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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012

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

C Name of organization
McPherson Hospital Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1000 Hospital Drive

City or town, state or country, and ZIP + 4
McPherson, KS 674602326

D Employer identification number
48-0799105

E Telephone number
(620) 241-2250

G Gross receipts $ 23,092,077

F Name and address of principal officer
Robert Monical
1000 Hospital Drive
McPherson, KS 674602326

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

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

H(c) Group exemption number ▶

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

J Website: ▶ N/A

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1972 | **M** State of legal domicile KS

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Provision of acute hospital care to patients regardless of ability to pay

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	11
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	359
6	Total number of volunteers (estimate if necessary)	**6**	136
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	881,268	886,482
	9 Program service revenue (Part VIII, line 2g)	22,832,399	21,497,245
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	89,949	150,042
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	566,136	552,941
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	24,369,752	23,086,710
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	13,253,883	12,938,719
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	11,466,833	10,280,618
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	24,720,716	23,219,337
	19 Revenue less expenses Subtract line 18 from line 12	-350,964	-132,627
Net Assets or Fund Balances		**Beginning of Current Year**	**End of Year**
	20 Total assets (Part X, line 16)	21,117,334	21,172,672
	21 Total liabilities (Part X, line 26)	3,413,451	3,412,831
	22 Net assets or fund balances Subtract line 21 from line 20	17,703,883	17,759,841

Part II Signature Block

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

Sign Here

****** | 2013-05-07
Signature of officer | Date

Robert Monical CEO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ John R Helms	Date 2013-05-07	Check if self-employed ▶☐	Preparer's taxpayer identification number (see instructions) P00203953
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ Wendling Noe Nelson & Johnson LLC 534 S Kansas Ave Suite 1500 Topeka, KS 666033491			EIN ▶ 48-1026809 Phone no ▶ (785) 233-4226

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

To meet our community's need by providing superior health care and exceptional service for each person, every time

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 organization's program service accomplishments for each of its three largest program services, as measured 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 $ 18,878,092 including grants of $) (Revenue $ 21,642,582)

Provision of inpatient and outpatient hospital services

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** ▶ $ 18,878,092

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e		No
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a	Yes	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b		No
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	38		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	359			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b**	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a**		No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			**4a**		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			**9a**		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	**11a**				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**				
c	Enter the aggregate amount of reserves on hand	**13c**				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			**14a**		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			**14b**		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	12		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	11		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	3		Yes	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	5			No
6	Did the organization have members or stockholders?	6		Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a		Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b			No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	8a		Yes	
b	Each committee with authority to act on behalf of the governing body?	8b		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9			No

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

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

Section C. Disclosure

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

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 made 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 made 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 ▶

Robert Monical President CEO
1000 Hospital Drive
McPherson, KS 674602326
(620) 241-2250

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, or 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 organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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) Dean Elliott Secretary	2 00	X		X				0	0	0
(2) J David Ferrell Trustee	2 00	X						0	0	0
(3) Bill Glazner Vice Chairman	2 00	X		X				0	0	0
(4) Dennis C Houghton Trustee	2 00	X						0	0	0
(5) Tim R Karstetter Trustee	2 00	X						0	0	0
(6) Dawn Loving Trustee	2 00	X						0	0	0
(7) Marsha Silver Trustee	2 00	X						0	0	0
(8) Paul Taliaferro Trustee	2 00	X						0	0	0
(9) Brent Wall Chairman	2 00	X		X				0	0	0
(10) Samuel Claassen Trustee/Physician	40 00	X						203,505	0	28,805
(11) James Prescott MD Trustee	2 00	X						0	0	0
(12) Rob Monical CEO/President	40 00	X		X				0	0	0
(13) Shelley Overholt MD Trustee	2 00	X						0	0	0
(14) Cindy Brown VP of Finance/CFO thru April 2012	40 00			X				18,628	0	559
(15) Teresa Gehring VP of Operations	40 00			X				83,354	0	19,489
(16) James R Chromik CEO/President thru July 2011	40 00			X				17,996	0	540
(17) Jill Wenger VP of Human Resources	40 00			X				86,014	0	23,395

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
(18) Patricia Goad VP of Nursing thru August 2011	40 00			X				67,972	0	6,702
(19) Romida Sison-Martinez VP of Nursing	40 00			X				42,050	0	1,677
(20) Tyler G Hughes MD Physician	40 00					X		351,471	0	30,607
(21) John Worden Pharmacy Director	40 00					X		128,099	0	18,081
(22) Mary Blankenship Pharmacist	40 00					X		114,133	0	17,133
(23) Clayton Fetsch Physician	40 00					X		272,775	0	33,631
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								1,385,997	0	180,619

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 5

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation
EMSC LLC 1985 Cougar Trail McPherson, KS 67460	ER physician coverage	1,316,328
Via Christi Health Inc 8200 E Thorn Wichita, KS 67226	Management fees and CEO & CFO services	1,054,243
National Therapeutic Assoc 11623 Arbor St Omaha, NE 68144	Physical/occupational therapy	553,655
Shared Medical Services PO Box 330 Cotton Grove, WI 53527	Mobile MRI Services	268,745
CPSI PO Box 850309 Mobile, AL 366850309	Software & technical support	209,000

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 6

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	701,592			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	184,890			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		886,482			
			Business Code				
Program Service Revenue	2a	Patient Service Revenu	900099	21,493,776	21,493,776		
	b	Lab Services	621500	3,469	3,469		
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		21,497,245			
	3	Investment income (including dividends, interest and other similar amounts)		82,117			82,117
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents	96,946				
	b	Less rental expenses	0				
	c	Rental income or (loss)	96,946				
	d	Net rental income or (loss)		96,946			96,946
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	24,391	48,901			
	b	Less cost or other basis and sales expenses	0	5,367			
	c	Gain or (loss)	24,391	43,534			
	d	Net gain or (loss)		67,925			67,925
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 a					
	b	Less direct expenses b					
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19 a					
	b	Less direct expenses b					
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances a					
	b	Less cost of goods sold b					
	c	Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
	11a	Nonpatient Meals	722210	193,587			193,587
	b	Auxiliary	900099	60,465			60,465
	c	Fitness Center	713940	56,606			56,606
	d	All other revenue		145,337	145,337		
	e	**Total.** Add lines 11a–11d		455,995			
	12	**Total revenue.** See Instructions		23,086,710	21,642,582	0	557,646

