	<b>26 Total liabilities.</b> Add lines 17 through 25 . . . . .	3,941,089	<b>26</b>	3,856,938
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117, check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>			
	<b>27</b> Unrestricted net assets . . . . .	10,599,650	<b>27</b>	11,236,833
	<b>28</b> Temporarily restricted net assets . . . . .	593,552	<b>28</b>	588,209
	<b>29</b> Permanently restricted net assets . . . . .		<b>29</b>	
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>			
	<b>30</b> Capital stock or trust principal, or current funds . . . . .		<b>30</b>	
	<b>31</b> Paid-in or capital surplus, or land, building or equipment fund . . . . .		<b>31</b>	
	<b>32</b> Retained earnings, endowment, accumulated income, or other funds . . . . .		<b>32</b>	
<b>33</b> Total net assets or fund balances . . . . .	11,193,202	<b>33</b>	11,825,042	
<b>34</b> Total liabilities and net assets/fund balances . . . . .	15,134,291	<b>34</b>	15,681,980	

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	10,592,996
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	9,961,156
<b>3</b>	Revenue less expenses Subtract line 2 from line 1	<b>3</b>	631,840
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	11,193,202
<b>5</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>5</b>	
<b>6</b>	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	<b>6</b>	11,825,042

**Part XII Financial Statements and Reporting**

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

		Yes	No
<b>1</b>	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		
<b>2a</b>	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
<b>b</b>	Were the organization's financial statements audited by an independent accountant?	Yes	
<b>c</b>	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		No
<b>d</b>	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		
<b>3a</b>	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>b</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)

**Public Charity Status and Public Support**

OMB No 1545-0047

**2010**

**Open to Public Inspection**

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.

Department of the Treasury  
Internal Revenue Service

Name of the organization  
WALTER KNOX MEMORIAL HOSPITAL

Employer identification number

82-6000422

**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
<b>11g(i)</b>		
<b>11g(ii)</b>		
<b>11g(iii)</b>		

(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	
<b>Total</b>									

**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
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>4 Total.</b> Add lines 1 through 3						
<b>5</b> 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)						
<b>6 Public Support.</b> 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
<b>7</b> Amounts from line 4						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on						
<b>10</b> Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
<b>11 Total support</b> (Add lines 7 through 10)						
<b>12</b> Gross receipts from related activities, etc (See instructions )					<b>12</b>	

**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**

<b>14</b> Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f))	<b>14</b>	
<b>15</b> Public Support Percentage for 2009 Schedule A, Part II, line 14	<b>15</b>	

**16a 33 1/3% support test—2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization **b 33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization **17a 10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization **b 10%-facts-and-circumstances test—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization **18 Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions

**Part III Support Schedule for Organizations Described in Section 509(a)(2)**

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) 	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> 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						
<b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513						
<b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>6 Total.</b> Add lines 1 through 5						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons						
<b>b</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						
<b>c</b> Add lines 7a and 7b						
<b>8 Public Support</b> (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
<b>9</b> Amounts from line 6						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
<b>c</b> Add lines 10a and 10b						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
<b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
<b>13 Total support</b> (Add lines 9, 10c, 11 and 12)						
<b>14 First Five Years</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and <b>stop here</b> 						

**Section C. Computation of Public Support Percentage**

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

**Section D. Computation of Investment Income Percentage**

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

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<b>Facts And Circumstances Test</b>
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SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2010

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization: WALTER KNOX MEMORIAL HOSPITAL

Employer identification number: 82-6000422

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.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4: Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), 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?
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?

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, Protection of natural habitat, Preservation of open space, Preservation of an historically important land area, Preservation of a certified historic structure.

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

Table with 2 columns: Description, Held at the End of the Year. Rows 2a-2d: Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), Number of conservation easements included in (c) acquired after 8/17/06.

- 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year
4 Number of states where property subject to conservation easement is located
5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?
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)?
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

Table with 2 columns: Description (1c-1f) and Amount

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.

Table with 6 columns: (a) Current Year, (b) Prior Year, (c) Two Years Back, (d) Three Years Back, (e) Four Years Back. Rows 1a-1g.

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

Table with 3 columns: Description (3a(i), 3a(ii), 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.

Table with 5 columns: Description of investment, (a) Cost or other basis (Investment), (b) Cost or other basis (other), (c) Accumulated depreciation, (d) Book value. Rows 1a-1e and Total.

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

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

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

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

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

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

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

1	(a) Description of Liability	(b) Amount
	Federal Income Taxes	
	THIRD PARTY SETTLEMENT	543,861
	<b>Total.</b> (Column (b) should equal Form 990, Part X, col (B) line 25 )	543,861

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

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

<b>1</b>	Total revenue (Form 990, Part VIII, column (A), line 12)	<b>1</b>	10,592,996
<b>2</b>	Total expenses (Form 990, Part IX, column (A), line 25)	<b>2</b>	9,961,156
<b>3</b>	Excess or (deficit) for the year Subtract line 2 from line 1	<b>3</b>	631,840
<b>4</b>	Net unrealized gains (losses) on investments	<b>4</b>	
<b>5</b>	Donated services and use of facilities	<b>5</b>	
<b>6</b>	Investment expenses	<b>6</b>	
<b>7</b>	Prior period adjustments	<b>7</b>	
<b>8</b>	Other (Describe in Part XIV)	<b>8</b>	
<b>9</b>	Total adjustments (net) Add lines 4 - 8	<b>9</b>	
<b>10</b>	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	<b>10</b>	631,840

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

<b>1</b>	Total revenue, gains, and other support per audited financial statements . . . . .	<b>1</b>	9,512,364
<b>2</b>	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
<b>a</b>	Net unrealized gains on investments . . . . .	<b>2a</b>	
<b>b</b>	Donated services and use of facilities . . . . .	<b>2b</b>	
<b>c</b>	Recoveries of prior year grants . . . . .	<b>2c</b>	
<b>d</b>	Other (Describe in Part XIV) . . . . .	<b>2d</b>	
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .	<b>2e</b>	
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .	<b>3</b>	9,512,364
<b>4</b>	Amounts included on Form 990, Part VIII, line 12, but not on line <b>1</b> :		
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>	
<b>b</b>	Other (Describe in Part XIV) . . . . .	<b>4b</b>	1,080,632
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .	<b>4c</b>	1,080,632
<b>5</b>	Total Revenue Add lines <b>3</b> and <b>4c</b> . (This should equal Form 990, Part I, line 12 ) . . . . .	<b>5</b>	10,592,996

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

<b>1</b>	Total expenses and losses per audited financial statements . . . . .	<b>1</b>	8,880,524
<b>2</b>	Amounts included on line 1 but not on Form 990, Part IX, line 25		
<b>a</b>	Donated services and use of facilities . . . . .	<b>2a</b>	
<b>b</b>	Prior year adjustments . . . . .	<b>2b</b>	
<b>c</b>	Other losses . . . . .	<b>2c</b>	
<b>d</b>	Other (Describe in Part XIV) . . . . .	<b>2d</b>	
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .	<b>2e</b>	
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .	<b>3</b>	8,880,524
<b>4</b>	Amounts included on Form 990, Part IX, line 25, but not on line <b>1</b> :		
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>	
<b>b</b>	Other (Describe in Part XIV) . . . . .	<b>4b</b>	1,080,632
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .	<b>4c</b>	1,080,632
<b>5</b>	Total expenses Add lines <b>3</b> and <b>4c</b> . (This should equal Form 990, Part I, line 18 ) . . . . .	<b>5</b>	9,961,156

**Part XIV Supplemental Information**

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

Identifier	Return Reference	Explanation
RECONCILIATION OF CHANGES - OTHER	SCHEDULE D, PAGE 4, PART XI, LINE 8	BAD DEBT EXPENSE NETTED AGAINST REVENUE - 1,080,632 BAD DEBT EXPENSE NETTED AGAINST REVENUE 1,080,632
REVENUE AMOUNTS INCLUDED ON RETURN - OTHER	SCHEDULE D, PAGE 4, PART XII, LINE 4B	BAD DEBT EXPENSE NETTED AGAINST REVENUE 1,080,632
EXPENSE AMOUNTS INCLUDED ON RETURN - OTHER	SCHEDULE D, PAGE 4, PART XIII, LINE 4B	BAD DEBT EXPENSE NETTED AGAINST REVENUE 1,080,632

SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2010

Open to Public Inspection

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

Department of the Treasury Internal Revenue Service

Name of the organization WALTER KNOX MEMORIAL HOSPITAL

Employer identification number

82-6000422

Part I Financial Assistance and Certain Other Community Benefits at Cost

1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a. 1b If "Yes," is it a written policy? 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. 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. 3a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing free care to low income individuals? 3b Does the organization use FPG to determine eligibility for providing discounted care to low income individuals? 4 Did 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. 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? 5b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? 5c 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? 6b If "Yes," did the organization make it available to the public? 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

Table with 6 columns: (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. Rows include Financial Assistance at cost, Unreimbursed Medicaid, Unreimbursed costs—other means-tested government programs, Total Financial Assistance and Means-Tested Government Programs, Other Benefits (Community health improvement services, Health professions education, Subsidized health services, Research, Cash and in-kind contributions to community groups), Total Other Benefits, and Total Add lines 7d and 7j.

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
<b>1</b> Physical improvements and housing						
<b>2</b> Economic development	2		1,680		1,680	0.020 %
<b>3</b> Community support	2		495		495	0.010 %
<b>4</b> Environmental improvements	1	100	400		400	
<b>5</b> Leadership development and training for community members						
<b>6</b> Coalition building						
<b>7</b> Community health improvement advocacy	1		2,645		2,645	0.030 %
<b>8</b> Workforce development						
<b>9</b> Other	5	2,083	1,475		1,475	0.020 %
<b>10 Total</b>	11	2,183	6,695		6,695	0.080 %

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

**Section A. Bad Debt Expense**

		Yes	No
<b>1</b> Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	<b>1</b>	Yes	
<b>2</b> Enter the amount of the organization's bad debt expense (at cost)	<b>2</b>	507,897	
<b>3</b> Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	<b>3</b>		
<b>4</b> 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**

<b>5</b> Enter total revenue received from Medicare (including DSH and IME)	<b>5</b>	2,591,483
<b>6</b> Enter Medicare allowable costs of care relating to payments on line 5	<b>6</b>	2,565,826
<b>7</b> Subtract line 6 from line 5. This is the surplus or (shortfall)	<b>7</b>	25,657
<b>8</b> Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

**Section C. Collection Practices**

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

**Part IV Management Companies and Joint Ventures**

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

**Part V Facility Information**

**Section A. Hospital Facilities**

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

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

Name and address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	WALTER KNOX MEMORIAL HOSPITAL 1202 E LOCUST EMMETT, ID 836172715	X	X			X		X		

**Part V Facility Information** *(continued)*

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

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

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

Name and address

Type of Facility (Describe)

1

1

2

3

4

5

6

7

8

9

10

**Part VI Supplemental Information**

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
EXCLUSIONS FROM PERCENT OF TOTAL EXPENSE	PART I LINE 7 COLUMN F	BAD DEBT EXPENSE INCLUDED ON FORM 990 PART IX LINE 25 COLUMN A OF 1080632 WAS SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN PART I LINE 7 COLUMN F

Identifier	ReturnReference	Explanation
COSTING METHODOLOGY EXPLANATION	PART I LINE 7	THE HOSPITAL APPLIES THE RATIO OF PATIENT CARE COSTTOCHARGES FOR AMOUNTS REPORTED IN THE TABLE TOTAL OPERATING EXPENSES LESS BAD DEBT NONPATIENT CARE ACTIVITIES MEDICAID PROVIDER TAXES TOTAL COMMUNITY BENEFIT AND TOTAL COMMUNITY BUILDING EXPENSES

Identifier	ReturnReference	Explanation
COMMUNITY BUILDING ACTIVITIES	PART II	THE COMMUNITY BUILDING ACTIVITIES DETAILED IN PART II INCLUDES COMMUNITY SUPPORT PROGRAMS LIKE DISASTER READINESS AND MENTORING PROGRAMS IT INCLUDES ECONOMIC DEVELOPMENT FOR COMMUNITY COUNCIL PARTICIPATION AND ENVIRONMENTAL IMPROVEMENTS IT ALSO INCLUDES ESTIMATED COST RELATED TO CAREER DAY AT THE HOSPITAL PRESCHOOL TOURS OF THE HOSPITAL AND DONATED SPACE TO LOCAL COMMUNITY GROUPS COMMUNITY INVOLVEMENT BY THE HOSPITAL PROMOTES HEALTH AWARENESS

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE EXPLANATION	PART III LINE 4	<p>1 THE HOSPITAL USED THE RATIO OF PATIENT CARE COSTS TO CHARGES TO DETERMINE THE COST OF BAD DEBT EXPENSE 2 BAD DEBT EXPENSE IS REPORTED NET OF DISCOUNTS AND CONTRACTUAL ALLOWANCES A PAYMENT ON AN ACCOUNT PREVIOUSLY WRITTEN OFF IS RECORDED AS A RECOVERY TO BAD DEBT AND OFFSETS THE ALLOWANCE FOR BAD DEBT ON THE BALANCE SHEET 3 THE HOSPITAL DID NOT TRACK THE AMOUNT OF BAD DEBT EXPENSE THAT COULD REASONABLY BE ATTRIBUTABLE TO PATIENTS WHO LIKELY WOULD QUALIFY FOR FINANCIAL ASSISTANCE UNDER THE HOSPITALS CHARITY CARE POLICY BUT FOR WHOM SUFFICIENT INFORMATION WAS NOT OBTAINED TO MAKE DETERMINATION OF THEIR ELIGIBILITY DURING THE YEAR 4 THE PATIENT ACCOUNTS RECEIVABLE FOOTNOTE OF THE AUDITED FINANCIAL STATEMENTS READS AS FOLLOWS RECEIVABLES ARISING FROM REVENUE FROM SERVICES TO PATIENTS ARE REDUCED BY ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS AND CONTRACTUAL ADJUSTMENTS BASED ON EXPERIENCE THIRDPARTY CONTRACTUAL REIMBURSEMENT ARRANGEMENTS AND ANY UNUSUAL CIRCUMSTANCES WHICH MAY AFFECT THE ABILITY OF PATIENTS TO MEET THEIR OBLIGATIONS ACCOUNTS DEEMED UNCOLLECTIBLE ARE CHARGED AGAINST THESE ALLOWANCES</p>

Identifier	ReturnReference	Explanation
MEDICARE EXPLANATION	PART III LINE 8	ANY MEDICARE ALLOWABLE COSTS OF PATIENT CARE SHORTFALLS ARE NOT COUNTED AS COMMUNITY BENEFIT THESE ALLOWABLE COSTS ARE OBTAINED FROM THE MEDICARE COST REPORT FOR THE YEAR

