See a Social Security Number? Say Something!
Report Privacy Problems to https://public.resource.org/privacy
Or call the IRS Identity Theft Hotline at 1-800-908-4490

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493154003333

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
DUNCAN REGIONAL HOSPITAL INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
PO Box 2000

City or town, state or country, and ZIP + 4
Duncan, OK 73534

D Employer identification number
73-1008550

E Telephone number
(580) 855-8555

G Gross receipts $ 113,107,533

F Name and address of principal officer
Douglas Volinski
PO Box 2000
Duncan, OK 73534

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www duncanregional com

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1976

M State of legal domicile OK

Part I Summary

1 Briefly describe the organization's mission or most significant activities
PROVIDING COMPASSIONATE AND EXCEPTIONAL HEALTHCARE WHILE IMPROVING OUR COMMUNITY'S HEALTH

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**	9
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	8
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	1,158
6	Total number of volunteers (estimate if necessary)	**6**	145
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	209,533
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-67,228

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	144,744	64,992
	9 Program service revenue (Part VIII, line 2g)	89,236,335	101,359,295
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	7,368,780	3,643,603
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,528,697	3,763,362
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	100,278,556	108,831,252
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)	38,419,575	42,312,256
	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)	54,253,261	57,941,538
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	92,672,836	100,253,794
	19 Revenue less expenses Subtract line 18 from line 12	7,605,720	8,577,458

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	159,388,009	163,230,832
	21 Total liabilities (Part X, line 26)	51,432,450	50,750,367
	22 Net assets or fund balances Subtract line 21 from line 20	107,955,559	112,480,465

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

****** 2013-05-29
Signature of officer Date

DOUG VOLINSKI CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ Anne M Adams	Date	Check if self-employed ▶☐	Preparer's taxpayer identification number (see instructions)
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ BKD LLP 6120 S Yale 1400 Tulsa, OK 741364223			EIN ▶ Phone no ▶ (918) 584-2900

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

PROVIDING COMPASSIONATE AND EXCEPTIONAL HEALTHCARE WHILE IMPROVING OUR COMMUNITY'S HEALTH

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 $ 81,520,966 including grants of $ 0) (Revenue $ 101,359,295)

PROVIDING COMPASSIONATE AND EXCEPTIONAL HEALTHCARE WHILE IMPROVING OUR COMMUNITY'S HEALTH

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** ▶ $ 81,520,966

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	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		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		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e		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		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, 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**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or 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**	Yes	
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**	Yes	
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**	126		
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**	1,158			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b**	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a**	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account 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	9		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	8		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Did the organization have members or stockholders?		6		No
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		No
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		No
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	Yes	
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		No

Section C. Disclosure

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

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 ▶

CFO OF DUNCAN REG HOSP
1407 WHISENANT DRIVE
DUNCAN, OK 73533
(580) 251-8555

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) SCOTT STONE DIRECTOR	2 0	X						0	0	0
(2) SUSAN CAMP DIRECTOR	2 0	X						0	0	0
(3) LONNIE HELMS DIRECTOR	2 0	X						0	0	0
(4) JAMES MCGOURAN MD DIRECTOR	2 0	X						13,489	0	0
(5) TERRY SNIDER DIRECTOR	2 0	X						0	0	0
(6) MARILYN HUGON CHAIR	2 0	X		X				0	0	0
(7) RYAN SCOTT DDS VICE-CHAIR	2 0	X		X				0	0	0
(8) DR ROBERT WEEDN SECRETARY	10 0	X		X				2,640	0	0
(9) DR RON MILLER DIRECTOR	8 0	X						1,800	0	0
(10) JAY JOHNSON CEO	40 0			X				313,785	0	17,696
(11) DOUG VOLINSKI CFO	40 0			X				194,655	0	12,213
(12) ROGER NEAL CIO	40 0			X				141,277	0	16,639
(13) WILLIAM STEWART VP OF SOLUTIONS	40 0				X			212,047	0	30,479
(14) CYNTHIA RAUH VP PATIENT CARE SERVICES	40 0				X			173,612	0	8,047
(15) GARY BROWN VP - SUPPORT SERVICES	40 0				X			153,317	0	15,552
(16) MARK W RHOADES VP - HUMAN RESOURCES	40 0				X			145,616	0	12,364
(17) THOMAS EISER ORTHOPAEDIC SURGEON	40 0					X		423,477	0	15,891

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) JOHN MCGATH PHYSICIAN	40 0					X		284,971	0	11,440
(19) PRESTON WATERS PHYSICIAN	40 0					X		253,158	0	24,215
(20) JEHANGIR GOWANI PHYSICIAN	40 0					X		230,338	0	12,387
(21) LARRY GOSS CLINICAL PHYSICIAN	40 0					X		196,143	0	5,310

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	2,740,325	0	182,233

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 ▶ 27

			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
REHAB CARE GROUP INC PO BOX 502096 ST LOUIS, MO 631502096	INPATIENT REHAB SVCS	1,132,914
EMERGENCY STAFFING SOLUTIONS 17304 PRESTON RD STE 555 DALLAS, TX 75252	STAFFING	1,104,459
HOSPITAL CARE CONSULTANTS INC 17304 PRESTON ROAD STE 555 DALLAS, TX 75252	PHYSICIANS	1,062,720
EAGLE IMAGING MANAGEMENT GROUP LLC 3100 SW 89TH STREET OKLAHOMA CITY, OK 73159	MEDICAL IMAGING	582,111
NATIONAL WOUND CARE HYPERBARIC PO BOX 850001 DEPT 0775 ORLANDO, FL 328850775	WOUND CARE SVCS	509,440

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 ▶ 22

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 19,756				
	e	Government grants (contributions) 1e				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f 45,236				
	g	Noncash contributions included in lines 1a-1f $ _____				
	h	**Total.** Add lines 1a-1f . . . . . ▶	64,992			
Program Service Revenue		Business Code				
	2a	NET PATIENT SERVICE REVENUE	621300	97,420,271	97,420,271	
	b	HITECH STIMULUS INCENTIVE	621300	1,736,509	1,736,509	
	c	CLINIC RENT REVENUE	531120	504,329	504,329	
	d	JOINT VENTURE INCOME	722320	1,698,186	1,698,186	
	e					
	f	All other program service revenue				
	g	**Total.** Add lines 2a–2f . . . . . ▶		101,359,295		
	3	Investment income (including dividends, interest and other similar amounts) . . . . . ▶		1,707,488		1,707,488
	4	Income from investment of tax-exempt bond proceeds . . ▶		0		
	5	Royalties . . . . . ▶		0		
		(i) Real / (ii) Personal				
	6a	Gross rents 4,182				
	b	Less rental expenses				
	c	Rental income or (loss) 4,182				
	d	Net rental income or (loss) . . . . . ▶		4,182		4,182
		(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory 6,178,703 / 33,693				
	b	Less cost or other basis and sales expenses 4,242,468 / 33,813				
	c	Gain or (loss) 1,936,235 / -120				
	d	Net gain or (loss) . . . . . ▶		1,936,115		1,936,115
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 . . ▶		0		
	9a	Gross income from gaming activities See Part IV, line 19 . . . a				
	b	Less direct expenses . . . b				
	c	Net income or (loss) from gaming activities . . ▶		0		
	10a	Gross sales of inventory, less returns and allowances . a				
	b	Less cost of goods sold . . b				
	c	Net income or (loss) from sales of inventory . . ▶		0		
		Miscellaneous Revenue	Business Code			
	11a	CATERING REVENUE	722320	123,710	123,710	
	b	NON-PATIENT LAB REVENUE	621500	85,823	85,823	
	c	CAFETERIA	722210	1,111,869		1,111,869
	d	All other revenue		2,437,778	2,327,808	109,970
	e	**Total.** Add lines 11a–11d . . . . . ▶		3,759,180		
	12	**Total revenue.** See Instructions . . . ▶		108,831,252	103,687,103	209,533	4,869,624