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)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21				
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	577,847	224,116	353,731	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	10,135,534	8,710,621	1,424,913	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	267,988	228,546	39,442	
9	Other employee benefits	1,140,364	995,463	144,901	
10	Payroll taxes	816,986	684,684	132,302	
11	Fees for services (non-employees)				
a	Management	979,670		979,670	
b	Legal	84,416		84,416	
c	Accounting				
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees				
g	Other	66,814	1,600	65,214	
12	Advertising and promotion	44,151		44,151	
13	Office expenses	235,116	143,669	91,447	
14	Information technology	353,598	95,982	257,616	
15	Royalties . .				
16	Occupancy	374,032	374,032		
17	Travel	27,721	22,146	5,575	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	26,277	15,701	10,576	
20	Interest	73,200	73,200		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	1,286,368	1,286,368		
23	Insurance	226,672	74,862	151,810	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	Physician fees	2,565,081	2,491,636	73,445	
b	Medical supplies	1,303,440	1,303,440		
c	Equipment rental & main	847,834	801,040	46,794	
d	Pharmacy supplies	655,077	655,077		
e					
f	All other expenses	1,131,151	695,909	435,242	
25	**Total functional expenses.** Add lines 1 through 24f	23,219,337	18,878,092	4,341,245	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		880	1	496
	2	Savings and temporary cash investments		7,595,183	2	4,840,676
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		3,416,087	4	3,402,133
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		537,104	8	582,942
	9	Prepaid expenses and deferred charges		293,812	9	168,643
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 28,065,014			
	b	Less accumulated depreciation	10b 19,489,864	8,001,734	10c	8,575,150
	11	Investments—publicly traded securities			11	2,291,513
	12	Investments—other securities See Part IV, line 11		497	12	497
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		1,272,037	15	1,310,622
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		21,117,334	16	21,172,672
Liabilities	17	Accounts payable and accrued expenses		1,463,197	17	2,277,831
	18	Grants payable			18	
	19	Deferred revenue		475	19	0
	20	Tax-exempt bond liabilities		1,800,000	20	1,135,000
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties		4,649	23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		145,130	25	0
	26	**Total liabilities.** Add lines 17 through 25		3,413,451	26	3,412,831
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		16,323,905	27	16,220,594
	28	Temporarily restricted net assets		531,468	28	673,275
	29	Permanently restricted net assets		848,510	29	865,972
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		17,703,883	33	17,759,841
	34	Total liabilities and net assets/fund balances		21,117,334	34	21,172,672

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	23,086,710
2	Total expenses (must equal Part IX, column (A), line 25)	2	23,219,337
3	Revenue less expenses Subtract line 2 from line 1	3	-132,627
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	17,703,883
5	Other changes in net assets or fund balances (explain in Schedule O)	5	188,585
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	17,759,841

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
McPherson Hospital Inc

Employer identification number
48-0799105

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 **section 170(b)(1)(A)(i).**

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

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

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

_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part II **Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11 **Total support** (Add lines 7 through 10)						

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

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

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2010 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2011.** 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—2010.** 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—2011.** 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—2010.** 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 IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

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

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2011** (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from **2010** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2011.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2010.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

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

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

Facts And Circumstances Test

Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
McPherson Hospital Inc

Employer identification number
48-0799105

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	10,348	9,198	8,015	10,214	
b Contributions					
c Investment earnings or losses	262	1,326	1,261	-2,092	
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses	-81	-176	-78	-107	
g End of year balance	10,529	10,348	9,198	8,015	

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶ 100 000 %
- c Term endowment ▶

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		16,312		16,312
b Buildings		14,524,809	10,065,883	4,458,926
c Leasehold improvements				
d Equipment		12,165,371	8,424,953	3,740,418
e Other		1,358,522	999,028	359,494
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				8,575,150

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

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

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

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

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

(a) Description	(b) Book value
(1) Other Receivables	119,768
(2) Unamortized Bond Costs	3,760
(3) Beneficial interest in net assets of McPherson Healthcare Foundation	1,105,869
(4) Goodwill	39,203
(5) Estimated third-party payor settlements	42,022
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	1,310,622

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
See Additional Data Table	
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	

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

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	23,086,710
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	23,219,337
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	-132,627
4	Net unrealized gains (losses) on investments	4	29,316
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	159,269
9	Total adjustments (net) Add lines 4 - 8	9	188,585
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	55,958

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

1	Total revenue, gains, and other support per audited financial statements			1	23,086,710
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	0
3	Subtract line **2e** from line **1**			3	23,086,710
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	0
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	23,086,710

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

1	Total expenses and losses per audited financial statements			1	23,219,337
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	0
3	Subtract line **2e** from line **1**			3	23,219,337
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	0
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	23,219,337

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
Description of Intended Use of Endowment Funds	Part V, Line 4	Scholarships
Description of Uncertain Tax Positions Under FIN 48	Part X	Management is not aware of any uncertainties in income tax positions

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
McPherson Hospital Inc

Employer identification number
48-0799105

Part I Charity Care and Certain Other Community Benefits at Cost

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

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			220,340	113,349	106,991	0 460 %
b Medicaid (from Worksheet 3, column a)			1,833,287	928,741	904,546	3 900 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			2,053,627	1,042,090	1,011,537	4 360 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			6,814		6,814	0 030 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			4,072,411	2,774,078	1,298,333	5 590 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			1,418		1,418	0 010 %
j **Total** Other Benefits			4,080,643	2,774,078	1,306,565	5 630 %
k **Total.** Add lines 7d and 7j			6,134,270	3,816,168	2,318,102	9 990 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1	Yes	
2	Enter the amount of the organization's bad debt expense 2 723,839			
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy 3 0			
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit			

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	4,989,955
6	Enter Medicare allowable costs of care relating to payments on line 5	6	5,774,044
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-784,089
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes	

Part IV Management Companies and Joint Ventures (see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size 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	McPherson Hospital Inc 1000 Hospital Drive McPherson, KS 67460	X	X					X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

McPherson Hospital Inc

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 200 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☑ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☑ Reporting to credit agency			
	b ☑ Lawsuits			
	c ☑ Liens on residences			
	d ☑ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Individuals Eligible for Financial Assistance

19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		No
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?	**21**		No
If "Yes," explain in Part VI			

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 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		
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 descriptions 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, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
		Part II The community building activities promote the health of McPherson by developing community responses for potential disasters and by servicing the needy of the community through participation in the United Way