Identifier	ReturnReference	Explanation
COLLECTION PRACTICES EXPLANATION	PART III LINE 9B	<p>THE HOSPITAL WILL ASSIST PATIENTS IN MAKING A DETERMINATION REGARDING WHETHER OR NOT THE PATIENT MAY BE ABLE TO QUALIFY FOR SOME FORM OF GOVERNMENTAL PROGRAM WKMH EXPECTS THE PATIENT TO ASSIST IN THIS DETERMINATION AND POTENTIAL APPLICATION PROCESS WHEN IT IS DETERMINED THAT THE PATIENT HAS MINIMAL RESOURCES AND CANNOT QUALIFY FOR ASSISTANCE FROM ONE OF THE PROGRAMS EITHER TOTAL OR PARTIAL CHARITY CAN BE GRANTED HOWEVER IN THE EVENT THAT AN INDIVIDUAL HAS SIGNIFICANT ASSETS THE HOSPITAL MAY SECURE ITS INTEREST IN THOSE ASSETS AS APPROPRIATE FOR PATIENTS WHO SEEK ASSISTANCE UNDER THIS POLICY THE HOSPITAL WILL CHARGE NO MORE THAN THE AMOUNT GENERALLY BILLED TO INDIVIDUALS WITH INSURANCE RECEIVING SUCH CARE THE HOSPITAL WILL NOT UNDERTAKE EXTRAORDINARY COLLECTION ACTIONS EVEN IF OTHERWISE PERMITTED BY LAW AND THIS POLICY AGAINST AN INDIVIDUAL WITHOUT FIRST MAKING REASONABLE EFFORTS TO DETERMINE WHETHER THE INDIVIDUAL IS ELIGIBLE FOR ASSISTANCE UNDER THIS POLICY SUCH EXTRAORDINARY COLLECTION ACTIONS MAY INCLUDE LAWSUITS LIENS OR SIMILAR COLLECTION PROCEDURES SUCH REASONABLE EFFORTS INCLUDE NOTIFICATION OF THE PATIENT BY THE HOSPITAL OF THIS POLICY UPON ADMISSION AND IN WRITTEN AND ORAL COMMUNICATIONS WITH THE PATIENT REGARDING THE PATIENTS BILL INCLUDING INVOICES TELEPHONE CALLS ETC BEFORE COLLECTION ACTION OR REPORTING TO CREDIT RATING AGENCIES IS INITIATED IF APPLICABLE</p>

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	PART VI	THE HOSPITAL AND THE GEM ECONOMIC DEVELOPMENT ASSOCIATION REVIEWED IN DETAIL THE GEM COUNTY HEALTH RANKINGS FROM THE COUNTY HEALTH RANKINGS FROM THE UNIVERSITY OF WISCONSIN AND ROBERT WOODS JOHNSON FOUNDATION AFTER THE REVIEW THE GEM COUNTY HEALTH CONNECTION WAS ESTABLISHED TO REVIEW HEALTH CARE NEEDS IN THE COMMUNITY AND MAKE RECOMMENDATIONS TO APPROPRIATE ENTITIES

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	PART VI	THE HOSPITAL POSTS THE CHARITY CARE POLICY AND FINANCIAL ASSISTANCE CONTACT INFORMATION IN ADMISSION AREAS AND THE EMERGENCY ROOM LOBBY WHERE PATIENTS ARE LIKELY TO BE PRESENT HOSPITAL STAFF DISCUSSES WITH THE PATIENT THE AVAILABILITY OF VARIOUS GOVERNMENT BENEFITS SUCH AS MEDICAID OR STATE PROGRAMS AND ASSISTS THE PATIENT WITH QUALIFICATION FOR SUCH PROGRAMS WHERE APPLICABLE

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	PART VI	THE CRITICAL ACCESS HOSPITAL IS THE SOLE COMMUNITY PROVIDER FOR HOSPITAL SERVICES IN RURAL GEM COUNTY IDAHO AND ONE OF THE MAJOR EMPLOYERS THE POPULATION OF GEM COUNTY IS 16437 AND IS A RURAL SETTING WITH MANY SMALL FARMS AND ORCHARDS 12 OF THE POPULATION IS BELOW THE POVERTY LEVELS AND 12 OF THE POPULATION IS AGE 65 AND OVER THE COUNTY HAS A 133 UNEMPLOYMENT RATE AND 21 OF ADULTS ARE UNINSURED THE MEDIAN HOUSEHOLD INCOME IS 47561

Identifier	ReturnReference	Explanation
HEALTH OF COMMUNITY IN RELATION TO EXEMPT PURPOSE	PART VI	<p>THE HOSPITALS GOVERNING BODY IS COMPRISED OF VOLUNTEER MEMBERS WHO RESIDE IN THE COMMUNITY MEDICAL STAFF PRIVILEGES ARE EXTENDED TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY SURPLUS FUNDS ARE REINVESTED IN FACILITIES TO IMPROVE PATIENT CARE THE HOSPITAL IS ONE OF A FEW CRITICAL ACCESS HOSPITALS IN IDAHO TO OFFER INFUSION THERAPY AND AN ONCOLOGIST THAT SERVES PATIENTS TWO DAYS PER MONTH THE HOSPITAL LEADS A COMMUNITY COMMITTEE WITH THE GOAL OF IMPROVING THE HEALTH OF THE COMMUNITY AND INDIVIDUAL HEALTH THROUGH POLICIES PROGRAMS AND EDUCATION THE MOTTO OF THE COMMITTEE IS WORKING TOGETHER MAKING A DIFFERENCE IN GEM COUNTY THE HOSPITAL ALSO PARTICIPATES IN REFRESH EMMETT A GROUP WITH A GOAL OF PROVIDING FREE PHYSICAL ACTIVITIES AND EVENTS TO ENCOURAGE PARTICIPATION FROM ALL AGES AND COLLABORATE YOUNG AND OLD THE HOSPITAL COORDINATED OVER 300 VOLUNTEERS DURING THE YEAR RELATED TO ACTIVITIES THAT SUPPORTED HEALTH PROMOTION AND WELLNESS ACTIVITIES FIRST AID CARE AND EDUCATION AS THE HEALTH CARE LEADER IN GEM COUNTY THE HOSPITAL HAS LEAD COMMUNITY HEALTH EFFORTS SUCH AS IMMUNIZING THE COMMUNITY AND SCHOOLS AGAINST H1N1 AND DISASTER PREPAREDNESS THE HOSPITAL OFFERS A COMPREHENSIVE LAB TESTING ANUALLY AT A DRASTICALLY REDUCED RATE TO ACCOMMODATE THE UNINSURED AND THE UNDERINSURED</p>

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE INFORMATION	PART VI	NA

**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.**

Department of the Treasury  
Internal Revenue Service

**Name of the organization**  
WALTER KNOX MEMORIAL HOSPITAL

**Employer identification number**  
82-6000422

**Part I Questions Regarding Compensation**

	Yes	No								
<p><b>1a</b> 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.</p> <table border="0"> <tr> <td><input type="checkbox"/> First-class or charter travel</td> <td><input type="checkbox"/> Housing allowance or residence for personal use</td> </tr> <tr> <td><input type="checkbox"/> Travel for companions</td> <td><input type="checkbox"/> Payments for business use of personal residence</td> </tr> <tr> <td><input type="checkbox"/> Tax indemnification and gross-up payments</td> <td><input type="checkbox"/> Health or social club dues or initiation fees</td> </tr> <tr> <td><input type="checkbox"/> Discretionary spending account</td> <td><input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)</td> </tr> </table>	<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use	<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence	<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees	<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)		
<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use									
<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence									
<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees									
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)									
<p><b>1b</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.</p>										
<p><b>2</b> 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?</p>										
<p><b>3</b> 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.</p> <table border="0"> <tr> <td><input type="checkbox"/> Compensation committee</td> <td><input type="checkbox"/> Written employment contract</td> </tr> <tr> <td><input type="checkbox"/> Independent compensation consultant</td> <td><input type="checkbox"/> Compensation survey or study</td> </tr> <tr> <td><input type="checkbox"/> Form 990 of other organizations</td> <td><input checked="" type="checkbox"/> Approval by the board or compensation committee</td> </tr> </table>	<input type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract	<input type="checkbox"/> Independent compensation consultant	<input type="checkbox"/> Compensation survey or study	<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee				
<input type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract									
<input type="checkbox"/> Independent compensation consultant	<input type="checkbox"/> Compensation survey or study									
<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee									
<p><b>4</b> 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:</p> <p><b>a</b> Receive a severance payment or change-of-control payment from the organization or a related organization?</p>		No								
<p><b>b</b> Participate in, or receive payment from, a supplemental nonqualified retirement plan?</p>		No								
<p><b>c</b> Participate in, or receive payment from, an equity-based compensation arrangement?</p> <p>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.</p>		No								
<p><b>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</b></p>										
<p><b>5</b> 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:</p> <p><b>a</b> The organization?</p>		No								
<p><b>b</b> Any related organization?</p> <p>If "Yes," to line 5a or 5b, describe in Part III.</p>		No								
<p><b>6</b> 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:</p> <p><b>a</b> The organization?</p>		No								
<p><b>b</b> Any related organization?</p> <p>If "Yes," to line 6a or 6b, describe in Part III.</p>		No								
<p><b>7</b> 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.</p>		No								
<p><b>8</b> 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.</p>		No								
<p><b>9</b> If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?</p>										