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	0			
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	1,581,921		1,581,921	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	32,710,304	26,725,001	5,985,303	0
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	953,088	778,693	174,395	
9	Other employee benefits	4,557,994	3,723,976	834,018	
10	Payroll taxes	2,508,949	2,049,864	459,085	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	106,755		106,755	
c	Accounting	177,408		177,408	
d	Lobbying	0			
e	Professional fundraising *See Part IV, line 17*	0			
f	Investment management fees	66,998		66,998	
g	Other	13,104,875	10,706,956	2,397,919	
12	Advertising and promotion	280,876	229,482	51,394	
13	Office expenses	2,267,580	1,852,660	414,920	
14	Information technology	1,306,236		1,306,236	
15	Royalties	0			
16	Occupancy	1,596,419	1,304,308	292,111	
17	Travel	265,223	216,693	48,530	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	27,103	22,144	4,959	
20	Interest	1,434,359		1,434,359	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	7,050,023	7,050,023		
23	Insurance	707,458		707,458	
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	PROVISION FOR BAD DEBTS	14,189,356	14,189,356		
b	DIETARY	2,503,168	2,045,140	458,028	
c	PHARMACEUTICALS	1,990,761	1,990,761		
d	EQUIPMENT RENTAL & MAINTENANCE	3,439,993	2,810,546	629,447	
e					
f	All other expenses	7,426,947	5,825,363	1,601,584	
25	**Total functional expenses.** Add lines 1 through 24f	100,253,794	81,520,966	18,732,828	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		2,812,191	1	3,308,969
	2	Savings and temporary cash investments		8,558,298	2	10,190,315
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		9,854,293	4	12,565,254
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		2,010,491	8	2,271,344
	9	Prepaid expenses and deferred charges		795,496	9	1,008,399
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 133,786,057			
	b	Less accumulated depreciation	10b 69,406,208	67,507,797	10c	64,379,849
	11	Investments—publicly traded securities		59,696,836	11	63,441,702
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		2,776,951	13	1,851,095
	14	Intangible assets		1,631,097	14	1,620,177
	15	Other assets See Part IV, line 11		3,744,559	15	2,593,728
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		159,388,009	16	163,230,832
Liabilities	17	Accounts payable and accrued expenses		7,991,187	17	8,637,866
	18	Grants payable		0	18	0
	19	Deferred revenue		587,769	19	540,020
	20	Tax-exempt bond liabilities		42,853,494	20	41,572,481
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*		0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	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		0	25	0
	26	**Total liabilities.** Add lines 17 through 25		51,432,450	26	50,750,367
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		107,955,559	27	112,480,465
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
		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		107,955,559	33	112,480,465
	34	Total liabilities and net assets/fund balances		159,388,009	34	163,230,832

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	108,831,252
2	Total expenses (must equal Part IX, column (A), line 25)	2	100,253,794
3	Revenue less expenses Subtract line 2 from line 1	3	8,577,458
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	107,955,559
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-4,052,552
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	112,480,465

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		

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493154003333

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
DUNCAN REGIONAL HOSPITAL INC

Employer identification number
73-1008550

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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493154003333

SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ **Complete if the organization is described below.**
▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

If the organization answered "Yes," to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, line 35c (Proxy Tax), then

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

Name of the organization	Employer identification number
DUNCAN REGIONAL HOSPITAL INC	73-1008550

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

1 Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV

2 Political expenditures ▶ $

3 Volunteer hours

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ $

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

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

A Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ **Yes** ☐ **No**

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		6,963
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			6,963
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
1	Part II-B, Line 1F	DUNCAN REGIONAL HOSPITAL IS A MEMBER OF THE OKLAHOMA HOSPITAL ASSOCIATION AND THE AMERICAN HOSPITAL ASSOCIATION IN WHICH A PORTION OF THE DUES PAID ARE ATTRIBUTED TO LOBBYING EXPENSES

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493154003333

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
DUNCAN REGIONAL HOSPITAL INC

Employer identification number
73-1008550

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part VI 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		1,219,558		1,219,558
b Buildings		83,736,952	33,688,748	50,048,204
c Leasehold improvements		3,492,877	1,772,689	1,720,188
d Equipment		44,907,812	33,944,771	10,963,041
e Other		428,858		428,858
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				64,379,849

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

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

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

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

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

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

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
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	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

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

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

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

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

Part XIV Supplemental Information

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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493154003333

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
DUNCAN REGIONAL HOSPITAL INC

Employer identification number
73-1008550

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	Yes	
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		No
6a	Did the organization prepare a community benefit reportduring the tax year?	6a		No
6b	If "Yes," did the organization make it available to the public?	6b		
	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)			1,575,804		1,575,804	1 560 %
b Medicaid (from Worksheet 3, column a)			7,340,191	6,916,556	423,635	0 420 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			8,915,995	6,916,556	1,999,439	1 980 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	47	3,119	104,225		104,225	0 100 %
f Health professions education (from Worksheet 5)	1		287,720		287,720	0 290 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	23	581	21,904		21,904	0 020 %
j **Total** Other Benefits	71	3,700	413,849		413,849	0 410 %
k **Total.** Add lines 7d and 7j	71	3,700	9,329,844	6,916,556	2,413,288	2 390 %

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		No
2	Enter the amount of the organization's bad debt expense	2	14,189,356		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3			
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	27,329,532		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	19,609,394		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	7,720,138		
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	DUNCAN REGIONAL HOSPITAL 1407 WHISENANT DR DUNCAN,OK 73533	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)

DUNCAN REGIONAL HOSPITAL

Name of Hospital Facility: DUNCAN REGIONAL HOSPITAL

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		No
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 100%			
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 300 % 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
1	PART III, LINE 4	Accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectibility of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful 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 doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely) For receivables associated with self-pay patients (which include 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 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 or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts

Identifier	ReturnReference	Explanation
2	PART III, LINE 8	THE ORGANIZATION UTILIZES MEDICARE COST REPORT METHODOLOGY, WHICH APPORTIONS ROUTINE COSTS (ROOM AND BOARD) BASED UPON MEDICAID OR MEDICARE DAYS TO TOTAL DAYS, AND THE ANCILLARY PORTION IS APPORTIONED BASED UPON PROGRAM CHARGES TO TOTAL CHARGES

Identifier	ReturnReference	Explanation
3	PART III, LINE 9B	IN SUPPORT OF ITS MISSION, THE HOSPITAL VOLUNTARILY PROVIDES FREE CARE TO PATIENTS WHO LACK FINANCIAL RESOURCES AND ARE DEEMED MEDICALLY INDIGENT IN ACCORDANCE WITH THE HOSPITAL'S WRITTEN CHARITY CARE CRITERIA NO FURTHER COLLECTION EFFORTS ARE MADE

Identifier	ReturnReference	Explanation
4	PART VI, LINE 2	THE HOSPITAL ASSESSES COMMUNITY NEEDS ON AN ONGOING BASIS, THROUGH INVOLVEMENT IN COMMUNITY PROGRAMS AND SURVEYS WITH OUR PHYSICIANS THE HOSPITAL WILL UNDERGO THE REQUIRED COMMUNITY HEALTH NEEDS ASSESSMENT UNDER THE 501R REQUIREMENTS BY THE REQUIRED TIME

Identifier	ReturnReference	Explanation
5	PART VI, LINE 3	DUNCAN REGIONAL HOSPITAL PROVIDES MANY OPPORTUNITIES FOR PATIENT EDUCATION ON FINANCIAL ASSISTANCE THE PROGRAMS ARE OUTLINED ON THE HOSPITAL'S WEBSITE, BROCHURES ARE AVAILABLE AT EVERY REGISTRATION POINT, PRE-ADMISSION LETTERS ARE PROVIDED TO SURGERY PATIENTS THAT CONTAIN FINANCIAL ASSISTANCE INFORMATION AND APPLICATIONS ARE GIVEN TO UNINSURED PATIENTS