Identifier	ReturnReference	Explanation
		Part III, Line 4 The Hospital provides for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value The Hospital estimates this allowance based on the aging of its accounts receivable and its historical collection experience for each type of payor Part III, Line 3McPherson Hospital, Inc is unable to determine the amount of bad debt expense attributable to patients eligible under its charity care policy for the year covered by this return Suggested methods for estimation were either not in place or proved to be unreliable For example, the number of financial assistance applications distributed but not returned was not tracked Using demographic data to estimate an amount did not provide reasonable results Rather than provide an estimate that can't be substantiated, McPherson Hospital Inc has chosen to report zero dollars as bad debt expense attributable to charity care patients

Identifier	ReturnReference	Explanation
		Part III, Line 8 Amounts were obtained from the cost report filed with Medicare for the period ending June 30, 2012 The total amount of shortfall between Medicare revenue received and relating allowable costs is considered community benefit

Identifier	ReturnReference	Explanation
		Part III, Line 9b Patients who have qualified for financial assistance are considered qualified for six months Updated information must be provided for any subsequent account balances Patients who have qualified for partial financial assistance are to make payment arrangements for any remaining balance according to the policies that apply to other patients

Identifier	ReturnReference	Explanation
McPherson Hospital, Inc		Part V, Section B, Line 19d The Hospital utilizes the aggregate contractual adjustment percentage for Blue Cross & Blue Shield patients from the prior year to discount charges to patients eligible for financial assistance

Identifier	ReturnReference	Explanation
		Part VI, Line 2 McPherson Hospital, Inc does not have a formal community needs assessment process at this time

Identifier	ReturnReference	Explanation
		Part VI, Line 3 All self-pay patients are screened by a contractor for eligibility under federal, state, or local government programs Notice of the Hospital's financial assistance program is posted in patient registration areas and on the Hospital's website The availability of financial assistance is also communicated to patients with the first billing statement and at any time during the collection process if an inability to pay is expressed by the patient/guarantor

Identifier	ReturnReference	Explanation
		Part VI, Line 4 McPherson Hospital, Inc 's primary service area is McPherson, Kansas, a rural community of approximately 13,000 According to the 2010 census, the per capita income for McPherson was $26,467 The percent of families below poverty level was 4 6 The percent of individuals below poverty level was 9 4 For the year ending June 30, 2012, 15 percent of the Hospital's inpatient admissions were Medicaid recipients and 6 percent were uninsured Larger hospitals in Hutchinson, Salina, and Newton also provide services to the residents of McPherson The distances between these facilities and McPherson Hospital, Inc are approximately 23, 29, and 28 miles respectively There are no federally-designated medically underserved areas or populations in McPherson

Identifier	ReturnReference	Explanation
		Part VI, Line 5 McPherson Hospital, Inc 's governing body is comprised of individuals who reside in the primary service area All Board members, with the excepiton of the CEO and one physician, are not employed by the Hospital Annually, all trustees sign a conflict of interest statement and disclose any potential conflicts of interest With limited exceptions for hospital-based services, the Hospital extends medical staff privileges to all qualified physicians in the community Surplus funds are used by the Hospital to update facilities and equipment, recruit needed physicians and staff, and otherwise improve patient care

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
McPherson Hospital Inc

Employer identification number
48-0799105

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space 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) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(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) Samuel Claassen	(i)	203,505	0	0	10,164	18,641	232,310	0
	(ii)	0	0	0	0	0	0	0
(2) Tyler G Hughes MD	(i)	351,471	0	0	12,564	18,043	382,078	0
	(ii)	0	0	0	0	0	0	0
(3) Clayton Fetsch	(i)	272,775	0	0	12,564	21,067	306,406	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
McPherson Hospital Inc

Employer identification number
48-0799105

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	City of McPherson Kansas	48-6019780	582672BQ3	10-28-2003	2,315,000	Refunding of Series 1998 Bonds		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	2,315,000			
2	Amount of bonds defeased	1,500			
3	Total proceeds of issue				
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	69,725			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds				
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2003			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
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?								
2	Are there any lease arrangements that may result in private business use of bond-financed property?								

Part III Private Business Use *(Continued)*

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

Part IV Arbitrage

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

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☑ No

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
McPherson Hospital Inc

Employer identification number
48-0799105

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

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

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Ronald Brown	Family member of Cindy Brown, Officer	47,329	Employment		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

2011

Open to Public Inspection

Name of the organization
McPherson Hospital Inc

Employer identification number
48-0799105

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 3	The Hospital entered into a management agreement with Via Christi Health, Inc on January 1, 2011 Under the agreement, Via Christi Health, Inc is responsible for the daily management and administration of the Hospital
	Form 990, Part VI, Section A, line 6	Organization's sole member is MACCO Healthcare, Inc
	Form 990, Part VI, Section A, line 7a	MACCO Healthcare, Inc approves members of the governing body of the organization (McPherson Hospital, Inc)
	Form 990, Part VI, Section B, line 11	A copy of the Form 990 is provided to members of the organization's Finance Committee with an opportunity to comment or ask questions prior to filing
	Form 990, Part VI, Section B, line 12c	The conflict of interest policy is reviewed annually by the governing body Updated individual disclosure forms are also required annually
	Form 990, Part VI, Section B, line 15	Organization participates annually in salary surveys sponsored by the State Hospital Association and uses MGMA and other national references in establishing physician compensation Terms of employment contracts are approved by the governing body
	Form 990, Part VI, Section C, line 19	The Organization makes its governing documents, conflict of interest policy, and financial statements available to the public upon written request
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized gains on investments 29,316 Change in beneficial interest in net assets of Foundation -3,618 Restricted investment income 2,320 Assets released for operations -33,315 Restricted contributions 266,196 Net change in assets to be used for operation of medical library -8,813 Assets released for property and equipment -63,501 Total to Form 990, Part XI, Line 5 188,585
Review of financial statements	FORM 990 PART XI, LINE 2C	The Finance Committee reviews the audit prior to submitting to the Board

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
McPherson Hospital Inc

Employer identification number
48-0799105

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) MACCO Healthcare Inc 1000 Hospital Drive McPherson, KS 67460 48-1059194	Sole Member of McPherson Hopsital, Inc and McPherson Healthcare Fdn, Inc	KS	501(c)(3)	170(b)(1) (A)(vi)			No
(2) McPherson Healthcare Foundation Inc 1016 N Main McPherson, KS 67460 48-1043952	Raise funds to support the operation of McPherson Hopsital, Inc	KS	501(c)(3)	170(b)(1) (A)(vi)			No