**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) MAX LONG	(i) (ii)	132,458	61,539		18,318	212,315		
( 2 )								
( 3 )								
( 4 )								
( 5 )								
( 6 )								
( 7 )								
( 8 )								
( 9 )								
( 10 )								
( 11 )								
( 12 )								
( 13 )								
( 14 )								
( 15 )								
( 16 )								

**Part III Supplemental Information**

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

Identifier	Return Reference	Explanation
------------	------------------	-------------

**Schedule K  
(Form 990)**

OMB No 1545-0047

**Supplemental Information on Tax Exempt Bonds**

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

▶ **Attach to Form 990. ▶ See separate instructions.**

**2010**

**Open to Public  
Inspection**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
WALTER KNOX MEMORIAL HOSPITAL

Employer identification number  
82-6000422

**Part I Bond Issues**

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A GEM COUNTY IDAHO	82-6000299	45129UCA0	08-01-2003	4,986,647	HOSPITAL REMODEL		X		X		X

**Part II Proceeds**

	A	B	C	D
1 Amount of bonds retired				
2 Amount of bonds legally defeased				
3 Total proceeds of issue	4,986,647			
4 Gross proceeds in reserve funds	500,000			
5 Capitalized interest from proceeds				
6 Proceeds in refunding escrow				
7 Issuance costs from proceeds	212,460			
8 Credit enhancement from proceeds				
9 Working capital expenditures from proceeds				
10 Capital expenditures from proceeds	4,274,187			
11 Other spent proceeds				
12 Other unspent proceeds				
13 Year of substantial completion	2006			
	Yes	No	Yes	No
14 Were the bonds issued as part of a current refunding issue?		X		
15 Were the bonds issued as part of an advance refunding issue?		X		
16 Has the final allocation of proceeds been made?	X			
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?	X			

**Part III Private Business Use**

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

**Part III Private Business Use (Continued)**

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

**Part IV Arbitrage**

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

**Part V Supplemental Information**

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

Identifier	Return Reference	Explanation

Schedule L (Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2010

Open to Public Inspection

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

Department of the Treasury Internal Revenue Service

Name of the organization WALTER KNOX MEMORIAL HOSPITAL

Employer identification number 82-6000422

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

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

Table with 3 main columns: (a) Name of disqualified person, (b) Description of transaction, (c) Corrected? (Yes/No)

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958. 3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization.

Part II Loans to and/or From Interested Persons.

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

Table with 7 main columns: (a) Name of interested person and purpose, (b) Loan to or from the organization?, (c) Original principal amount, (d) Balance due, (e) In default?, (f) Approved by board or committee?, (g) Written agreement?

Part III Grants or Assistance Benefitting Interested Persons.

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

Table with 3 main columns: (a) Name of interested person, (b) Relationship between interested person and the organization, (c) Amount of grant or type of assistance

**Part IV Business Transactions Involving Interested Persons.**

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) PAM SHAW	MEMBER FAMILY	29,795	COMPENSATION		No

**Part V Supplemental Information**

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

Identifier	Return Reference	Explanation
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**SCHEDULE O**  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

**Supplemental Information to Form 990 or 990-EZ**

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

OMB No 1545-0047

**2010**

**Open to Public  
Inspection**

**Name of the organization**  
WALTER KNOX MEMORIAL HOSPITAL

**Employer identification number**  
82-6000422

Identifier	Return Reference	Explanation
FIRST ACHIEVEMENT DESCRIPTION	FORM 990, PAGE 2, PART III, LINE 4A	OF PROVIDING CARE TO THESE PATIENTS WAS 371,784 FOR CHARITY CARE, 3,185,160 FOR MEDICARE, 2,072,210 FOR MEDICAID AND 2,548,244 FOR OTHER THIRD-PARTY PAYORS FOR THE YEAR ENDED SEPTEMBER 30, 2011

Identifier	Return Reference	Explanation
DECISIONS SUBJECT TO APPROVAL OF MEMBERS	FORM 990, PAGE 6, PART VI, LINE 7B	COUNTY COMMISSIONERS MUST APPROVE ANY INDEBTEDNESS IN EXCESS OF ITS ANNUAL BUDGET

Identifier	Return Reference	Explanation
ORGANIZATION'S PROCESS USED TO REVIEW FORM 990	FORM 990, PAGE 6, PART VI, LINE 11B	A COPY OF THE 990 IS PROVIDED TO THE CFO AND CEO WHO REVIEW THE FORM, SCHEDULES AND RELATED ATTACHMENTS. ANY COMMENTS OR QUESTIONS ARE ADDRESSED WITH THE PREPARER. ONCE MANAGEMENT IS SATISFIED WITH THE 990, THE CEO SIGNS THE FORM 8879-EO AUTHORIZING THE PREPARER TO E-FILE THE RETURN. A FINAL 990 IS THEN PRESENTED TO THE BOARD OF DIRECTORS.

Identifier	Return Reference	Explanation
ENFORCEMENT OF CONFLICTS POLICY	FORM 990, PAGE 6, PART VI, LINE 12C	BOARD MEMBERS AND KEY EMPLOYEES ARE REQUIRED TO SIGN AN ANNUAL CONFLICT OF INTEREST FORM THE FORMS ARE REVIEWED BY THE CHAIR OF THE BOARD IF A CONFLICT OF INTEREST INDEED EXISTS, THE INDIVIDUAL MUST REMOVE THEMSELVES FROM THE VOTING AND DISCUSSION

Identifier	Return Reference	Explanation
COMPENSATION PROCESS FOR TOP OFFICIAL	FORM 990, PAGE 6, PART VI, LINE 15A	CEO COMPENSATION IS REVIEWED BY THE BOARD ON AN ANNUAL BASIS AND DOCUMENTED IN THE BOARD MINUTES THE BOARD USES COMPARABILITY DATA DURING THE REVIEW PROCESS CFO COMPENSATION IS DETERMINED BY THE CEO

Identifier	Return Reference	Explanation
GOVERNING DOCUMENTS DISCLOSURE EXPLANATION	FORM 990, PAGE 6, PART VI, LINE 19	THE HOSPITAL COMPLIES WITH IDAHO PUBLIC RECORDS LAW AND MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY , AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST IN THE ADMINISTRATION OFFICE ANNUAL FINANCIAL STATEMENTS ARE PUBLISHED IN THE NEWSPAPER

Form **8868**  
(Rev. January 2011)

**Application for Extension of Time To File an Exempt Organization Return**

OMB No 1545-1709

Department of the Treasury  
Internal Revenue Service

► **File a separate application for each return.**

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box
- If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form)

**Do not complete Part II unless** you have already been granted an automatic 3-month extension on a previously filed Form 8868

**Electronic filing (e-file).** You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time. You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit [www.irs.gov/efile](http://www.irs.gov/efile) and click on e-file for Charities & Nonprofits

**Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed).**

A corporation required to file Form 990-T and requesting an automatic 6-month extension-check this box and complete Part I only

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns

<b>Type or print</b> File by the due date for filing your return. See instructions	Name of exempt organization <b>WALTER KNOX MEMORIAL HOSPITAL</b>	Employer identification number <b>82-6000422</b>
	Number, street, and room or suite no. If a P O box, see instructions <b>1202 EAST LOCUST STREET</b>	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions <b>EMMETT ID 83617-2715</b>	

Enter the Return code for the return that this application is for (file a separate application for each return) **01**

Application Is For	Return Code	Application Is For	Return Code
Form 990	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	03	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