Identifier	ReturnReference	Explanation
6	PART VI, LINE 4	DUNCAN REGIONAL HOSPITAL IS ACTIVELY DELIVERING CARE TO THE STEPHENS COUNTY AREA WITH A BROAD RANGE OF DEMOGRAPHICS

Identifier	ReturnReference	Explanation
7	PART VI, LINE 5	DUNCAN REGIONAL HOSPITAL PROMOTES THE OVERALL HEALTH OF THE COMMUNITY BY CONTINUALLY WORKING TO BRING QUALITY PHYSICIANS TO PARTICIPATE IN OUR OPEN MEDICAL STAFF SURPLUS FUNDS ARE REINVESTED INTO THE ORGANIZATION TO IMPROVE THE QUALITY OF SERVICES TO THE COMMUNITY

Identifier	ReturnReference	Explanation
8	PART V, LINE 19D	ON KNOWN FAP-ELIGIBLE PATIENTS, THE AMOUNT CHARGED IS BASED ON INCOME LEVELS AND INSURANCE STATUS THE PATIENT WOULD COMPLETE A CHARITY APPLICATION FROM THAT INFORMATION, WE WOULD DETERMINE WHERE THEIR INCOME FELL ON THE FEDERAL POVERTY GUILDELINE GRID 100% OF FPG = 100% DISCOUNT 101%-125% = 75% DISCOUNT 126%-150% = 50% DISCOUNT 151%-175% = 25% DISCOUNT 176%-300% = MEDICARE RATE

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493154003333

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
DUNCAN REGIONAL HOSPITAL INC

Employer identification number
73-1008550

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax idemnification and gross-up payments	☑ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
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**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**	Yes	
	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**	Yes	
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) JAY JOHNSON	(i)	281,722	32,063	0	10,623	7,073	331,481	0
	(ii)	0	0	0	0	0	0	0
(2) WILLIAM STEWART	(i)	212,047	0	0	23,406	7,073	242,526	0
	(ii)	0	0	0	0	0	0	0
(3) DOUG VOLINSKI	(i)	181,723	12,932	0	6,903	5,310	206,868	0
	(ii)	0	0	0	0	0	0	0
(4) CYNTHIA RAUH	(i)	162,746	10,866	0	5,835	2,212	181,659	0
	(ii)	0	0	0	0	0	0	0
(5) GARY BROWN	(i)	143,519	9,798	0	4,932	10,620	168,869	0
	(ii)	0	0	0	0	0	0	0
(6) MARK W RHOADES	(i)	135,569	10,047	0	5,291	7,073	157,980	0
	(ii)	0	0	0	0	0	0	0
(7) ROGER NEAL	(i)	132,082	9,195	0	5,007	11,632	157,916	0
	(ii)	0	0	0	0	0	0	0
(8) THOMAS EISER	(i)	423,477	0	0	10,581	5,310	439,368	0
	(ii)	0	0	0	0	0	0	0
(9) JOHN MCGATH	(i)	284,971	0	0	6,725	4,715	296,411	0
	(ii)	0	0	0	0	0	0	0
(10) PRESTON WATERS	(i)	253,158	0	0	12,652	11,563	277,373	0
	(ii)	0	0	0	0	0	0	0
(11) JEHANGIR GOWANI	(i)	230,338	0	0	5,314	7,073	242,725	0
	(ii)	0	0	0	0	0	0	0
(12) LARRY GOSS	(i)	196,143	0	0	0	5,310	201,453	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
1	PART I, LINE 1A	THE ORGANIZATION PAID THE CEO'S COUNTRY CLUB DUES ANY PERSONAL USE IS INCLUDED AS TAXABLE COMPENSATION ON THE CEO'S W-2
2	PART I, LINE 4B	THE FOLLOWING INDIVIDUALS PARTICPIATED IN A SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN DESCRIBED IN 457(F) JAY JOHNSON DOUG VOLINSKI CYNTHIA RAUH MARK RHOADES ROGER NEAL
3	PART I, LINE 4C	THE FOLLOWING INDIVIDUALS PARTICIPATED IN A 409(A) PLAN WILLIAM STEWART PRESTON WATERS
4	Schedule J, Part I, Line 7	Senior management is paid variable compensation based upon goals approved by the governing board annually The goals vary year to year There is a fixed percentage set at the beginning of the year when the goals are approved A percentage of that amount is paid based on the achievement of those goals

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493154003333

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
DUNCAN REGIONAL HOSPITAL INC

Employer identification number
73-1008550

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	THE OKLAHOMA DEVELOPMENT FINANCE AUTHORITY	73-1083741	678910CB4	01-07-2004	30,368,690	BONDS 2003A		X		X		X
B	THE OKLAHOMA DEVELOPMENT FINANCE AUTHORITY	73-1083741	67909PBG9	10-31-2008	20,000,000	BONDS 2008		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	8,680,000	0		
2	Amount of bonds defeased	0	0		
3	Total proceeds of issue	30,368,690	20,023,920		
4	Gross proceeds in reserve funds	2,425,118	0		
5	Capitalized interest from proceeds	0	0		
6	Proceeds in refunding escrow	0	0		
7	Issuance costs from proceeds	225,000	416,539		
8	Credit enhancement from proceeds	0	0		
9	Working capital expenditures from proceeds	0	0		
10	Capital expenditures from proceeds	27,719,734	19,607,382		
11	Other spent proceeds	0	0		
12	Other unspent proceeds	0	0		
13	Year of substantial completion	2005	2009		

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X				
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?		X		X				
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 ▶	0 %		0 %					
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
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?	X		X					

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X				
2	Is the bond issue a variable rate issue?		X	X					
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X				
b	Name of provider	0		0					
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X		X				
b	Name of provider	0		0					
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X				
6	Did the bond issue qualify for an exception to rebate?	X		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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493154003333

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
DUNCAN REGIONAL HOSPITAL INC

Employer identification number
73-1008550

Identifier	Return Reference	Explanation
1	FORM 990, PART VI, LINE 11	The form 990 was prepared and reviewed by an outside accounting firm and reviewed internally by management Prior to filing, copies of the 990 were distributed to Board Members at a Board Meeting Time was provided for review and questions at the meeting Board members were offered copies to take with them after the meeting
2	FORM 990, PART VI, LINE 12C	BOARD MEMBERS ARE REQUIRED TO DISCLOSE ANNUALLY INTERESTS THAT COULD GIVE RISE TO CONFLICTS IF A BOARD MEMBER BELIEVES THAT HE OR SHE MAY HAVE A CONFLICT OF INTEREST, THEN THE CONFLICT SHOULD BE IMMEDIATELY DISCLOSED THE BOARD MEMBER MAY LEAVE THE BOARD MEETING AND THE REMAINING BOARD DISCUSSES AND VOTES ON IF A CONFLICT OF INTEREST EXISTS IF ITS DECIDED THAT A CONFLICT EXISTS, THE AFFECTED BOARD MEMBER SHOULD ABSTAIN FROM ANY ACTION TO THE INTEREST AND SHOULD ABSENT HIMSELF OR HERSELF FROM ANY PORTION OF ANY PROCEEDINGS AT WHICH ACTION IS CONSIDERED OR TAKEN REGARDING THE INTEREST
3	FORM 990, PART VI, LINE 15	THE COMPENSATION COMMITTEE OF THE BOARD SETS THE EXECUTIVE TEAM'S SALARY THEY RELY HEAVILY ON SALARY SURVEY DATA AND RECOMMENDATIONS FROM A NATIONAL CONSULTING FIRM
4	FORM 990, PART VI, LINE 19	THE ORGANIZATION DOES NOT MAKE ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC
5	FORM 990, PART X1, LINE 5	UNREALIZED GAIN/LOSS (4,272,056) EQUITY IN ADVANCED MEDICAL SUPPLY 219,504 ---------- (4,052,552)
6	Explanation for Amended Return	The return is being amended to correct Schedule H, Part I, Line 7a The amount of financial assistance at cost was originally reported incorrectly The return now reflects the correct amount