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

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

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

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

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

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

		Yes	No
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Sale of assets to related organization(s)	1f		No
g Purchase of assets from related organization(s)	1g		No
h Exchange of assets with related organization(s)	1h		No
i Lease of facilities, equipment, or other assets to related organization(s)	1i		No
j Lease of facilities, equipment, or other assets from related organization(s)	1j		No
k Performance of services or membership or fundraising solicitations for related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by related organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m		No
n Sharing of paid employees with related organization(s)	1n		No
o Reimbursement paid to related organization(s) for expenses	1o		No
p Reimbursement paid by related organization(s) for expenses	1p		No
q Other transfer of cash or property to related organization(s)	1q		No
r Other transfer of cash or property from related organization(s)	1r		No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) McPherson Healthcare Foundation Inc	C	4,816	
(2)			
(3)			
(4)			
(5)			
(6)			

Part VI Unrelated Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

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Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No 1545-0172

2011

Attachment Sequence No **179**

Name(s) shown on return	Business or activity to which this form relates	**Identifying number**
McPherson Hospital Inc	Form 990 Page 10	48-0799105

Part I **Election To Expense Certain Property Under Section 179**

Note: *If you have any listed property, complete Part V before you complete Part I.*

1 Maximum amount (see instructions)	**1**	500,000
2 Total cost of section 179 property placed in service (see instructions)	**2**	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	**3**	2,000,000
4 Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	**4**	
5 Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	**5**	

6	**(a)** Description of property	**(b)** Cost (business use only)	**(c)** Elected cost

7 Listed property Enter the amount from line 29	**7**		
8 Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	**8**		
9 Tentative deduction Enter the **smaller** of line 5 or line 8	**9**		
10 Carryover of disallowed deduction from line 13 of your 2010 Form 4562	**10**		
11 Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	**11**		
12 Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	**12**		
13 Carryover of disallowed deduction to 2012 Add lines 9 and 10, less line 12 ▶	**13**		

Note: *Do not use Part II or Part III below for listed property. Instead, use Part V.*

Part II **Special Depreciation Allowance and Other Depreciation (Do not** include listed property **)** (See instructions)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	**14**	
15 Property subject to section 168(f)(1) election	**15**	
16 Other depreciation (including ACRS)	**16**	1,286,368

Part III **MACRS Depreciation (Do not** include listed property.**)** (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2011	**17**	
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ ☐		

Section B—Assets Placed in Service During 2011 Tax Year Using the General Depreciation System

	(a) Classification of property	**(b)** Month and year placed in service	**(c)** Basis for depreciation (business/investment use only—see instructions)	**(d)** Recovery period	**(e)** Convention	**(f)** Method	**(g)** Depreciation deduction
19a	3-year property						
b	5-year property						
c	7-year property						
d	10-year property						
e	15-year property						
f	20-year property						
g	25-year property			25 yrs		S/L	
h	Residential rental property			27 5 yrs	MM	S/L	
				27 5 yrs	MM	S/L	
i	Nonresidential real property			39 yrs	MM	S/L	
					MM	S/L	

Section C—Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System

20a	Class life				S/L	
b	12-year		12 yrs		S/L	
c	40-year		40 yrs	MM	S/L	

Part IV **Summary** (see instructions)

21 Listed property Enter amount from line 28	**21**	
22 **Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	**22**	1,286,368
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	**23**	

Part V **Listed Property** (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: *For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete* ***only*** *24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.*

Section A—Depreciation and Other Information (Caution: *See the instructions for limits for passenger automobiles.***)**

24a Do you have evidence to support the business/investment use claimed? ☐ **Yes** ☐ **No** | **24b** If "Yes," is the evidence written? ☐ **Yes** ☐ **No**

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						**25**		
26 Property used more than 50% in a qualified business use								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1						**28**		
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1						**29**		

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person
If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (**do not** include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal(noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

	Yes	**No**
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

Part VI **Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2011 tax year (see instructions)					
43 Amortization of costs that began before your 2011 tax year				**43**	
44 Total. Add amounts in column (f) See the instructions for where to report				**44**	

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
MCPHERSON HOSPITAL, INC.
JUNE 30, 2012 AND 2011

CONTENTS

Wendling Noe & Nelson & Johnson LLC

Certified Public Accountants
and Management Consultants

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
McPherson Hospital, Inc.

We have audited the accompanying balance sheets of McPherson Hospital, Inc., as of June 30, 2012 and 2011, and the related statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of McPherson Hospital, Inc., as of June 30, 2012 and 2011, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
December 5, 2012

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FINANCIAL STATEMENTS

MCPHERSON HOSPITAL, INC.

BALANCE SHEETS

June 30,

ASSETS

	2012	2011
CURRENT ASSETS		
Cash	$ 3,224,918	$ 4,382,715
Investments	2,698,853	2,186,710
Assets limited as to use	437,402	422,078
Patient accounts receivable, net of allowance for uncollectible accounts of $1,802,257 in 2012 and $1,691,452 in 2011	3,402,133	3,416,087
Estimated third-party payor settlements	42,022	
Other receivables	119,768	101,851
Inventories	582,942	537,104
Prepaid expenses	168,643	293,812
Total current assets	10,676,681	11,340,357
ASSETS LIMITED AS TO USE		
Under indenture agreements - held by trustee	775,536	760,963
Under donor-imposed restrictions	433,378	265,675
Beneficial interest in net assets of the Foundation	1,105,869	1,114,303
	2,314,783	2,140,941
Less amount required to meet current liabilities	437,402	422,078
	1,877,381	1,718,863
PROPERTY AND EQUIPMENT, NET	8,575,150	8,001,734
OTHER ASSETS		
Unamortized bond costs	3,760	10,054
Other	39,700	46,326
	43,460	56,380
Total assets	$ 21,172,672	$ 21,117,334

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES		
Current installments of long-term debt	$ 695,000	$ 665,000
Current portion of capital lease obligations		4,649
Accounts payable	1,380,009	616,963
Accrued salaries, wages, and benefits	442,462	396,283
Accrued compensated absences	448,178	439,269
Accrued interest	7,182	10,682
Deferred revenue		475
Estimated third-party payor settlements		145,130
Total current liabilities	2,972,831	2,278,451
LONG-TERM DEBT, excluding current installments	440,000	1,135,000
Total liabilities	3,412,831	3,413,451
NET ASSETS		
Unrestricted	16,220,594	16,323,905
Temporarily restricted	673,275	531,468
Permanently restricted	865,972	848,510
Total net assets	17,759,841	17,703,883
Total liabilities and net assets	$ 21,172,672	$ 21,117,334

MCPHERSON HOSPITAL, INC.