**MAX LONG**  
**1202 EAST LOCUST STREET**

- The books are in the care of ► **EMMETT** ID **83617**  
Telephone No ► **208-365-3561** FAX No ►

- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_ If this is for the whole group, check this box  If it is for part of the group, check this box  and attach a list with the names and EINs of all members the extension is for

**1** I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until **05/15/12**, to file the exempt organization return for the organization named above. The extension is for the organization's return for

- calendar year or
- tax year beginning **10/01/10**, and ending **09/30/11**

**2** If this tax year entered in line 1 is for less than 12 months, check reason  Initial return  Final return  Change in accounting period

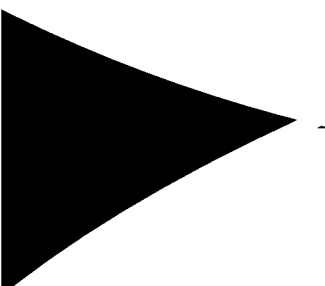
<b>3a</b> If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions	<b>3a</b>	\$
<b>b</b> If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit	<b>3b</b>	\$
<b>c Balance due.</b> Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions	<b>3c</b>	\$

**Caution.** If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions

**Walter Knox Memorial Hospital**  
**A Component Unit of**  
**Gem County, Idaho**

Basic Financial Statements  
and Independent Auditors' Reports

September 30, 2011 and 2010



**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
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DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Walter Knox Memorial Hospital  
A Component Unit of Gem County, Idaho  
Emmett, Idaho

We have audited the accompanying basic financial statements of Walter Knox Memorial Hospital, a component unit of Gem County, Idaho (the Hospital) as of and for the year ended September 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Hospital as of September 30, 2010, were audited by other auditors whose report dated February 22, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of September 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2012, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
February 20, 2012

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Balance Sheets**  
**September 30, 2011 and 2010**

	2011	2010
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,007,249	\$ 1,807,185
Investments	2,217,122	2,042,738
Receivables		
Patient, net of estimated uncollectibles of approximately \$640,000 and \$898,000, respectively	1,524,605	1,163,108
Estimated third-party payor settlements	129,216	61,188
Other	3,328	28,890
Assets limited as to use		
Cash and cash equivalents, restricted for debt service	88,209	88,154
Inventories	330,164	295,964
Prepaid expenses	32,330	45,377
<b>Total current assets</b>	<b>6,332,223</b>	<b>5,532,604</b>
<i>Noncurrent assets</i>		
Assets limited as to use		
Cash and cash equivalents, restricted for debt service	500,000	500,003
Cash and cash equivalents, board designated for capital acquisitions	653,856	1,046,257
Investments, board designated for capital acquisitions	2,059,329	2,019,690
Capital assets, net	6,014,942	5,961,563
Deferred financing costs	121,630	135,364
<b>Total noncurrent assets</b>	<b>9,349,757</b>	<b>9,662,877</b>
<b>Total assets</b>	<b>\$ 15,681,980</b>	<b>\$ 15,195,481</b>

*See accompanying notes to basic financial statements*

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Balance Sheets (Continued)**  
**September 30, 2011 and 2010**

<b>LIABILITIES AND NET ASSETS</b>	<b>2011</b>	<b>2010</b>
<i>Current liabilities</i>		
Current maturities of long-term debt	\$ 335,000	\$ 315,000
Accounts payable	79,184	244,334
Accrued expenses		
Compensation and related liabilities	319,169	450,802
Interest	32,373	35,654
Estimated third-party pay or settlements	543,861	75,001
Total current liabilities	<b>1,309,587</b>	1,120,791
<i>Long-term debt, less current maturities</i>	<b>2,547,351</b>	2,881,488
Total liabilities	<b>3,856,938</b>	4,002,279
<i>Net assets</i>		
Invested in capital assets, net of related debt	3,221,848	2,864,785
Restricted	588,209	588,157
Unrestricted	8,014,985	7,740,260
Total net assets	<b>11,825,042</b>	11,193,202
<b>Total liabilities and net assets</b>	<b>\$ 15,681,980</b>	<b>\$ 15,195,481</b>

*See accompanying notes to basic financial statements*

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**Years Ended September 30, 2011 and 2010**

	2011	2010
<i>Operating revenues</i>		
Net patient revenue, net of provision for bad debts of \$1,080,632 and \$1,338,761, respectively	\$ 9,325,996	\$ 9,197,848
Other	86,755	95,077
<b>Total operating revenues</b>	<b>9,412,751</b>	<b>9,292,925</b>
<i>Operating expenses</i>		
Salaries and wages	3,725,323	3,706,728
Employee benefits	948,140	934,180
Professional fees	1,284,768	1,357,560
Supplies	1,281,182	1,428,373
Depreciation and amortization	555,193	640,765
Repairs and maintenance	342,403	330,376
Rent	184,946	11,332
Utilities	161,676	141,162
Other	171,652	166,852
<b>Total operating expenses</b>	<b>8,655,283</b>	<b>8,717,328</b>
<i>Operating income</i>	<b>757,468</b>	<b>575,597</b>
<i>Nonoperating revenues (expenses)</i>		
Investment income	86,117	118,964
Loss on sale of capital assets	(8,590)	-
Grants and contributions	16,691	20,609
Interest expense	(225,241)	(239,612)
<b>Total nonoperating revenues (expenses), net</b>	<b>(131,023)</b>	<b>(100,039)</b>
<i>Excess of revenues over expenses before capital contributions</i>	<b>626,445</b>	<b>475,558</b>
<i>Capital contributions</i>	<b>5,395</b>	<b>3,698</b>
Change in net assets	<b>631,840</b>	<b>479,256</b>
Net assets, beginning of year	<b>11,193,202</b>	<b>10,713,946</b>
<b>Net assets, end of year</b>	<b>\$ 11,825,042</b>	<b>\$ 11,193,202</b>

*See accompanying notes to basic financial statements.*

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Statements of Cash Flows**  
**Years Ended September 30, 2011 and 2010**

	2011	2010
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 9,365,331	\$ 9,681,113
Other receipts	112,317	196,599
Payments to and on behalf of employees	(4,805,096)	(4,627,134)
Payments to suppliers and contractors	(3,612,930)	(3,258,334)
Net cash provided by operating activities	<b>1,059,622</b>	1,992,244
<i>Cash flows from noncapital financing activities</i>		
Receipt of contributions and grants	16,691	20,609
<i>Cash flows from capital and related financing activities</i>		
Principal payments on debt	(314,137)	(405,718)
Interest paid on long-term debt	(214,788)	(229,746)
Purchase of capital assets	(625,254)	(220,801)
Receipt of capital contributions	5,395	3,698
Proceeds from sale of capital assets	8,092	-
Net cash used in capital and related financing activities	<b>(1,140,692)</b>	(852,567)
<i>Cash flows from investing activities</i>		
Purchase of investments	(242,116)	(4,365,491)
Proceeds from sale of investments	28,093	1,252,311
Investment income received	86,117	118,964
Net cash used in investing activities	<b>(127,906)</b>	(2,994,216)
Net decrease in cash and cash equivalents	<b>(192,285)</b>	(1,833,930)
Cash and cash equivalents, beginning of year	<b>3,441,599</b>	5,275,529
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,249,314</b>	<b>\$ 3,441,599</b>

*See accompanying notes to basic financial statements*

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Statements of Cash Flows (Continued)**  
**Years Ended September 30, 2011 and 2010**