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493154003333

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
DUNCAN REGIONAL HOSPITAL INC

Employer identification number
73-1008550

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
(1) SOLUTIONS PHYS PRACTICE MGMT 2210 DUNCAN REGIONAL LOOP ROAD DUNCAN, OK 73533 26-0618405	PRACTICE MGMT	OK	5,406,095	1,503,883	NA
(2) ADVANCED MEDICAL SUPPLY LLC 1503 NORTH HIGHWAY 81 SUITE A DUNCAN, OK 73533 73-1539867	DME	OK	1,958,847	1,337,803	NA

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) DRH HEALTH FOUNDATION INC 14407 WHISENANT DRIVE DUNCAN, OK 73533 20-2772056	SUPPORT ORG	OK	501(C)(3)	13	NA		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
(1) DRH IMAGING LLC 1407 WHISENANT DRIVE DUNCAN, OK 73534 20-8849754	RADIOLOGY SVC	OK	NA	RELATED	1,200,078	687,925		No	0		No	82 067 %
(2) DUNCAN HEALTHCARE REALTY LLC 1407 WHISENANT DR DUNCAN, OK 73534 20-8849833	REAL ESTATE	OK	NA	INVESTMENT	107,840	840,290		No	0		No	36 750 %

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.)

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III or IV			
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		No
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	Yes	

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) DRH IMAGING LLC	R	1,107,900	CASH
(2) DUNCAN HEALTHCARE REALTY LLC	R	172,998	CASH
(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	

Duncan Regional Hospital, Inc.

Accountants' Report and Consolidated Financial Statements

June 30, 2012 and 2011

BKD LLP
CPAs & Advisors

Duncan Regional Hospital, Inc.

June 30, 2012 and 2011

Contents

BKD LLP
CPAs & Advisors

Two Warren Place
6120 S Yale Avenue, Suite 1400
Tulsa, OK 74136-4223
918 584 2900 Fax 918 584 2931 www bkd com

Independent Accountants' Report

Board of Directors
Duncan Regional Hospital, Inc
Duncan, Oklahoma

We have audited the accompanying consolidated balance sheets of Duncan Regional Hospital, Inc (the Hospital) as of June 30, 2012 and 2011, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended These consolidated financial statements are the responsibility of the Hospital's management Our responsibility is to express an opinion on these consolidated 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

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

As discussed in *Note 1*, in 2012, the Hospital changed its method of presentation and disclosure of patient service revenue, provision for uncollectible accounts and the allowance for doubtful accounts in accordance with Accounting Standards Update 2011-07

BKD, LLP

November 16, 2012

Duncan Regional Hospital, Inc.

Consolidated Balance Sheets

June 30, 2012 and 2011

Assets

	2012	2011
Current Assets		
Cash and cash equivalents	$ 4,198,438	$ 4,599,931
Short-term investments	-	307,716
Assets limited as to use – current	663,674	632,687
Patient accounts receivable, net of allowance, 2012 – $13,145,000, 2011 – $9,472,000	11,571,979	9,907,771
Other receivables	566,105	138,010
Estimated amounts due from third-party payers	-	525,000
Supplies	2,271,344	2,367,888
Prepaid expenses and other	1,030,487	801,215
Total current assets	20,302,027	19,280,218
Assets Limited as to Use		
Internally designated	70,536,215	64,878,769
Held by trustee	3,095,802	3,068,649
	73,632,017	67,947,418
Less amount required to meet current obligations	663,674	632,687
	72,968,343	67,314,731
Property and Equipment, at Cost		
Property and equipment	139,575,459	136,968,448
Less accumulated depreciation	72,095,231	65,612,531
	67,480,228	71,355,917
Other Assets		
Deferred financing costs	780,270	863,920
Assets held by third party	1,902,006	2,280,788
Interest in net assets of DRH Health Foundation	6,046,885	5,834,508
Other	3,048,983	3,630,991
	11,778,144	12,610,207
Total assets	$ 172,528,742	$ 170,561,073

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

	2012	2011
Current Liabilities		
Current maturities of long-term debt	$ 1,348,538	$ 1,283,538
Accounts payable	1,857,248	2,924,955
Accrued salaries and withholding	1,425,569	1,098,895
Accrued interest payable	91,024	96,558
Estimated amounts due to third-party payers	195,000	-
Accrued paid days off	2,281,280	2,181,050
Other accrued expenses	2,760,202	2,397,710
Total current liabilities	9,958,861	9,982,706
Long-Term Debt	40,223,943	41,569,956
Total liabilities	50,182,804	51,552,662
Net Assets		
Unrestricted net assets		
Duncan Regional Hospital, Inc	114,287,634	111,032,252
Noncontrolling interest	2,011,419	2,141,651
Temporarily restricted net assets	6,046,885	5,834,508
Total net assets	122,345,938	119,008,411
Total liabilities and net assets	$ 172,528,742	$ 170,561,073

Duncan Regional Hospital, Inc.

Consolidated Statements of Operations

Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Revenues, Gains and Other Support		
Patient service revenue (net of contractual discounts and allowances)	$ 98,597,865	$ 92,972,262
Provision for uncollectible accounts	(14,189,356)	(14,361,405)
Net patient service revenue less provision for uncollectible accounts	84,408,509	78,610,857
Other	4,835,199	4,294,818
Total unrestricted revenues, gains and other support	89,243,708	82,905,675
Expenses		
Salaries and wages	35,000,009	32,298,083
Employee benefits	7,588,799	6,783,266
Supplies and other	12,669,328	12,044,759
Purchased services and professional fees	10,844,508	11,977,100
Maintenance and utilities	4,379,195	4,317,385
Insurance	805,553	666,255
Other	3,770,553	4,022,625
Depreciation and amortization	7,773,667	7,918,615
Interest	1,434,359	1,761,367
Total expenses	84,265,971	81,789,455
Operating Income	4,977,737	1,116,220
Other Income (Expense)		
Investment return	(1,292,449)	9,537,359
Loss on extinguishment of debt	-	(391,321)
Unrestricted contributions	65,217	167,477
Total other income (expense)	(1,227,232)	9,313,515
Excess of Revenues over Expenses	3,750,505	10,429,735
Distributions to noncontrolling interest	(625,355)	(662,085)
Purchase of units in noncontrolling interest	-	(1,679,370)
Sale of units in noncontrolling interest	-	854,332
Increase in Unrestricted Net Assets	$ 3,125,150	$ 8,942,612

Duncan Regional Hospital, Inc.

Consolidated Statements of Changes in Net Assets

Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Net Assets		
Excess of revenues over expenses	$ 3,750,505	$ 10,429,735
Distributions to noncontrolling interest	(625,355)	(662,085)
Purchase of units in noncontrolling interest	-	(1,679,370)
Sale of units in noncontrolling interest	-	854,332
Increase in unrestricted net assets	3,125,150	8,942,612
Temporarily Restricted Net Assets		
Change in interest in net assets of DRH Health Foundation	212,377	770,352
Increase in temporarily restricted net assets	212,377	770,352
Change in Net Assets	3,337,527	9,712,964
Net Assets, Beginning of Year	119,008,411	109,295,447
Net Assets, End of Year	$ 122,345,938	$ 119,008,411

Duncan Regional Hospital, Inc.