STATEMENTS OF OPERATIONS

Year ended June 30,

	2012	2011
Unrestricted revenues, gains, and other support		
Patient service revenue	$ 22,873,568	$ 22,822,957
Provision for bad debts	(1,379,792)	(1,312,631)
Net patient service revenue	21,493,776	21,510,326
Other revenues	1,349,189	1,370,430
Net assets released from restrictions used for operations	33,315	22,718
Total revenues, gains, and other support	22,876,280	22,903,474
Expenses		
Salaries, wages, and contract labor	10,944,479	11,075,005
Employee benefits	2,313,910	2,346,140
Purchased services, supplies, and other	8,594,754	8,513,906
Depreciation and amortization	1,292,994	1,365,849
Interest	73,200	107,185
Total expenses	23,219,337	23,408,085
Loss from operations	(343,057)	(504,611)
Other income		
Contributions		550
Investment income	103,395	51,684
Gain on disposal of equipment	43,534	33,313
	146,929	85,547
Excess of expenses over revenues	(196,128)	(419,064)
Net assets released from restrictions used for acquisition of property and equipment	63,501	63,185
Change in net unrealized gains and losses on investments	29,316	
Change in unrestricted net assets	$ (103,311)	$ (355,879)

The accompanying notes are an integral part of these statements.

MCPHERSON HOSPITAL, INC.

STATEMENTS OF CHANGES IN NET ASSETS

Years ended June 30, 2012 and 2011

	Unrestricted	Temporarily restricted	Permanently restricted
Net assets at June 30, 2010	$16,679,784	$ 439,018	$ 806,391
Excess of expenses over revenues	(419,064)		
Net change in assets to be used for operation of medical library		4,916	
Restricted investment income		3,862	
Assets released from restrictions used for operations		(22,718)	
Contributions		84,736	
Change in beneficial interest in net assets of the Foundation		88,839	42,119
Expenditure of restricted assets		(4,000)	
Assets released from restrictions used for acquisition of property and equipment	63,185	(63,185)	
Change in net assets	(355,879)	92,450	42,119
Net assets at June 30, 2011	16,323,905	531,468	848,510
Excess of expenses over revenues	(196,128)		
Net change in assets to be used for operation of medical library		(8,813)	
Restricted investment income		2,320	
Assets released from restrictions used for operations		(33,315)	
Contributions		266,196	
Change in beneficial interest in net assets of the Foundation		(21,080)	17,462
Expenditure of restricted assets			
Assets released from restrictions used for acquisition of property and equipment	63,501	(63,501)	
Change in net unrealized gains and losses on investments	29,316		
Change in net assets	(103,311)	141,807	17,462
Net assets at June 30, 2012	$16,220,594	$ 673,275	$ 865,972

The accompanying notes are an integral part of these statements.

MCPHERSON HOSPITAL, INC.

STATEMENTS OF CASH FLOWS

Year ended June 30,

	2012	2011
Cash flows from operating activities		
Change in net assets	$ 55,958	$ (221,310)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,292,994	1,365,849
Provision for bad debts	1,379,792	1,312,631
Amortization of bond costs	6,294	9,259
Gain on disposal of equipment	(43,534)	(33,313)
Undistributed portion of change in beneficial interest in net assets of the Foundation	8,434	(104,777)
Net change in unrealized gains and losses on investments	(29,316)	
Restricted contributions	(266,196)	(84,736)
Changes in assets and liabilities		
Patient accounts receivable	(1,365,838)	(1,203,416)
Estimated third-party payor settlements	(187,152)	233,409
Inventories and other current assets	61,414	(57,423)
Accounts payable and accrued expenses	111,784	28,557
Deferred revenue	(475)	(8,558)
Net cash provided by operating activities	1,024,159	1,236,172
Cash flows from investing activities		
Acquisition of property and equipment	(1,162,301)	(678,620)
Change in assets limited as to use	(182,276)	(51,941)
Change in investments	(482,827)	318,599
Proceeds from sale of equipment	48,901	36,737
Net cash used by investing activities	(1,778,503)	(375,225)
Cash flows from financing activities		
Repayment of long-term debt	(665,000)	(630,000)
Payments on capital lease obligations	(4,649)	(6,973)
Restricted contributions	266,196	84,736
Net cash used by financing activities	(403,453)	(552,237)
Net change in cash and cash equivalents	(1,157,797)	308,710
Cash and cash equivalents at beginning of year	4,382,715	4,074,005
Cash and cash equivalents at end of year	$ 3,224,918	$ 4,382,715
Cash paid during the year for interest	$ 70,406	$ 101,156

The accompanying notes are an integral part of these statements.

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows. The preparation of financial statements in conformity with generally accepted accounting principles 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 and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On January 1, 2011, the Hospital entered into a management agreement with Via Christi Health, Inc. Under the agreement, Via Christi is responsible for daily management and administration of the Hospital, and it provides the Hospital with the services of a chief executive officer and a chief financial officer, both of whom are employed by Via Christi. The Hospital's Board of Directors retains ultimate authority and control over the business, policies, operations, and assets of the Hospital.

1. Organization

McPherson Hospital, Inc., (the Hospital) is a not-for-profit membership corporation organized to establish, own, and operate an acute care hospital facility located in McPherson, Kansas. The Hospital's name was changed from Memorial Hospital, Inc., to the current name on April 27, 2011. MACCO Healthcare, Inc., (MACCO) another not-for-profit membership corporation, is the sole member of the Hospital. MACCO is also the sole member of McPherson Healthcare Foundation, Inc., (the Foundation). The Foundation is a not-for-profit membership corporation established to raise funds to support the operation of the Hospital.

2. Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all cash and short-term investments purchased with original maturities of three months or less, excluding any such amounts classified as current investments or included in assets limited as to use.

3. Allowance for doubtful accounts

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

4. Inventories

Inventories are stated at the lower of cost or market with cost determined on the first-in, first-out method.

5. Assets limited as to use

Assets limited as to use include assets held by trustees under indenture agreements, the Hospital's beneficial interest in the net assets of the Foundation, and assets restricted as to use by donors.

6. Beneficial interest in net assets of the Foundation

The Hospital and the Foundation are financially interrelated organizations. As such, the Hospital recognizes as an asset its interest in the net assets of the Foundation. At the end of each reporting period, it adjusts the interest for its share of the change in net assets of the Foundation occurring during that period. Transactions occurring between the two organizations have been eliminated during the preparation of these financial statements.