	2011	2010
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b>		
Cash and cash equivalents	\$ 2,007,249	\$ 1,807,185
Cash and cash equivalents, restricted for debt service	88,209	88,154
Cash and cash equivalents, restricted for debt service	500,000	500,003
Cash and cash equivalents, board designated for capital acquisitions	653,856	1,046,257
<b>Total cash and cash equivalents</b>	<b>\$ 3,249,314</b>	<b>\$ 3,441,599</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 757,468	\$ 575,597
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
Depreciation and amortization	555,193	640,765
Provision for bad debts	1,080,632	1,338,761
Decrease (increase) in assets		
Receivables		
Patient accounts	(1,442,129)	(406,972)
Estimated third-party payor settlements	(68,028)	(61,188)
Other	25,562	101,522
Inventories	(34,200)	16,249
Prepaid expenses	13,047	20,126
Increase (decrease) in liabilities		
Accounts payable	(165,150)	140,946
Accrued compensation and related liabilities	(131,633)	13,774
Estimated third-party payor settlements	468,860	(387,336)
<b>Total adjustments</b>	<b>302,154</b>	<b>1,416,647</b>
<b>Net cash provided by operating activities</b>	<b>\$ 1,059,622</b>	<b>\$ 1,992,244</b>

*See accompanying notes to basic financial statements*

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements**  
**Years Ended September 30, 2011 and 2010**

**1. Description of Reporting Entity and Summary of Significant Accounting Policies:**

**a. Reporting Entity**

Walter Knox Memorial Hospital (the Hospital) operates a 16-bed acute care hospital and physician clinics in Emmett, Idaho. The Board of County Commissioners of Gem County, Idaho (the County) appoints the Hospital Board of Directors, and the Hospital may not issue debt or levy taxes without the County's approval. For this reason, the Hospital is considered to be a component unit of Gem County, Idaho. As organized, the Hospital is exempt from federal and state income taxes.

**b. Summary of Significant Accounting Policies**

*Use of estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Enterprise fund accounting* – The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

*Cash and cash equivalents* – Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

*Assets limited as to use* – Assets limited as to use include assets set aside by the Board of Directors for operations and future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, and assets held by trustees under bond indenture agreements. Assets limited as to use that are required for obligations classified as current liabilities or for operations are reported in current assets.

*Investments* – Investments are stated at fair value as determined by quoted market prices.

*Patient account receivables* – Receivables arising from patient service revenues are reduced by an allowance for uncollectible accounts and contractual adjustments, based on experience, third-party contractual arrangement, and any unusual circumstances which affect the ability of patients to meet their obligations. Accounts deemed uncollectible are charged against this allowance.

*Inventories* – Inventories are stated at cost using the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the Hospital.

*Deferred financing costs* – Deferred financing costs are amortized over the period the related obligation is outstanding using the straight-line interest method.

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2011 and 2010**

**1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

*Capital assets* – Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements.

The estimated useful lives of capital assets are as follows:

Land improvements	5 to 20 years
Building and fixed equipment	5 to 40 years
Major movable equipment	3 to 20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets, and are excluded from expenses in excess of revenues, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

*Compensated absences* – The Hospital's employees earn paid time off (PTO) at varying rates depending on years of service. Employees are allowed to accrue PTO up to a maximum amount. Employees with less than five years of service are allowed to accrue a maximum of 240 hours. Employees with more than five years and less than 14 years of service are allowed to accrue a maximum of 280 hours. Employees with more than 14 years of service are allowed to accrue a maximum of 320 hours.

Accrued PTO up to 40 hours per year can be sold back to the Hospital on the employee's anniversary date if the employee has at least 80 hours accrued and has taken at least 40 hours of PTO during the preceding year. Unused PTO is paid upon termination of employment.

The Hospital has an extended sick leave bank (ESL) policy which incorporates leave for disability caused by illness or injury. All employees working more than 20 hours per week accrue 0.346 ESL hours per hour worked until a maximum of 520 ESL hours is reached. Employees that have been employed at the Hospital for more than 10 years are eligible to receive 25% of the accrued ESL hours upon termination.

PTO is accrued when earned and ESL is expensed when taken.

Walter Knox Memorial Hospital  
A Component Unit of Gem County, Idaho  
Notes to Basic Financial Statements (Continued)  
Years Ended September 30, 2011 and 2010

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

*Net assets* – Net assets of the Hospital are classified into three components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net assets* are assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital including amounts deposited with Trustees as required by bond indentures. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt* or *restricted net assets*.

*Restricted resources* – When the Hospital has both restricted and unrestricted resources available to finance a particular program it is Hospital policy to use restricted resources before unrestricted resources.

*Operating revenues and expenses* – The Hospital's statements of revenues, expenses, and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services — the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

*Net patient revenue* – The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, fees schedule and per diem payments. Net patient revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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

*Grants and contributions* – From time to time, the Hospital receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for a specific project or purpose related to the Hospital's operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue.

*Reclassifications* – Certain reclassifications of 2010 amounts have been made in the accompanying financial statements to conform to the 2011 presentation. These reclassifications had no effect on the previously reported change in net assets.

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2011 and 2010**

**1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

*Subsequent events* – Subsequent events have been reviewed through February 20, 2012, the date on which the financial statements were available to be issued

**2. Compliance and Accountability:**

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the Hospital is found in violation of these laws, the Hospital could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

**3. Net Patient Revenue:**

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

- *Medicare* – The Hospital is licensed as a critical access hospital (CAH). The Hospital is paid for most inpatient, swing bed, and outpatient services on a cost reimbursement method. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital subject to audits thereof by the Medicare intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. Physician services are reimbursed on a fee schedule.
- *Medicaid* – Inpatient and outpatient services provided to Medicaid program beneficiaries are reimbursed under cost reimbursement methodologies through the Hospital's Medicare cost report, or rates as established by the Medicaid program. The Hospital is reimbursed at a tentative rate with final settlement determined by the Medicaid program based on the Hospital's final Medicare cost report. Physician services are reimbursed on a fee schedule.
- The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined daily rates, and fee schedules.

Revenue from Medicare and Medicaid programs accounted for approximately 33% and 15%, respectively, of the Hospital's net patient revenue for the year ended September 30, 2011, and 31% and 15%, respectively, of the Hospital's net patient revenue for the year ended September 30, 2010.

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2011 and 2010**

**3. Net Patient Revenue (continued):**

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient revenue increased by approximately \$440,000 and \$129,000 in 2011 and 2010, respectively, due to differences between original estimates and final settlements or revised estimates.

The Hospital's net patient revenue is comprised of the following:

	<b>Years Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
<i>Gross patient service revenue</i>	\$ 18,584,026	\$ 17,650,875
Less charity care	(371,784)	(340,427)
	<b>18,212,242</b>	<b>17,310,448</b>
<i>Contractual adjustments</i>		
Medicare	(3,185,160)	(3,133,322)
Medicaid	(2,218,406)	(1,455,200)
Other	(2,548,244)	(2,263,018)
<i>Provision for bad debts</i>	(1,080,632)	(1,338,761)
<i>Disproportionate share programs</i>	146,196	77,701
	<b>(8,886,246)</b>	<b>(8,112,600)</b>
<b>Net patient revenue</b>	<b>\$ 9,325,996</b>	<b>\$ 9,197,848</b>

**4. Bank Deposits and Investments:**

Custodial credit risk is the risk that in the event of a depository institution failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk. As of September 30, 2011 and 2010, the Hospital had uninsured and uncollateralized deposit balances of \$338,209, for each year.

Through a "Cash Management Sweep Account and Automatic Daily Repurchase Agreement" with Key Bank National Association, the Hospital invests idle cash in uninsured repurchase agreements. The repurchase agreement is fully collateralized with an undivided, fractional interest in obligations of, or obligations that are fully guaranteed, by the United States government or any agency thereof. Title to the securities is vested in the bank. The bank repurchases the undivided, fractional interest from the Hospital on the next banking day. As of September 30, 2011 and 2010, the Hospital had \$1,050,000 and \$786,190, respectively, in purchase agreements.

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2011 and 2010**

**4. Bank Deposits and Investments (continued):**

The Hospital voluntarily invests funds in the Local Government Investment Pool (the Pool), administered by the Idaho State Treasurer (the State Treasurer). Collateral for the funds invested in the Pool are held by the state of Idaho, not in the Hospital's name. The funds invested in the Pool are available for immediate use by the Hospital. The Pool is not externally rated. As of September 30, 2011 and 2010, the Hospital had deposits with the Pool, collateralized by securities held by the Pool, but not in the Hospital's name of \$1,501,102 and \$1,891,150, respectively. The Hospital has recorded their investment in the Pool as a cash and cash equivalent.