Consolidated Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	2012	2011
Operating Activities		
Change in net assets	$ 3,337,527	$ 9,712,964
Change in net assets attributable to noncontrolling interest	130,232	(638,185)
Change in net assets attributable to Duncan Regional Hospital, Inc	3,467,759	9,074,779
Items not requiring (providing) cash		
Depreciation and amortization	7,773,667	7,918,615
Provision for uncollectible accounts	14,189,356	14,361,405
Net change in unrealized gains and losses on investments	4,272,056	(2,724,452)
Loss on investment in equity investee	601,527	537,761
Change in interest in net assets of DRH Health Foundation	(212,377)	(770,352)
(Gain) loss on sale of equipment	109,511	(1,997)
Changes in		
Patient and other accounts receivable, net	(16,281,659)	(12,936,579)
Estimated amounts due to/from third-party payers	720,000	1,135,000
Supplies, prepaid expenses and other assets	550,931	849,775
Accounts payable and accrued expenses	(283,845)	742,677
Noncontrolling interest in net income of subsidiaries	(130,232)	638,185
Net cash provided by operating activities	14,776,694	18,824,817
Investing Activities		
Proceeds from sale of property and equipment	64,009	44,993
Purchase of property and equipment	(4,003,861)	(4,016,873)
Advances to and investments in equity investees	(77,823)	(1,050,286)
Net sales (purchases) of short-term investments	307,716	(2,954)
Purchase of internally designated funds	(16,108,205)	(27,475,255)
Proceeds from disposition of internally designated funds	6,178,703	20,546,168
Net change in assets held by third party	378,782	(188,862)
Net sales (purchases) of trustee-held funds	(27,153)	(2,793)
Net cash used in investing activities	(13,287,832)	(12,145,862)
Financing Activities		
Principal payments on long-term debt	(1,265,000)	(7,180,289)
Distributions paid to noncontrolling interests	(625,355)	(962,085)
Net cash used in financing activities	(1,890,355)	(8,142,374)
Decrease in Cash and Cash Equivalents	(401,493)	(1,463,419)
Cash and Cash Equivalents, Beginning of Year	4,599,931	6,063,350
Cash and Cash Equivalents, End of Year	$ 4,198,438	$ 4,599,931
Supplemental Cash Flows Information		
Interest paid	$ 1,439,893	$ 1,782,475

Duncan Regional Hospital, Inc.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Duncan Regional Hospital, Inc (the Hospital) is located in Duncan, Oklahoma The Hospital is licensed to operate 132 acute care, 16 skilled nursing and 19 rehabilitation beds The Hospital primarily earns revenues by providing inpatient, outpatient, emergency, skilled nursing, rehabilitation and home health care services to patients in Stephens County, Oklahoma

Principles of Consolidation

The consolidated financial statements include the accounts of the Hospital, Solutions Physician Practice Management, L L C (Solutions), Advanced Medical Supply, L L C (AMS), DRH Imaging, LLC (Imaging) and Duncan Healthcare Realty, LLC (Realty)

Solutions is a wholly owned taxable subsidiary of the Hospital Solutions provides physician practice management services as well as operates physician clinics in Stephens County

During 2011, AMS became a wholly owned taxable subsidiary of the Hospital (see *Note 14*) Prior to 2011, the Hospital owned 60% of AMS AMS operates a durable medical equipment company in the Duncan, Oklahoma, area

The Hospital owns a majority interest in Imaging, which was developed to provide outpatient radiology and imaging services for the residents of southwest Oklahoma

Prior to 2011, the Hospital owned a majority interest in Realty During 2011, the Hospital sold part of its interest and became a minority owner (see *Note 14*) However, the Hospital maintained control of Realty and, therefore, continues to include Realty in the accompanying consolidated financial statements Realty was developed to construct and own a building to house the operations of Imaging

The other members' interest in AMS, Imaging and Realty is accounted for as noncontrolling interest in the Hospital's financial statements All significant intercompany accounts and transactions have been eliminated in consolidation

Noncontrolling Interest

Noncontrolling interest represents the other members' interest in Imaging, Realty and AMS owned by outside investors Effective July 1, 2010, the Hospital adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-810-45, *Not-for-Profit Entities Mergers and Acquisitions* Upon adoption, minority interest previously presented in the mezzanine section of the balance sheet has been retrospectively reclassified as noncontrolling interest within net assets In addition, the accompanying consolidated statements of operations and changes in net assets have been retrospectively revised to include the changes in net assets attributable to the noncontrolling interest Beginning July 1, 2010, losses attributable to the noncontrolling interest will be allocated to the noncontrolling interest even if the carrying amount of the noncontrolling interest is reduced below zero Any changes in ownership after July 1, 2010, that do not result in a loss of control will be prospectively accounted for as net asset transactions

Changes in consolidated unrestricted net assets attributable to the controlling financial interest of the Hospital and the noncontrolling interest are

	Total	Controlling Interest	Noncontrolling Interest
Balance, July 1, 2010	$ 104,231,290	$ 102,727,824	$ 1,503,466
Excess of revenues over expenses	10,429,736	10,171,151	258,585
Distributions to noncontrolling interest	(662,085)	-	(662,085)
Purchase of units in noncontrolling interest	(1,679,370)	(1,661,751)	(17,619)
Sale of units in noncontrolling interest	854,332	(204,972)	1,059,304
Change in net assets	8,942,613	8,304,428	638,185
Balance, June 30, 2011	113,173,903	111,032,252	2,141,651
Excess of revenues over expenses	3,750,505	3,255,382	495,123
Distributions to noncontrolling interest	(625,355)	-	(625,355)
Change in net assets	3,125,150	3,255,382	(130,232)
Balance, June 30, 2012	$ 116,299,053	$ 114,287,634	$ 2,011,419

The change in temporarily restricted net assets related only to the controlling interest

Use of Estimates

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

Cash and Cash Equivalents

The Hospital considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents At June 30, 2012 and 2011, cash equivalents consisted primarily of money market accounts with brokers

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to $250,000 At June 30, 2011, the Hospital's and consolidated entities' cash accounts exceeded federally insured limits by approximately $2,258,000

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transactions accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value The investment in equity investees is reported on the equity method of accounting Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized and unrealized gains and losses on other investments Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets

Assets Limited as to Use

Assets limited as to use include 1) assets held by trustee and 2) assets set aside by the Board of Directors for future capital improvements and health insurance payments over which the Board retains control and may, at its discretion, subsequently use for other purposes Amounts required to meet current liabilities of the Hospital are included in current assets

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectibility of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful 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 doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely)

For receivables associated with self-pay patients (which include 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 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 or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts

The Hospital's allowance for doubtful accounts increased by 39% primarily due to an increase in overall patient accounts receivable of approximately $12,900,000 or 38% and an increase in self-pay accounts receivable of approximately $1,808,000 or 37% at June 30, 2012, compared to June 30, 2011

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset

The estimated useful lives for each major depreciable classification of property and equipment are as follows

Land improvements	10–25 years
Buildings and improvements	5–40 years
Fixed equipment	5–20 years
Major moveable equipment	3–15 years

Donations of property and equipment are reported at fair market value as an increase in unrestricted net assets unless use of the assets is restricted by the donor Monetary gifts that must be used to acquire property and equipment are reported as restricted support The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt Such costs are being amortized over the term of the respective debt using the straight-line method and are included in other assets in the accompanying consolidated balance sheets

Interest in Net Assets of DRH Health Foundation

DRH Health Foundation (the Foundation) and the Hospital are financially interrelated organizations The Foundation seeks private support for and holds net assets on behalf of the Hospital The Hospital accounts for its interest in the net assets of the Foundation (the Interest) in a manner similar to the equity method Changes in the Interest are included in change in net assets Transfers of assets between the Foundation and the Hospital are recognized as increases or decreases in the Interest

Temporarily and Permanently Restricted Net Assets

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

Goodwill

In 2007, the Hospital acquired a majority ownership in Advanced Medical Supply, LLC (AMS), a durable medical equipment company based in Duncan, Oklahoma, for a total cost of $996,000, which was paid in cash Goodwill of approximately $790,000 was recognized as part of this transaction and, through June 30, 2010, was being amortized over five years In 2011, the Hospital acquired the remaining ownership interest in AMS for a total cost of approximately $1,691,000, which was paid in cash Goodwill of approximately $1,267,000 was recognized as part of this 2011 transaction Other assets in the accompanying consolidated balance sheets at June 30, 2012 and 2011, include approximately $1,583,000 of goodwill, net of amortization

Effective July 1, 2010, goodwill is tested annually for impairment If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value Subsequent increases in goodwill value are not recognized in the accompanying consolidated financial statements No impairment was recognized in the accompanying consolidated financial statements