7. Investments

The Hospital maintains funds in Via Christi's pooled investment account. Each month the net investment activity is allocated to each participant in the pooled account based on the participant's average daily balance as a percentage of the total average daily balance in the investment pool. Investments in the pool are measured at fair value. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in other income. Unrealized gains and losses are excluded from the excess of expenses over revenues unless the investments are trading securities.

8. Property and equipment

Property and equipment (including assets recorded as capital leases) are stated at cost. Depreciation and amortization of property and equipment are provided on the straight-line method over the estimated useful lives of the assets. The estimated lives used are generally in accordance with the guidelines established by the American Hospital Association.

The costs of maintenance and repairs are charged to operating expense as incurred. The costs of significant additions, renewals, and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. Gains and losses on disposition of property and equipment are included in other income.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

9. Costs of borrowing

Costs incurred in connection with the issuance of long-term debt are amortized using the interest method over the term of the related debt.

10. Temporarily and permanently restricted net assets

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

11. Statement of operations

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as other income and expenses.

12. Net patient service revenue

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

13. Excess of expenses over revenues

The statement of operations includes *excess of expenses over revenues*. Changes in unrestricted net assets which are excluded from *excess of expenses over revenues*, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

14. Charity care

The Hospital provides care to patients who meet certain criteria under its charity care 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.

15. Donor-restricted gifts

Unconditional promises to give cash and other assets to the Hospital or the Foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

16. Income taxes

The Hospital and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Management is not aware of any uncertainties in income tax positions. For both entities, the years ended June 30, 2012, 2011, 2010, and 2009, remain subject to examination by both federal and state taxing authorities.

17. Subsequent events

The Hospital has evaluated subsequent events through December 5, 2012, which is the date the financial statements were available to be issued.

18. Adoption of accounting pronouncements

The Hospital opted during 2012 to early adopt authoritative guidance issued by the Financial Accounting Standards Board (FASB) requiring the reclassification of the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue. Additionally, the guidance requires enhanced disclosure about policies for recognizing revenue, assessing uncollectible accounts, and qualitative and quantitative information about changes in the allowance for uncollectible accounts.

19. Reclassification

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation.

NOTE B - REIMBURSEMENT PROGRAMS

The Hospital has agreements with third-party payors that provide for payments to it at amounts different from its established charge rates. The amounts reported on the balance sheets as estimated third-party payor settlements consist of the estimated differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute care and skilled nursing care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or per day. Physician services rendered to Medicare beneficiaries are paid based on a prospectively determined fee schedule. Outpatient services are paid at prospectively determined rates per occasion of service. Prospectively determined rates vary according to patient

NOTE B - REIMBURSEMENT PROGRAMS - Continued

classification systems that are based on clinical, diagnostic, and other factors. The Hospital is paid for cost reimbursable and other items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits or reviews thereof by the Medicare administrative contractor. 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. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through June 30, 2010.

Beginning with inpatient discharges occurring on or after October 1, 2010, the Hospital qualified for a special low-volume hospital add-on payment. This add-on payment will continue for discharges occurring through September 30, 2012. Unless current laws are amended, the Hospital will then no longer qualify for this special payment. This add-on totaled $576,055 and $506,900 during fiscal years 2012 and 2011, respectively.

The Hospital is classified as a Medicare dependent hospital (MDH) under the Medicare program. As a result, a large portion of its inpatient operating diagnosis related group (DRG) payments are based on its hospital-specific operating DRG rate which is substantially higher than the federal operating DRG rate upon which those payments would be based if the Hospital did not have MDH status. The benefit of MDH status was approximately $609,000 and $752,000 during fiscal years 2012 and 2011, respectively. This provision of the Medicare program expires on September 30, 2012, at which time the Hospital will then no longer receive this benefit.

Medicaid - Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or a fee-for-service basis.

The Kansas Medicaid program provides additional payments to qualifying providers under a reimbursement formula that incorporates uncompensated care costs, Kansas Medicaid utilization, public support of the provider, and other factors. The Hospital qualified for these disproportionate share payments during the past two fiscal years.

Blue Cross and Blue Shield - All services rendered to patients who are insured by Blue Cross-Blue Shield are paid on the basis of prospectively determined rates per discharge or discounts from established charges.

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

NOTE B - REIMBURSEMENT PROGRAMS - Continued

A summary of net patient service revenue follows:

	2012	2011
Gross patient service revenue	$ 41,449,531	$ 43,087,170
Contractual adjustments	(19,056,984)	(20,426,148)
Medicare low-volume add-on payments	576,055	506,900
Medicaid disproportionate share payments	317,820	214,804
Charity care	(412,854)	(559,769)
Patient service revenue	22,873,568	22,822,957
Provision for bad debts	(1,379,792)	(1,312,631)
Net patient service revenue	$ 21,493,776	$ 21,510,326

Patient service revenue, net of contractual adjustments and charity care (but before the provision for bad debts) by major payor sources is as follows:

	2012	2011
Medicare	$ 8,179,263	$ 6,685,963
Medicaid	1,099,053	1,233,041
Blue Cross	5,800,635	6,429,257
Other third-party payors	6,446,535	7,179,560
Patients	1,348,082	1,295,136
Patient service revenue	$ 22,873,568	$ 22,822,957

Revenue from the Medicare and Medicaid programs accounted for approximately 36 percent and 5 percent, respectively, of the Hospital's patient service revenue, net of contractual adjustments and charity care during 2012, and 29 percent and 5 percent, respectively, of the Hospital's patient service revenue, net of contractual adjustments and charity care during 2011. Laws and regulations governing the Medicare and Medicaid 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 service revenue was reduced during 2011 by $662,566 to reflect changes in billings for services rendered to certain patients from 2005 to 2010.

During April 2012, CMS entered into a settlement agreement with certain hospitals who claimed CMS had been improperly calculating Medicare inpatient payments made to certain hospitals for many years. The Hospital was included in the group of hospitals that entered into the settlement agreement with CMS. The agreement resulted in a payment to the Hospital of approximately $205,000. This amount is included in patient service revenue on the statements of operations.

NOTE B - REIMBURSEMENT PROGRAMS - Continued

The Hospital is dedicated to providing both services and leadership in caring for the needy and accepts all patients regardless of the ability to pay. The Hospital provides such care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since the Hospital does not attempt to collect amounts initially determined to qualify as charity care, such charges are not included in net patient service revenue. The costs incurred in providing these services of approximately $218,000 and $286,000 during the years ended June 30, 2012 and 2011, respectively, are included in the Hospital's operating expenses and are estimated using the Hospital's overall cost-to-charge ratio. In addition, the Hospital provides care for medically indigent patients covered under the Medicaid welfare program at rates substantially below standard charges.

NOTE C - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The Hospital's allowance for uncollectible accounts for self-pay patients was 72 percent and 69 percent of self-pay accounts receivable at June 30, 2012 and 2011, respectively. In addition, the Hospital's net bad debt write-offs were $1,342,407 and $1,225,530 for the years ended June 30, 2012 and 2011, respectively. The Hospital did not change its charity care or uninsured discount policies during the years ended June 30, 2012 or 2011. The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

NOTE D - INVESTMENTS AND ASSETS LIMITED AS TO USE

All investments are stated at fair value. Assets limited as to use that are required and available to meet obligations classified as current liabilities are reported in current assets.

The following is a summary of the Hospital's current investments:

	2012	2011
Certificates of deposit	$ 407,340	$ 2,186,710
Via Christi Health pooled investment account	2,291,513	
	$ 2,698,853	$ 2,186,710

NOTE D - INVESTMENTS AND ASSETS LIMITED AS TO USE - Continued

The composition of assets limited as to use is as follows:

	2012	2011
Under indenture agreements - held by trustee		
Certificates of deposit	$ -	$ 236,600
Money market funds	775,536	523,479
Interest receivable		884
	$ 775,536	$ 760,963
Under donor-imposed restrictions		
Cash	$ 276,318	$ 108,615
Certificates of deposit	157,060	157,060
	$ 433,378	$ 265,675

Investment income for assets limited as to use, cash equivalents, and other investments is comprised of the following:

	2012	2011
By type		
Interest income	$ 82,117	$ 56,636
Realized gains	24,391	
Unrealized gains	29,316	
	$ 135,824	$ 56,636
As reported in the financial statements		
Investment income	$ 103,395	$ 51,684
Other revenues	3,113	4,952
Change in net unrealized gains and losses on investments	29,316	
	$ 135,824	$ 56,636

NOTE D - INVESTMENTS AND ASSETS LIMITED AS TO USE - Continued

The folowing is a summary of the assets, liabilities, net assets, revenues and expenses, and changes in net assets of the Foundation (significant intercompany balances and transactions have been eliminated).

	2012	2011
Cash and cash equivalents	$ 150,627	$ 113,368
Pledges and bequests receivable, net	2,990	5,538
Other current assets		550
Investments	957,909	1,000,132
Property, plant, and equipment, net	2,734	1,549
Total assets	$ 1,114,260	$ 1,121,137
Accrued expenses	$ 8,391	$ 6,834
Net assets		
Unrestricted	138,575	183,517
Temporarily restricted	208,382	189,336
Permanently restricted	758,912	741,450
Total net assets	1,105,869	1,114,303
Total liabilities and net assets	$ 1,114,260	$ 1,121,137
Revenues		
Contributions	$ 183,844	$ 182,817
Investment income	19,534	127,584
Total revenues	203,378	310,401
Expenses		
Program services	25,079	711
Management and general	77,567	78,328
Fund-raising	104,350	119,363
Total expenses	206,996	198,402
Excess of revenues over (under) expenses	(3,618)	111,999
Transfer to the Hospital	(4,816)	(26,181)
Change in value of split-interest agreements		18,959
Change in net assets	$ (8,434)	$ 104,777

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2012	2011
Land and land improvements	$ 1,330,062	$ 1,330,062
Buildings, improvements, and fixed equipment	14,524,809	14,504,009
Major movable equipment	12,205,093	10,623,782
	28,059,964	26,457,853
Less accumulated depreciation and amortization	19,489,864	18,501,833
	8,570,100	7,956,020
Construction in progress	5,050	45,714
Property and equipment, net	$ 8,575,150	$ 8,001,734

Construction in progress consists of costs incurred to date for remodeling projects at the Hospital.

NOTE F - UNAMORTIZED BOND COSTS

Unamortized bond costs are summarized as follows:

	2012	2011
City of McPherson, Kansas Hospital Facility Revenue Bonds, Series 2002	$ 111,466	$ 111,466
City of McPherson, Kansas Hospital Facility Revenue Refunding Bonds, Series 2003	54,255	54,255
Less accumulated amortization	(161,961)	(155,667)
	$ 3,760	$ 10,054

NOTE G - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-term debt and capital lease obligations are summarized as follows:

	2012	2011
4.50% - 5.00% City of McPherson, Kansas Hospital Facility Revenue Bonds, Series 2002, interest payable semiannually beginning December 2002, principal payments due annually on December 1 beginning in 2003 with final maturity in 2012	$ 455,000	$ 890,000
4.00% - 4.70% City of McPherson, Kansas Hospital Facility Revenue Refunding Bonds, Series 2003, interest payable semiannually beginning May 2004, principal payments due annually on November 1 beginning in 2004 with final maturity in 2013	680,000	910,000
	1,135,000	1,800,000
Less current installments of long-term debt	695,000	665,000
Long-term debt, excluding current installments	$ 440,000	$ 1,135,000
Capital lease obligations, imputed interest rate of 0.00%, collateralized by leased equipment with an amortized cost of $6,859 at June 30, 2012	$ -	$ 4,649
Less current portion of capital lease obligations		4,649
Capital lease obligations, excluding current portion	$ -	$ -

The City of McPherson, Kansas, issued its Hospital Facility Revenue Bonds, Series 2002 (the 2002 bonds), in the amount of $3,760,000, on behalf of the Hospital pursuant to a bond trust indenture dated March 15, 2002. The proceeds of the 2002 bonds were used, together with other available funds of the Hospital and the Foundation, for the purpose of providing funds to (1) construct and equip modifications and improvements to the existing emergency room facilities and make improvements to the HVAC system of the Hospital, (2) to fund a debt service reserve for the 2002 bonds, and (3) to pay the costs of issuance of the 2002 bonds.

NOTE G - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS - Continued

The City of McPherson, Kansas, issued its Hospital Facility Revenue Refunding Bonds, Series 2003 (the 2003 Bonds), in the amount of $2,315,000, on behalf of the Hospital pursuant to a bond trust indenture dated October 15, 2003. The proceeds of the 2003 bonds were used, together with other available funds of the Hospital, for the purpose of providing funds to (1) retire the $2,270,000 of 1998 bonds outstanding at December 1, 2003, (2) fund a debt service reserve fund for the 2003 bonds, and (3) pay certain costs related to the issuance of the 2003 bonds.

The bond trust indenture and the related lease agreements require the Hospital to maintain certain deposits with a trustee. Such deposits were maintained and are included with assets limited as to use in the financial statements.

Scheduled principal repayments on long-term debt for the next two fiscal years are as follows:

Year ending June 30,	Long-term debt
2013	$ 695,000
2014	440,000
	$ 1,135,000

Total interest costs are summarized as follows:

	2012	2011
Total interest incurred	$ 66,906	$ 97,926
Amortization of deferred financing costs	6,294	9,259
Interest expense	$ 73,200	$ 107,185

NOTE H - OPERATING LEASES

The Hospital leases equipment under various operating leases. Scheduled minimum rental payments for all noncancellable operating leases with remaining terms of one year or more for the next two years are as follows:

2013	$ 86,628
2014	43,314
Total minimum future rental payments	$ 129,942

NOTE H - OPERATING LEASES - Continued

Rental expense for all operating leases consisted of the following:

	2012	2011
Minimum rentals due under leases expiring in more than one year	$ 86,628	$ 86,628
Other rents	20,484	24,540
	$ 107,112	$ 111,168

NOTE I - PENSION PLAN

The Hospital sponsors a defined-contribution pension plan that covers substantially all full-time employees who have completed one year of service. Annual contributions to the plan are based on a percentage of eligible employee compensation. The total expense of the plan for the years ended June 30, 2012 and 2011, was $283,942 and $316,451, respectively.

NOTE J - COMMITMENTS AND CONTINGENCIES

During 2004, the Hospital leased land to a physician practice under a 99-year ground lease. Annual rent began at $5,705 and increases each year based on the inflation rate for the previous year. The physician practice has built a medical office building on the land subject to the lease. The lease agreement will terminate prior to the end of its scheduled term in the event the Hospital purchases the medical office building.

The physician practice financed construction of the medical office building with proceeds of industrial revenue bonds issued by the City of McPherson (the City). The City also granted a 10-year exemption from ad valorem taxes on the building in connection with that financing. The Hospital and the physician practice have entered into an agreement requiring the Hospital to purchase the medical office building from the physician practice upon expiration of the ad valorem tax exemption. Execution of this agreement was a condition for issuance of the bonds used to finance the building. The purchase price will be the fair market value of the building at the time of purchase, subject to certain adjustments as specified in the agreement, but not less than the principal amount of the bonds outstanding at the time of purchase. It is presently estimated that the purchase price will be approximately $1,153,000.

At June 30, 2012, the carrying amount of bank deposits and certificates of deposit was $4,065,086 and the bank balances were $4,206,543. Of the bank balances, $969,096 was covered by federal depository insurance, $3,000,000 was insured by a bank deposit guaranty bond, $230,338 was covered by collateral held by a third-party bank but not registered in the Hospital's name, and $7,109 was uninsured.

NOTE J - COMMITMENTS AND CONTINGENCIES - Continued

Bank deposits are included in the financial statements under the following categories:

	Bank deposits
Cash	$ 3,224,368
Investments	407,340
Assets limited as to use	
Under donor-imposed restrictions	433,378
	$ 4,065,086

NOTE K - FUNCTIONAL EXPENSES

The Hospital provides general health care services to residents of its service area. Expenses related to providing these services are as follows:

	2012	2011
Health care services	$ 19,780,471	$ 20,355,567
General and administrative	3,438,866	3,052,518
	$ 23,219,337	$ 23,408,085

NOTE L - CONCENTRATION OF CREDIT RISK

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

	2012	2011
Medicare	34.5%	29.1%
Medicaid	5.4	7.4
Blue Cross	13.1	13.7
Other insurers	19.2	16.1
Patients	27.8	33.7
	100.0%	100.0%

NOTE M - MEDICAL MALPRACTICE INSURANCE

For the years ended June 30, 2012 and 2011, the Hospital was insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of $200,000 per occurrence up to an annual aggregate of $600,000 for all claims made during the policy year. The Hospital is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to $800,000 pursuant to any one judgment or settlement against the Hospital for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of $2,400,000. The policy provided by the independent insurance carrier provides for umbrella liability in excess of the underlying limits set forth above in the amount of $1,000,000 per occurrence with an aggregate amount in any policy year of $1,000,000. All coverage is on a claims-made basis. The above policies have been renewed for the policy period from January 1, 2012 to January 1, 2013. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified under the Hospital's incident reporting system has been made because the amount is not reasonably estimable. Based on historical experience and present conditions, it is the opinion of management that any claims or expenses related to periods prior to June 30, 2012, will have no material effect on the financial statements of the Hospital.

NOTE N - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Hospital has adopted the provisions of Financial Accounting Standards Board Accounting Standard Codification (FASB ASC) 820, *Fair Value Measurements and Disclosures*, which defines fair value, established a framework for measuring fair value, and expands disclosures about fair value measurements.

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also established a fair value hierarchy that gives highest priority to use of observable inputs and lowest priority to use of unobservable inputs. The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

Level 2 inputs to the valuation methodology are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs to the valuation methodology are unobservable, supported by little or no market activity, and are significant to the fair value measurement.

NOTE N - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used by the Hospital for assets measured at fair value on a recurring basis.

The Via Christi Health pooled investment account is valued based on the Hospital's allocation of the fair value of the underlying investments in the pooled investment account. As the Hospital's allocation does not identify with a specific investment, it has been classified as Level 3 within the fair value hierarchy. The allocation of investments within the pooled investment account is as follows:

	2012
Cash and cash equivalents	3%
Marketable equity securities	41
U.S. government obligations	22
Corporate fixed income	24
Real estate	5
Commodities	5
	100%

The following table sets forth, by level, the Hospital's assets measured at fair value on a recurring basis.

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$407,340	$ -	$ -	$ 407,340
Via Christi Health pooled investment account			2,291,513	2,291,513
	$407,340	$ -	$2,291,513	$2,698,853

Activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2012, is summarized as follows:

	Pooled investment account
Balance as of June 30, 2011	$ -
Purchases	2,200,000
Interest and dividends	37,806
Realized gains	24,391
Unrealized gains	29,316
Balance as of June 30, 2012	$2,291,513

NOTE O - RELATED PARTY TRANSACTIONS

Management fees paid to Via Christi during the fiscal years ended June 30, 2012 and 2011, totaled $660,000 and $330,450, respectively. The Hospital also reimburses Via Christi for salaries, benefits, and expenses of the chief executive and chief financial officers (see Note A1).