Idaho Code, Title 67, Chapter 12 provides authorization for investment of pooled funds in the following general types:

1. Certain revenue bonds, general obligation bonds, local improvement district bonds, and registered warrants of state and local governmental entities
2. Time deposit accounts, tax anticipation, and interest-bearing notes
3. Bonds, treasury bills, interest-bearing notes, or other similar obligations of the United States Government and the Farm Credit System
4. Repurchase agreements

**Interest rate risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

State statutes limit investments in bonds, debentures, or notes of any corporation to be rated "A" or higher by nationally recognized statistical rating organizations.

The Hospital's investments at September 30, 2011, included:

	2011					Investment Ratings
	Fair Value	Investment Maturities (in Years)				
		Less Than One	One to Five	Six to Ten	More than Ten	
Money Markets	\$ 39,198	\$ 39,198	\$ -	\$ -	\$ -	Not applicable
Certificates of Deposits	512,627	-	-	310,775	201,852	Not applicable
U.S. Treasury Securities	120,394	-	-	-	120,394	AA+
U.S. Government Bonds	3,604,232	-	-	461,173	3,143,059	AA+
<b>Total investments</b>	<b>\$ 4,276,451</b>	<b>\$ 39,198</b>	<b>\$ -</b>	<b>\$ 771,948</b>	<b>\$ 3,465,305</b>	

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2011 and 2010**

**4. Bank Deposits and Investments (continued):**

The Hospital's investments at September 30, 2010, included

	Carrying Value	Investment Maturities (in Years)				Investment Ratings
		Less Than One	One to Five	Six to Ten	More than Ten	
Money Markets	\$ 58,996	\$ 58,996	\$ -	\$ -	\$ -	Not applicable
Assets Backed Securities	898,326	-	-	898,326	-	Not applicable
U.S. Government Bonds	3,105,106	-	-	823,572	2,281,534	AAA
<b>Total investments</b>	<b>\$ 4,062,428</b>	<b>\$ 58,996</b>	<b>\$ -</b>	<b>\$ 1,721,898</b>	<b>\$ 2,281,534</b>	

**5. Patient Accounts Receivable:**

Patient accounts receivable reported as current assets by the Hospital at September 30, 2011 and 2010, consisted of these amounts

	2011	2010
Receivables from patients and their insurance carriers	\$ 1,798,009	\$ 1,428,963
Receivables from Medicare	278,688	276,625
Receivables from Medicaid	87,241	355,186
<b>Total patient accounts receivable</b>	<b>2,163,938</b>	<b>2,060,774</b>
Less allowance for uncollectible amounts	639,333	897,666
<b>Patient accounts receivable, net</b>	<b>\$ 1,524,605</b>	<b>\$ 1,163,108</b>

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2011 and 2010**

**6. Capital Assets:**

Capital asset activities for the year ended September 30, 2011, were as follows

	Balance September 30, 2010	Additions	Retirements	Transfers	Balance September 30, 2011
<i>Capital assets not being depreciated</i>					
Land	\$ 48,629	\$ -	\$ -	\$ -	\$ 48,629
Construction in progress	74,050	-	-	(62,665)	11,385
Total capital assets not being depreciated	122,679	-	-	(62,665)	60,014
<i>Capital assets being depreciated</i>					
Land improvements	600,515	11,709	-	-	612,224
Building and fixed equipment	8,337,449	-	-	-	8,337,449
Major movable equipment	4,193,306	613,545	(714,135)	62,665	4,155,381
Total capital assets being depreciated	13,131,270	625,254	(714,135)	62,665	13,105,054
<i>Less accumulated depreciation for</i>					
Land improvements	281,952	34,679	-	-	316,631
Building and fixed equipment	3,423,480	297,797	-	-	3,721,277
Major movable equipment	3,586,954	222,717	(697,453)	-	3,112,218
Total accumulated depreciation	7,292,386	555,193	(697,453)	-	7,150,126
<i>Total capital assets being depreciated net</i>	5,838,884	70,061	(16,682)	62,665	5,954,928
<b>Capital assets, net</b>	<b>\$ 5,961,563</b>	<b>\$ 70,061</b>	<b>\$ (16,682)</b>	<b>\$ -</b>	<b>\$ 6,014,942</b>

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2011 and 2010**

**6. Capital Assets (continued):**

Capital asset activities for the year ended September 30, 2010, were as follows

	Balance September 30, 2009	Additions	Retirements	Transfers	Balance September 30, 2010
<i>Capital assets not being depreciated</i>					
Land	\$ 48,629	\$ -	\$ -	\$ -	\$ 48,629
Construction in progress	25,862	48,188	-	-	74,050
Total capital assets not being depreciated	74,491	48,188	-	-	122,679
<i>Capital assets being depreciated</i>					
Land improvements	600,515	-	-	-	600,515
Building and fixed equipment	8,328,591	8,858	-	-	8,337,449
Major movable equipment	4,029,551	163,755	-	-	4,193,306
Total capital assets being depreciated	12,958,657	172,613	-	-	13,131,270
<i>Less accumulated depreciation for</i>					
Land improvements	247,668	34,284	-	-	281,952
Building and fixed equipment	3,117,065	306,415	-	-	3,423,480
Major movable equipment	3,286,888	300,066	-	-	3,586,954
Total accumulated depreciation	6,651,621	640,765	-	-	7,292,386
<i>Total capital assets being depreciated net</i>	6,307,036	(468,152)	-	-	5,838,884
<b>Capital assets, net</b>	<b>\$ 6,381,527</b>	<b>\$ (419,964)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,961,563</b>

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2011 and 2010**

**7. Long-term Debt:**

A schedule of changes in the Hospital's noncurrent liabilities for the years ended September 30, 2011 and 2010, were as follows

	Balance September 30, 2010	Additions	Reductions	Balance September 30, 2011	Amounts Due Within One Year
<i>Long-term debt</i>					
Revenue bonds	\$ 3 205 000	\$ -	\$ (315 000)	\$ 2 890 000	\$ 335,000
Bond premium and discounts	(8 512)	-	863	(7 649)	-
<b>Total long-term debt</b>	<b>\$ 3 196 488</b>	<b>\$ -</b>	<b>\$ (314 137)</b>	<b>\$ 2 882 351</b>	<b>\$ 335,000</b>
	Balance September 30, 2009	Additions	Reductions	Balance September 30, 2010	Amounts Due Within One Year
<i>Long-term debt</i>					
Revenue bonds	\$ 3 505 000	\$ -	\$ (300 000)	\$ 3 205 000	\$ 315,000
Bond premium and discounts	(9 321)	-	809	(8 512)	-
<b>Total long-term debt</b>	<b>3 495 679</b>	<b>-</b>	<b>(299 191)</b>	<b>3 196 488</b>	<b>315,000</b>
<i>Capital lease obligation</i>	106 527	-	(106 527)	-	-
<b>Total long-term debt</b>	<b>\$ 3 602 206</b>	<b>\$ -</b>	<b>\$ (405 718)</b>	<b>\$ 3 196 488</b>	<b>\$ 315,000</b>

A revenue bond was issued by the Bank of New York Mellon Trust Company, N A , dated August 1, 2003, in the amount of \$5,000,000 under a lease with the Idaho Health Facilities Authority (IHFA), used to remodel a new hospital building, due in monthly installments of \$335,000 to \$500,000 and varying interest rates of 6.50% to 6.75%

Under the terms of the revenue bond, the County and the Hospital lease substantially all of the Hospital facilities and equipment to IHFA. IHFA in turn subleases the facilities and equipment back to the County and Hospital. The Hospital is required to maintain certain deposits in a bond reserve fund. Such deposits are included with restricted cash and cash equivalents in the balance sheets.