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive adjustments under payment arrangements with third-party payers Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received Gifts received with donor stipulations are reported as either temporarily or permanently restricted support When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor

Excess of Revenues over Expenses

The accompanying consolidated statements of operations include excess of revenues over expenses Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets)

Income Taxes

The Hospital has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law However, the Hospital is subject to federal income tax on any unrelated business taxable income

AMS, Solutions, Imaging and Realty members elected to have each company's income taxed as a partnership under provisions of the Internal Revenue Code and a similar section of the state income tax law Therefore, taxable income or loss is reported to the individual members for inclusion in their respective tax returns and no provision for federal and state income taxes is included in these statements

The Hospital, AMS, Imaging and Realty file tax returns in the U S federal jurisdiction With a few exceptions, these entities are no longer subject to U S federal or state examinations by tax authorities for years before 2008

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Accountants' Report, which is the date the consolidated financial statements were available to be issued

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR) Payments under the Medicare program are generally made for up to four years based on a statutory formula Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services Payment under both programs are contingent on the Hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period The final amount for any payment year is determined based upon an audit by the administrative contractor Events could occur that would cause the final amounts to differ materially from the initial payments under the program

The Hospital recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period

In 2012 and 2011, the Hospital completed the first-year requirements under both the Medicare and Medicaid programs, respectively, and has recorded revenue of approximately $1,737,000 and $549,000, respectively, which are included in other revenue within operating revenues in the accompanying consolidated statements of operations

Change in Accounting Principle

In 2012, the Hospital changed its method of presentation and disclosure of patient service revenue, provision for uncollectible accounts and the allowance for doubtful accounts in accordance with Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts and the Allowance for Doubtful Accounts for Certain Health Care Entities* The major changes associated with ASU 2011-07 are to reclassify the provision for uncollectible accounts to a deduction from patient service revenue and to provide enhanced disclosures around the Hospital's policies related to uncollectible accounts The change had no effect on prior year net income

Supplemental Hospital Offset Payment Program

On January 17, 2012, the Centers for Medicare and Medicaid Services (CMS) approved the State of Oklahoma's Supplemental Hospital Offset Payment Program (SHOPP) The SHOPP program is retroactive back to July 1, 2011, and is currently scheduled to sunset on December 31, 2014 The SHOPP program is designed to assess Oklahoma hospitals a supplemental hospital offset fee which will be placed in pools after receiving federal matching funds The total fees and matching funds will then be allocated to hospitals as directed by legislation

During the current year, the Hospital received approximately $2,465,000 in SHOPP funds and paid approximately $1,918,000 in SHOPP assessment fees, which are the estimated annual amounts to be received and paid by the Hospital over the term of the SHOPP program The SHOPP revenue is recorded as part of net patient service revenue and the SHOPP assessment fees are recorded as part of other expenses on the accompanying consolidated statements of operations

Reclassifications

Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the 2012 consolidated financial statement presentation These reclassifications had no effect on the change in net assets

Note 2: Net Patient Service Revenue

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided This provision for bad debts is presented on the accompanying consolidated statements of operations as a component of net patient service revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates These payment arrangements include

- **Medicare** – Inpatient acute care services, inpatient skilled nursing services, inpatient rehabilitation services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates These rates vary according to patient classification systems that are based on clinical, diagnostic, acuity and other factors The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor The Hospital's Medicare cost reports have been audited by the Medicare administrative contractor through June 30, 2009

- **Medicaid** – Inpatient services provided to the state's Medicaid program beneficiaries are reimbursed on a prospective per discharge method with no retroactive adjustments Outpatient services are reimbursed on a fee schedule basis with no retroactive adjustments These payment rates vary according to a patient classification system that is based on clinical, diagnostic and other factors

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change As a result, it is reasonably possible that recorded estimates will change materially in the near term

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

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the year ended June 30, 2012, was approximately

Medicare	$ 41,685,000
Medicaid	10,807,000
Other third-party payers	35,261,000
Patients	10,845,000
	$ 98,598,000

Note 3: Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements The mix of net receivables from patients and third-party payers at June 30, 2012 and 2011, was

	2012	2011
Medicare	44%	41%
Medicaid	7%	8%
Other third-party payers	48%	48%
Patients	1%	3%
	100%	100%

Note 4: Investments and Investment Return

At June 30, 2012 and 2011, investments consist of the following

	2012	2011
Cash and interest-bearing cash accounts	$ 1,173,237	$ 580,333
Money market mutual funds	8,913,544	7,871,788
Mutual funds		
Domestic corporate bond funds	3,389,499	10,426,855
U S government and agencies securities funds	11,249,968	8,053,528
Hedge funds	6,672,989	-
Domestic equities funds	18,241,714	21,621,686
Foreign equities funds	13,528,188	10,584,955
Commodity linked funds	3,460,830	2,962,629
Fixed income funds	3,288,970	3,997,336
Asset-backed securities funds	3,609,544	2,049,847
Interest receivable	103,534	106,177
	$ 73,632,017	$ 68,255,134

The above investments are shown in the accompanying consolidated balance sheets as follows

	2012	2011
Assets Limited as to Use		
Internally designated for capital improvements		
Cash and interest-bearing cash accounts	$ 752,219	$ 426,835
Money market mutual funds	5,817,742	4,779,273
Mutual funds		
Domestic corporate bond funds	3,389,499	10,426,855
U S government and agencies securities funds	11,249,968	7,364,729
Hedge funds	6,672,989	-
Domestic equities funds	18,241,714	21,621,686
Foreign equities funds	13,528,188	10,584,955
Commodity linked funds	3,460,830	2,962,629
Fixed income funds	3,288,970	3,997,336
Asset-backed securities funds	3,609,544	2,049,847
Interest receivable	103,534	102,050
	70,115,197	64,316,195
Internally designated for health insurance		
Cash and interest-bearing cash accounts	421,018	153,498
Money market mutual funds	-	15,592
U S government and agencies securities funds	-	391,469
Interest receivable	-	2,015
	421,018	562,574
Total internally designated funds	70,536,215	64,878,769
Held by trustee under indenture agreement		
Money market mutual funds	3,095,802	3,068,649
	3,095,802	3,068,649
Current Assets		
Money market mutual funds	-	8,274
U S government and agencies securities funds	-	297,330
Interest receivable	-	2,112
	-	307,716
	$ 73,632,017	$ 68,255,134

Total investment return is comprised of the following

	2012	2011
Interest and dividend income	$ 1,561,969	$ 1,694,865
Loss from joint venture investments	(601,527)	(537,761)
Realized gains on sales of securities, net	2,019,165	5,655,803
Unrealized gain (loss) on trading securities, net	(4,272,056)	2,724,452
	$ (1,292,449)	$ 9,537,359

Total investment return of $(1,292,449) and $9,537,359, is reflected in the accompanying consolidated statements of operations for the years ended June 30, 2012 and 2011, respectively, as investment return

The Hospital invests in various investment securities Investment securities are exposed to various risks, such as interest rate, market and credit risks Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets

Note 5: Property and Equipment

Property and equipment as of June 30, 2012 and 2011, were as follows

	2012	2011
Land and land improvements	$ 4,150,458	$ 4,150,458
Buildings and improvements	86,843,594	86,098,870
Fixed equipment	1,936,364	1,936,364
Major moveable equipment	45,709,068	44,401,846
Construction in progress	935,975	380,910
	139,575,459	136,968,448
Less accumulated depreciation	72,095,231	65,612,531
	$ 67,480,228	$ 71,355,917

Note 6: Interest in Net Assets of DRH Health Foundation

DRH Health Foundation (the Foundation) was established in 2005 to solicit contributions principally for funding a portion of the Hospital's capital improvements, debt service and operating expenses. Funds are distributed to the Hospital as determined by the Foundation's Board of Directors. The Hospital's interest in the net assets of the Foundation is accounted for in a manner similar to the equity method. Changes in the interest are included in change in net assets. Transfers of assets between the Foundation and the Hospital are recognized as increases or decreases in the interest in the net assets of the Foundation with corresponding decreases or increases in the assets transferred and have no effect on change in net assets. The Hospital's interest in the net assets of the Foundation is reported in the accompanying consolidated balance sheets as $6,046,885 and $5,834,508 at June 30, 2012 and 2011, respectively.

Note 7: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Under such a policy, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims cost, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate cost of the incidents. Based upon the Hospital's claims experience, an accrual for medical malpractice claims of approximately $400,000 and $296,000 had been made as June 30, 2012 and 2011, respectively. It is reasonably possible that this estimate could change materially in the near term.

In 2012, the Hospital adopted the provisions of ASU 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*, which eliminates the practice of netting claim liabilities with expected insurance recoveries for balance sheet presentation. Claim liabilities are to be determined without consideration of insurance recoveries and expected recoveries are to be presented separately. Prior to the adoption of ASU 2010-24, accounting principles generally accepted in the United States of America required a health care provider to accrue only an estimate of the malpractice claims costs for both reported claims and claims incurred but not reported where the risk of loss had not been transferred to a financially viable insurer. There was no material impact of the ASU adoption to the Hospital's financial statements.

Note 8: Long-Term Debt

	2012	2011
Series 2003A Revenue Bonds (A)	$ 21,572,481	$ 22,853,494
Series 2008 Revenue Bonds (B)	20,000,000	20,000,000
	41,572,481	42,853,494
Less current maturities	1,348,538	1,283,538
	$ 40,223,943	$ 41,569,956

(A) Series 2003A Hospital Revenue Bonds (2003A Bonds) consist of Hospital Revenue Bonds in the original amount of $30,000,000 dated December 1, 2003, which bear interest at 2 5% to 5 25% The 2003A Bonds are payable in annual installments through December 1, 2023 The Hospital is required to make monthly deposits to the debt service fund of approximately $227,000 All of the 2003A Bonds still outstanding may be redeemed at the Hospital's option on or after December 1, 2013 The redemption price is 102% decreasing to 100% on or after December 1, 2015

The Oklahoma Development Finance Authority (the Authority) issued the 2003A Bonds on behalf of the Hospital The 2003A Bonds are secured by the net revenues and accounts receivable of the Hospital and the assets restricted under the bond indenture agreement The 2003A Bonds have not been guaranteed by the Authority

The indenture agreement requires that certain funds be established with the trustee Accordingly, these funds are included as assets limited as to use held by trustee in the accompanying consolidated financial statements The indenture agreement also requires the Hospital to comply with certain restrictive covenants, including maintaining minimum insurance coverage, maintaining a maximum annual debt-service coverage ratio of at least 1 1 to 1 0 and restrictions on incurrence of additional debt

When the 2003A Bonds were issued, $14,425,000 was sold at a premium of approximately $685,000 while the remaining $15,575,000 was sold at a discount of approximately $315,000 The outstanding balance of the 2003A Bonds at June 30, 2012 and 2011, is as follows

	2012	2011
Principal amount	$ 21,320,000	$ 22,585,000
Less unamortized discount	(215,557)	(229,227)
Plus unamortized premium	468,038	497,721
Net amount outstanding	$ 21,572,481	$ 22,853,494

(B) Series 2008 Variable Rate Demand Health Facilities Revenue Bonds (2008 Bonds) consist of Variable Rate Demand Health Facilities Revenue Bonds in the original amount of $20,000,000 dated October 1, 2008 Interest for the 2008 Bonds is payable monthly at rates which vary based on a daily rate as determined by remarketing activities (0 30% and 0 10% per annum at June 30, 2012 and 2011, respectively) The principal of the 2008 Bonds is payable in whole on December 1, 2038

The Authority issued the 2008 Bonds on behalf of the Hospital The 2008 Bonds are secured by the net revenues and accounts receivable of the Hospital and the assets restricted under the bond indenture agreement The 2008 Bonds have not been guaranteed by the Authority Additionally, the 2008 Bonds are secured by an irrevocable letter of credit issued by Bank of America

The indenture agreement requires that certain funds be established with the trustee Accordingly, these funds are included as assets limited as to use held by trustee in the accompanying consolidated financial statements The indenture agreement also requires the Hospital to comply with certain restrictive covenants, including minimum insurance coverage, maintaining a maximum annual debt-service coverage ratio of at least 1 1 to 1 0 and restrictions on incurrence of additional debt

Aggregate annual maturities of long-term debt at June 30, 2012, are

2013	$ 1,348,538
2014	1,418,538
2015	1,488,539
2016	1,563,539
2017	1,643,539
Thereafter	34,109,788
	$ 41,572,481

Revolving Line of Credit

The Hospital also has a revolving line of credit, expiring in July 2013, which provides for borrowing up to $5,000,000 At June 30, 2012 and 2011, the balance of the line of credit was $0 The line is collateralized by certain property and equipment

Note 9: Self-Insured Plans

The Hospital sponsors a health care plan for its employees This plan is self-insured to the extent of the deductible amounts under the excess risk insurance policies the Hospital has obtained Accruals for unpaid claims in the amounts of approximately $610,000 and $600,000 are included in other accrued expenses in the accompanying consolidated balance sheets at June 30, 2012 and 2011, respectively

During fiscal year 2005, the Hospital started a workers' compensation plan that is self-insured to the extent of the deductible amounts under the excess risk insurance policies the Hospital has obtained. Accruals for unpaid claims in the amounts of approximately $825,000 and $570,000 are included in other accrued expenses in the accompanying consolidated balance sheets at June 30, 2012 and 2011, respectively.

Note 10: Charity Care and Other Community Benefits

In support of its mission, the Hospital voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. In addition, the Hospital provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients, and many times the payments are less than the cost of rendering the services provided.

During the year ended June 30, 2012, the Hospital changed its method of disclosure of charity care in accordance with Accounting Standards Update 2010-23, *Health Care Entities: Measuring Charity Care for Disclosure*. The ASU had no impact on changes in net assets and requires that cost be used as the measurement basis for charity care disclosures.

The cost of charity care is estimated by applying the ratio of cost to gross charges from the Hospital's June 30, 2011, Medicare cost report to the gross uncompensated charges. Uncompensated costs relating to these services for the years ended June 30, 2012 and 2011, are summarized below:

	2012	2011
Charity care	$ 2,240,000	$ 1,377,000
Medicaid	8,367,000	7,136,000
	$ 10,607,000	$ 8,513,000

In addition to uncompensated charges, the Hospital also commits significant time and resources to endeavors and critical services which meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screening and assessments, prenatal education and care, community educational services and various support groups.

Note 11: Functional Expenses

The Hospital provides health care services primarily to residents within its geographic location, including acute inpatient, emergency care, outpatient diagnostic, skilled nursing, outpatient surgery and home health care Expenses related to providing these services are summarized as health care services

	2012	2011
Health care services	$ 67,022,246	$ 66,303,034
General and administrative	17,243,725	15,486,421
	$ 84,265,971	$ 81,789,455

Note 12: Retirement Plans

The Hospital has three retirement plans Two of the plans are defined contribution retirement plans that cover all full-time employees who have at least one year of service and are age 21 or older Through December 31, 2008, the Hospital made nondiscretionary contributions equal to 3% of covered wages of eligible employees into one plan Effective January 1, 2009, the plan was amended to change contributions to a discretionary amount to be determined annually by the Hospital The other plan allows employees to defer a portion of their compensation into a tax-sheltered annuity program Through December 31, 2008, for eligible employees, the Hospital could contribute an amount equal to 25% of the employee's contribution to a maximum of 2% of the covered employee's annual compensation Effective January 1, 2009, the plan was amended to change contributions to a discretionary amount to be determined annually by the Hospital The Hospital also has a 457(b) deferred compensation plan that covers certain key employees of the Hospital Retirement expense for all three plans for the years ended June 30, 2012 and 2011, was approximately $779,000 and $191,000, respectively