The Hospital's loan from IHFA includes financial covenants that must be complied with as a condition of the loan. The Hospital was in compliance with the covenants contained within the loan agreement at September 30, 2011.

Walter Knox Memorial Hospital  
A Component Unit of Gem County, Idaho  
Notes to Basic Financial Statements (Continued)  
Years Ended September 30, 2011 and 2010

7. Long-term Debt (continued):

Scheduled principal and interest repayments on the notes payable and recourse financing are as follows

Years Ending September 30,	Principal	Interest	Total
2012	\$ 335,000	\$ 194,238	\$ 529,238
2013	360,000	172,463	532,463
2014	385,000	148,163	533,163
2015	410,000	122,175	532,175
2016	435,000	94,500	529,500
2017-2018	965,000	98,888	1,063,888
	<b>\$ 2,890,000</b>	<b>\$ 830,427</b>	<b>\$ 3,720,427</b>

8. Defined Contribution Plan:

The Hospital provides employees with a defined contribution pension plan. The Walter Knox Memorial Retirement Plan (the Plan) covers employees upon one year of continuous employment and at least 1,000 hours of service. The Plan is administered by the Hospital. The Hospital will make a contribution each pay period for each active participant in an amount equal to 6% of the employees' compensation for the pay period. Hospital contributions to this plan were approximately \$201,000 and \$207,000, for the years ended September 30, 2011 and 2010, respectively. Employee contributions to this plan were approximately \$204,000 and \$194,000 for the years ended September 30, 2011 and 2010, respectively.

9. Risk Management and Contingencies:

**Risk management** – The Hospital is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, and employee health, accident, and unemployment benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**Medical malpractice claims** – The Hospital has professional liability insurance with Lexington Insurance Company. The policy provides protection on a "claims-made" basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the Hospital purchased claims-made insurance in that year or the Hospital purchased "tail" insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy. The malpractice insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$5,000,000.

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

Walter Knox Memorial Hospital  
 A Component Unit of Gem County, Idaho  
 Notes to Basic Financial Statements (Continued)  
 Years Ended September 30, 2011 and 2010

9. Risk Management and Contingencies (continued):

*Litigation* – The Hospital is occasionally involved in litigation arising in the course of business. Management estimates that these matters will be resolved without a material adverse effect on the Hospital's future financial position or results of operations.

10. Concentration of Risks:

*Receivables* – The Hospital grants credit without collateral to its patients and residents, most of who are local residents and are insured under third-party agreements. The majority of these patients are geographically concentrated in and around Gem County.

The mix of receivables at September 30, 2011 and 2010, was as follows:

	2011	2010
Medicare	18 %	16 %
Medicaid	11	21
Blue Cross	15	7
Other third-party payors	27	22
Patients	29	34
	<b>100 %</b>	<b>100 %</b>

*Physicians* – The Hospital is dependent on local physicians practicing in its service area to provide admissions and utilize Hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on Hospital operations.



DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Walter Knox Memorial Hospital  
A Component Unit of Gem County, Idaho  
Emmett, Idaho

We have audited the basic financial statements of Walter Knox Memorial Hospital, a component unit of Gem County, Idaho (the Hospital) as of and for the year ended September 30, 2011, and have issued our report thereon dated February 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses, items 2011-1 and 2010-1, to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses, item 2010-3, to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Hospital in a separate letter dated February 20, 2012.

The Hospital's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Hospital's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commissioners, the Board of Directors, and management of the Hospital and is not intended to be, and should not be, used by anyone other than these specified parties.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
February 20, 2012

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Schedule of Findings and Responses**  
**Year Ended September 30, 2011**

**2011-01 Policies and Procedures**

<i>Condition</i>	Written policies and procedures should be maintained for all major critical transaction cycles and financial statement preparation
<i>Criteria</i>	<input type="checkbox"/> Compliance Finding <input type="checkbox"/> Significant Deficiency <input checked="" type="checkbox"/> Material Weakness Policies and procedures for the accounts receivable, accounts payable, payroll, and financial statement preparation processes are outdated or nonexistent
<i>Context</i>	This finding appears to be a <i>systemic</i> problem
<i>Cause</i>	Management has not developed policies and procedures due to limited staffing
<i>Effect</i>	Written policies and procedures allow for the Hospital to document how a process or job function should be completed. They provide structure for new personnel learning how to properly perform their job responsibilities, facilitate cross training, and allow a department to analyze its processes to ensure the current process is the best practice
<i>Recommendation</i>	We recommend the department heads develop and implement formal policies and procedures. Further, these policies should be reviewed and updated annually to ensure they are accurate, current, and complete
<i>Management's Response</i>	Procedures will be completed for all financial departments including accounting, business office, medical records, information systems and materials management

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Schedule of Findings and Responses (Continued)**  
**Year Ended September 30, 2011**

**2010-01 Management Preparation of Financial Statements**

*Condition*                    The Hospital relies upon their independent auditor to prepare financial statements in accordance with generally accepted accounting principles, as well as the knowledge to detect accuracy and completeness of all required footnotes

*Criteria*                      [ ] Compliance Finding    [ ] Significant Deficiency    [X] Material Weakness

Internal control procedures over financial reporting include the ability to prepare financial statements in accordance with generally accepted accounting principles  
 Financial statements prepared in accordance with generally accepted accounting principles include a statement of cash flows and notes

*Context*                      This finding appears to be a *systemic* problem

*Cause*                        The Hospital has not demonstrated the capability to prepare generally accepted accounting principles financial statements

*Effect*                        There is an increased risk that internal controls over financial reporting may not be sufficient to detect any potential misstatements in the financial statements or the related notes

*Recommendation*        We recommend that management consider further training with respect to preparing financial statements in accordance with generally accepted accounting principles  
 Alternately, the Hospital may choose to consult with a separate accounting firm prior to and during the audit that would have the experience and training necessary to prepare such statements  
 Or alternatively, the Hospital could accept this finding on an annual basis because it is not a cost-effective use of resources to correct this deficiency

*Management's Response*        Accounting has a limited staff and it would not be cost effective for the accounting staff to prepare the annual audit report

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Schedule of Findings and Responses (Continued)**  
**Year Ended September 30, 2011**

**2010-03 Segregation of Duties**

<i>Condition</i>	The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. The most significant areas noted with a lack of controls related to controls over the adjustments to accounts receivable and access to the cash. One individual opens and sorts the mail, prepares the cash deposits, and has the ability to make adjustments to patient accounts. In addition, all adjustments made to patient accounts are not being reviewed.
<i>Criteria</i>	<p>[ ] Compliance Finding    [X] Significant Deficiency    [ ] Material Weakness</p> <p>Internal control procedures over financial reporting and reporting systems help to ensure funds are properly safe-guarded. Segregation of duties reduces the risk that a single employee could conduct inappropriate or illegal activities, conceal such activities, and not be discovered. One individual should not have access to receipts and patient accounts.</p>
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Cause</i>	One employee has been assigned incompatible duties and responsibilities. In addition, there is no policy in place for proper review and approval of all adjustments made to accounts receivable.
<i>Effect</i>	There is a potential fraud risk that this person could misappropriate cash receipts by eliminating the accounts from the system or by adjusting the patient accounts to a zero balance without detection.
<i>Recommendation</i>	We recommend the person that sorts the mail does not open the mail, prepare the deposit, or have access to patient accounts. In addition, any adjustments that are made to patient accounts should be reviewed.
<i>Management's Response</i>	The CFO and business office manager will study the current flow of the handling of funds and then reassign duties to enhance the internal control system.

**Walter Knox Memorial Hospital  
A Component Unit of Gem County, Idaho  
Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2011**

**2010-01 – Auditor preparation of the financial statements – Repeated**

**2010-02 – Auditor proposed adjustments – Resolved**

**2010-03 – Segregation of accounting duties – Repeated**

**2010-04 – Development of contractual allowance estimates – Resolved**

**2010-05 – Lack of cut-off procedures in place for unprocessed or unbilled charges near  
year-end – Resolved**

**2010-06 – Internal controls over charity care – Resolved**