Note 13: Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 and 2011, are available for the following purposes or periods

	2012	2011
Cancer center and related treatments	$ 5,304,662	$ 5,110,607
Other	742,223	723,901
	$ 6,046,885	$ 5,834,508

Note 14: Investments in Joint Ventures

Cancer Centers of Southwest Oklahoma, LLC

The Hospital is an approximate 26% ownership member of Cancer Centers of Southwest Oklahoma, LLC (CCSO) The Hospital's investment in CCSO amounted to approximately $1,048,000 and $1,571,000 at June 30, 2012 and 2011, respectively, and is included in other assets in the accompanying consolidated balance sheets CCSO was formed to develop and operate three facilities specializing in providing cancer treatment services for the residents of southwest Oklahoma

Financial position and results of operations summarized from CCSO's audited financial statements as of and for the fiscal years ended June 30, 2012 and 2011, are shown below

	2012	2011
Current assets	$ 7,566,796	$ 9,885,104
Capital assets and other long-term assets, net	28,275,673	30,597,425
Total assets	35,842,469	40,482,529
Current and total liabilities	31,755,247	34,347,428
Net assets	$ 4,087,222	$ 6,135,101
Revenues	$ 23,280,917	$ 21,159,535
Excess of expenses over revenues	$ (2,347,879)	$ (2,084,611)

Complete financial statements of CCSO may be obtained by contacting the Hospital's management at 580 251 8555

DRH Imaging, LLC

During 2007, the Hospital became an approximate 80% member of DRH Imaging, LLC (Imaging) Imaging began operations in October 2008 The investment in Imaging by the Hospital is included in the Hospital's accompanying consolidated balance sheets as other assets and was approximately $0 as of June 30, 2012 and 2011 Imaging is consolidated in the accompanying financial statements, and the investment by the Hospital is eliminated in consolidation

Duncan Healthcare Realty, LLC

During 2007, the Hospital became an approximate 83% member of Duncan Healthcare Realty, LLC (Realty) Realty began leasing operations in October 2008 with the start of operations by Imaging During 2011, the Hospital sold a portion of their units and reduced their ownership interest to approximately 36% The sale of the Hospital's units resulted in a gain of approximately $285,000 and is recorded in investment return in the accompanying consolidated statements of operations The investment in Realty by the Hospital is included in the Hospital's accompanying consolidated balance sheets as other assets and was approximately $703,000 and $822,000 as of June 30, 2012 and 2011, respectively Realty is consolidated in the accompanying financial statements, and the investment by the Hospital is eliminated in consolidation

Advanced Medical Supply, LLC

During 2007, the Hospital became a 60% member of Advanced Medical Supply, LLC (AMS) During 2011, the Hospital became the sole corporate member by purchasing the remaining 40% of AMS AMS operates a durable medical equipment company in the Duncan, Oklahoma, area AMS is consolidated in the accompanying financial statements, and the investment by the Hospital is eliminated in consolidation

Solutions Physician Practice Management, LLC

During 2008, Solutions Physician Practice Management, LLC (Solutions) was created Solutions is a wholly owned subsidiary of the Hospital Solutions acquired the operations and property of a freestanding physician practice in March 2008 Solutions is consolidated in the accompanying financial statements, and the investment by the Hospital is eliminated in consolidation

Note 15: Disclosures about Fair Value of Assets and Liabilities

Accounting Standards Codification Topic 820, *Fair Value Measurements* (Topic 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 Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value Topic 820 describes three levels of inputs that may be used to measure fair value

Level 1 Quoted prices in active markets for identical assets or liabilities

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

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets as well as the general classification of such assets pursuant to the valuation hierarchy

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy Level 1 investments include money market mutual funds and certain mutual funds, including corporate bond funds, asset-backed securities funds, hedge funds, commodity-linked funds and fixed income funds If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of investments with similar characteristics or discounted cash flows and are classified within Level 2 of the valuation hierarchy Level 2 investments include certain mutual funds, including U S government and agencies securities funds, hedge funds, domestic equity funds and foreign equity funds There were no Level 3 investments at June 30, 2012 and 2011

The following tables present the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2012 and 2011

	June 30, 2012			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market mutual funds	$ 8,913,544	$ 8,913,544	$ -	$ -
Mutual funds				
Domestic corporate bond funds	$ 3,389,499	$ 3,389,499	$ -	$ -
U S government and agencies securities funds	$ 11,249,968	$ -	$ 11,249,968	$ -
Hedge funds	$ 6,672,989	$ 1,002,760	$ 5,670,229	$ -
Domestic equities funds	$ 18,241,714	$ -	$ 18,241,714	$ -
Foreign equities funds	$ 13,528,188	$ -	$ 13,528,188	$ -
Commodity linked funds	$ 3,460,830	$ 3,460,830	$ -	$ -
Fixed income funds	$ 3,288,970	$ 3,288,970	$ -	$ -
Asset-backed securities funds	$ 3,609,544	$ 3,609,544	$ -	$ -

	June 30, 2011			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market mutual funds	$ 7,871,788	$ 7,871,788	$ -	$ -
Mutual funds				
Domestic corporate bond funds	$ 10,426,855	$ 10,426,855	$ -	$ -
U S government and agencies securities funds	$ 8,053,528	$ -	$ 8,053,528	$ -
Domestic equities funds	$ 21,621,686	$ -	$ 21,621,686	$ -
Foreign equities funds	$ 10,584,955	$ -	$ 10,584,955	$ -
Commodity linked funds	$ 2,962,629	$ 2,962,629	$ -	$ -
Fixed income funds	$ 3,997,336	$ 997,336	$ 3,000,000	$ -
Asset-backed securities funds	$ 2,049,847	$ 2,049,847	$ -	$ -

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value

Cash and Cash Equivalents

The carrying amount approximates fair value

Short-Term Investments and Assets Limited as to Use

These categories include investment securities for which the fair value determination is described above and also includes cash, interest-bearing cash accounts, certificates of deposit and accrued interest receivable for which the carrying amount approximates fair value

Assets Held by Third Party

This category includes pooled investments held by a community foundation for which the carrying amount approximates fair value

Interest in Net Assets of DRH Health Foundation

This category includes the net assets of the Foundation, which primarily consists of pooled investments The carrying value of the net assets approximates fair value

Long-Term Debt

Fair value is estimated based on recent trading activity and yield rates for the Hospital's Series 2003A Bonds and on borrowing rates currently available to the Hospital for bank loans with similar terms and maturities for all other long-term debt

The following table presents estimated fair values of the Hospital's financial instruments at June 30, 2012 and 2011

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 4,198,438	$ 4,198,438	$ 4,599,931	$ 4,599,931
Short-term investments	$ -	$ -	$ 307,716	$ 307,716
Assets limited as to use	$ 73,632,017	$ 73,632,017	$ 67,947,418	$ 67,947,418
Assets held by third party	$ 1,902,006	$ 1,902,006	$ 2,280,788	$ 2,280,788
Interest in net assets of the Foundation	$ 6,046,885	$ 6,046,885	$ 5,834,508	$ 5,834,508
Financial liabilities				
Long-term debt	$ 41,320,000	$ 41,869,225	$ 42,585,000	$ 43,152,453

Note 16: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations Those matters include the following

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1* and *2*

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 7*

Self-Insured Health Care and Workers' Compensation Claims

Estimates related to the accrual for self-insured health care and workers' compensation claims are described in *Note 9*

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation Some of these allegations are in areas not covered by the Hospital's self-insurance program (discussed elsewhere in these notes) or by commercial insurance, for example, allegations regarding employment practices or performance of contracts The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters Events could occur that would cause the estimate of ultimate loss to differ materially in the near term

Current Economic Conditions

The current protracted economic decline continues to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair values of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing The accompanying consolidated financial statements have been prepared using values and information currently available to the Hospital

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of the Hospital's patients to pay for services rendered As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the accompanying consolidated financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts receivable that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity