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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)	OMB No 1545-0047 <div> <div>2011</div> <div>Open to Public Inspection</div> </div>
	The organization may have to use a copy of this return to satisfy state reporting requirements	

A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012		D Employer identification number	
B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending		74-2557820 E Telephone number (830) 258-7632 G Gross receipts \$ 97,450,864	
C Name of organization Sid Peterson Memorial Hospital Doing Business As Peterson Regional Medical Center Number and street (or P O box if mail is not delivered to street address) Room/suite 551 Hill Country Drive City or town, state or country, and ZIP + 4 Kerrville, TX 78028			
F Name and address of principal officer Robert H Walther 551 Hill Country Dr Kerrville, TX 78028		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶	
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
J Website: ▶ N/A			
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation 1990 M State of legal domicile TX	

Part I		Summary	
Activities & Governance	1 Briefly describe the organization's mission or most significant activities THE HOSPITAL'S MISSION IS TO LEAD THE HILL COUNTRY'S MEDICAL COMMUNITY IN DELIVERING EXCEPTIONAL, COMPASSIONATE, AND PATIENT-CENTERED HEALTH CARE		
	2 Check this box <input type="checkbox"/> 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	11
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	11
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	1,130
	6 Total number of volunteers (estimate if necessary)	6	237
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
	7b Net unrelated business taxable income from Form 990-T, line 34	7b	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	483,455	1,358,267
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	95,846,725	86,838,029
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,472,907	1,564,643
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	545,743	932,542
		99,348,830	90,693,481
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	551,926	2,574,410
	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)	47,621,234	49,417,520
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) <input checked="" type="checkbox"/> 282,942		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	50,379,312	51,225,300
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	98,552,472	103,217,230
	19 Revenue less expenses Subtract line 18 from line 12	796,358	-12,523,749
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	200,016,200	200,261,636
	21 Total liabilities (Part X, line 26)	80,863,328	94,318,007
	22 Net assets or fund balances Subtract line 21 from line 20	119,152,872	105,943,629

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	***** Signature of officer			2013-05-15 Date
	ROBERT H WALTHER CFO Type or print name and title			
Paid Preparer's Use Only	Preparer's signature ▶ Amanda Maya	Date	Check if self-employed ▶ <input type="checkbox"/>	Preparer's taxpayer identification number (see instructions)
	Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ BKD LLP 2800 Post Oak Blvd Ste 3200 HOUSTON, TX 77056			EIN ▶
				Phone no ▶ (713) 499-4600

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

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1

Briefly describe the organization's mission

PETERSON REGIONAL MEDICAL CENTER PROVIDES EXCEPTIONAL, COMPASSIONATE, PATIENT-CENTERED HEALTHCARE

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 \$ 87,636,479 including grants of \$ 2,574,410) (Revenue \$ 74,381,590)
	PETERSON REGIONAL MEDICAL CENTER IS A PRIVATE, NOT-FOR-PROFIT COMMUNITY HOSPITAL IN KERRVILLE, TEXAS. KERRVILLE IS LOCATED IN KERR COUNTY, APPROXIMATELY 60 MILES NORTHWEST OF SAN ANTONIO AND 80 MILES SOUTH WEST OF AUSTIN. PETERSON REGIONAL MEDICAL CENTER SERVES THE COMMUNITIES AND RESIDENTS IN THE FOLLOWING COUNTIES: KERR, BANDERA, GILLESPIE, KIMBLE, EDWARDS AND REAL. PETERSON REGIONAL MEDICAL CENTER ANCHORS A 35-ACRE CAMPUS INCLUDING A 124-BED ACUTE CARE HOSPITAL PROVIDING SERVICES INCLUDING 24/7 EMERGENCY DEPARTMENT, WOMEN'S SERVICES (INCLUDING MATERNAL/NEWBORN), ACUTE INPATIENT REHABILITATION, ORTHOPEDICS, GENERAL SURGERY, DIAGNOSTIC IMAGING, INTENSIVE CARE UNIT, AND LABORATORY. ON THE SAME CAMPUS IS AN AMBULATORY CARE CENTER PROVIDING OUTPATIENT REHAB SERVICES, OUTPATIENT SURGERY, OUTPATIENT DIAGNOSTIC IMAGING AND HYPERBARIC WOUND CARE. PETERSON HOSPICE SERVICE AND PETERSON HOME CARE SERVICES ARE ALSO MEMBERS OF THE PETERSON REGIONAL FAMILY OF SERVICES BUT LOCATED OFF-SITE.

4b	(Code) (Expenses \$ 1,310,625 including grants of \$) (Revenue \$ 1,673,643)
	PETERSON HOME CARE - PETERSON HOME CARE PROVIDES A COMPREHENSIVE TEAM OF HEALTHCARE PROFESSIONALS TO THE RESIDENTS OF THE HILL COUNTRY, SPECIFICALLY KERR, GILLESPIE AND BANDERA COUNTIES. PETERSON HOME CARE IS A NOT-FOR-PROFIT ORGANIZATION PROVIDING A COMPREHENSIVE RANGE OF PROFESSIONAL SERVICES INCLUDING NURSING CARE, PHYSICAL & SPEECH THERAPY, OSTOMY AND WOUND CARE, IV ANTIBIOTICS, CHEMOTHERAPY, AIDE SERVICES AND MEDICATION MANAGEMENT. ALL SERVICES ARE COORDINATED THROUGH AN INTERDISCIPLINARY APPROACH TO PATIENT CARE AND ESTABLISHED UNDER A PLAN OF TREATMENT OF A PHYSICIAN. DIAGNOSTIC AND LABORATORY SERVICES, AS WELL AS MEDICAL AND SURGICAL SUPPLIES ARE ALSO PROVIDED IN CONJUNCTION WITH SKILLED CARE. HOME CARE HAD 714 ADMISSIONS DURING THE YEAR AND 17,708 VISITS.

4c	(Code) (Expenses \$ 2,611,669 including grants of \$) (Revenue \$ 3,177,796)
	PETERSON HOSPICE IS A DEPARTMENT OF PRMC AND IS LOCATED OFF CAMPUS. IT OPERATES AS ONE OF THE HOSPITAL'S MANY OUTREACHES FOR THE HILL COUNTRY COMMUNITIES IT SERVES. PETERSON HOSPICE IS THE ONLY NON-PROFIT HOSPICE IN THE HILL COUNTRY WITH A MISSION THAT NO ONE WILL BE DENIED HOSPICE CARE BECAUSE OF AN INABILITY TO PAY. IN ADDITION TO PROVIDING HOSPICE CARE, PETERSON HOSPICE ALSO PROVIDES THE FOLLOWING UNFUNDED COMMUNITY SERVICES: 1. NAVIGATING THE WATERS OF GRIEF ~ A SIX-WEEK GRIEF SUPPORT GROUP FOR ADULTS. THIS PROGRAM IS FACILITATED TWICE A YEAR BY A GRIEF EXPERT WHO IS A LICENSED MEDICAL SOCIAL WORKER (MSW). NAVIGATING THE WATERS OF GRIEF WORKS CLOSELY WITH HILL COUNTRY CLERGY AND THE LOCAL COMMUNITIES TO SERVE HOSPICE FAMILIES AS WELL AS OTHERS FACING THE LOSS OF A LOVED ONE OR FRIEND. 2. BRIDGING THE GAP ~ A SIX-WEEK GRIEF SUPPORT GROUP FOR CHILDREN AGES KINDER THROUGH 12TH GRADE. THIS PROGRAM GIVES THEM THE TOOLS THEY NEED TO WORK THROUGH THE GRIEVING PROCESS. THE PARENTS ATTEND AS WELL TO OPEN COMMUNICATION AND FEELINGS TO HELP THE CHILD DEAL WITH GRIEF AT THEIR AGE APPROPRIATE LEVEL. BTG WORKS WITH ALL HILL COUNTRY SCHOOLS AND THEIR COUNSELORS. THE LOCAL COMMUNITY SERVES AS FACILITATORS AND VOLUNTEERS FOR THIS EXCELLENT PROGRAM. 3. CAMP RAYS OF HOPE ~ IS A STATEWIDE PROGRAM WHICH IS A WEEKEND RETREAT FOR GRIEVING CHILDREN THAT INCORPORATES THE PARENTS AS WELL. THE CHILDREN LEARN NEW WAYS TO COPE WITH THEIR LOSS, AND TO MEET OTHERS WITH SIMILAR CIRCUMSTANCES TO REMEMBER SPECIAL TIMES, TO MAKE NEW FRIENDS, AND TO HAVE FUN. 4. FLORAL PROGRAM ~ IS A VOLUNTEER-DRIVEN PROGRAM THAT DELIVERS FLOWERS TO OUR PATIENTS. THE LOCAL FLORISTS IN THE AREA DONATE THE FLOWERS AND VOLUNTEERS ARRANGE AND DELIVER THEM. VOLUNTEERS ALSO SUPPORT FAMILIES AND PATIENTS WITH THEIR VISITS. 5. PATHWAYS ~ THIS VOLUNTEER OUTREACH OFFERS HOME-BASED SOCIAL AND EMOTIONAL SUPPORT TO CLIENTS WITH AN ILLNESS THAT HAS A LIMITED LIFE EXPECTANCY BUT IS NOT YET HOSPICE APPROPRIATE. VOLUNTEERS HELP REDUCE THE ISOLATION AND VULNERABILITY THAT CLIENTS AND FAMILIES EXPERIENCE DURING A DIFFICULT TIME. EDUCATION IS AVAILABLE THROUGH PRMC RESOURCES REGARDING DISEASE PROCESSES, COPING STRATEGIES, ADVANCE DIRECTIVES, AND PRACTICAL AND SPIRITUAL ISSUES. THIS SUPPORT HELPS CLIENTS DEFINE THEIR QUALITY OF LIFE. 6. COMMUNITY SERVE PROGRAM ~ OFFERING OPPORTUNITIES FOR CITIZENS TO FULFILL COURT OBLIGATIONS IN A BENEFICIAL MANNER. 273 ADMISSIONS ACCOUNTED FOR 21,529 PATIENT DAYS.





















	(Code) (Expenses \$ 266,056 including grants of \$) (Revenue \$ 8,527,667)
	Two lab off-site outreach locations

4d	Other program services (Describe in Schedule O)
	(Expenses \$ 266,056 including grants of \$) (Revenue \$ 8,527,667)

4e	Total program service expenses \$ 91,824,829
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Part IV

Checklist of Required Schedules

		Yes	No	
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	1	Yes	
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (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? <i>If "Yes," complete Schedule C, Part I.</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? <i>If "Yes," complete Schedule C, Part II.</i> 	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? <i>If "Yes," complete Schedule C, Part III.</i> 	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? <i>If "Yes," complete Schedule D, Part I.</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? <i>If "Yes," complete Schedule D, Part II.</i> 	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	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? <i>If "Yes," complete Schedule D, Part IV.</i> 	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	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? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> 	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? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	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? <i>If "Yes," complete Schedule F, Part I.</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 ? <i>If "Yes," complete Schedule F, Part II and IV.</i>	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 ? <i>If "Yes," complete Schedule F, Part III and IV.</i>	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? <i>If "Yes," complete Schedule G, Part I.</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? <i>If "Yes," complete Schedule G, Part II.</i>	18		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19		No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	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? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b	Yes	
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? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
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)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

<div>Part V</div> <div>Statements Regarding Other IRS Filings and Tax Compliance</div>			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a47	
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b0	
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	2a1,130	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a	No
b	If "Yes," enter the name of the foreign country: <input type="text"/> 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	11		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	11
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	Yes
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	Yes
b	Describe in Schedule O the process, if any, used by the organization to review the Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes
13	Did the organization have a written whistleblower policy?	13	Yes
14	Did the organization have a written document retention and destruction policy?	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official	15a	Yes
b	Other officers or key employees of the organization	15b	No
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed ▶ _____
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization 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 ▶ SID PETERSON MEMORIAL HOSPIT 551 HILL COUNTRY DRIVE Kerrville, TX 78028 (830) 896-4200

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) Stephen Huser Secretary	1 0	X		X				0	0	0
(2) Sam Junkin Vice-President	3 0	X		X						
(3) Cecil Atkission President	4 0	X		X						
(4) Louis Romero Trustee	2 5	X								
(5) MIKE BAUMANN TRUSTEE	2 5	X								
(6) REBECCA BARRINGTON MD TRUSTEE	2 0	X								
(7) WARREN FERGUSON TRUSTEE	4 0	X								
(8) HAROLD WILSON TRUSTEE	2 0	X								
(9) GLORIA OLSON PHD TRUSTEE	4 0	X								
(10) MARK ARMSTRONG TRUSTEE	2 0	X								
(11) KATIE MOSLEY-CLARK TRUSTEE	2 0	X								
(12) Patrick Murray CEO	40 0			X				256,605		135,842
(13) Robert Walther CFO	40 0			X				155,987		40,029
(14) STEVE PAULTER COO	40 0			X				172,543		22,560
(15) Kaeli Dressler Chief of Nursing Officer	40 0			X				118,956		9,993
(16) Richard Cruthirds Chief Information Officer	40 0			X				107,756		10,548
(17) James Merrick Pharmacist Supervisor	40 0					X		154,996		12,500

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	1,558,507	0	288,795

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 16

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3	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? <i>If "Yes," complete Schedule J for such individual</i>	4	Yes
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>	5	No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. 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
SOUND PHYSICIANS 1123 PACIFIC AVENUE TACOMA, WA 98402	HOSPITALIST GROUP	1,921,800
Anesthesia Associates of Kerrville 420 WATER STREET SUITE 105B KERRVILLE, TX 78028	Anesthesia Services	441,895
THIRD COAST EMERGENCY PHYSICIANS 6300 LA CALMA DRIVE SUITE 200 AUSTIN, TX 787523825	ER PHYSICIAN GROUP	325,000
KERRVILLE SLEEP CENTER PO BOX 291826 KERRVILLE, TX 78029	SLEEP STUDIES	287,325
WILLIAM MORRIS MD 551 HILL COUNTRY DRIVE KERRVILLE, TX 78028	MED STAFF CONSULT	241,000

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►12

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	847,966				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	510,301				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f		1,358,267				
Program Service Revenue			Business Code					
	2a	NET PATIENT SERVICE REVENUE	900099	98,883,168	98,883,168			
	b	SCH STATUS TERMINATION LOSS	900099	-12,045,139	-12,045,139			
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		86,838,029				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		1,615,907			1,615,907	
	4	Income from investment of tax-exempt bond proceeds . .		0				
	5	Royalties		0				
	6a	(i) Real		(ii) Personal				
		Gross rents	9,875					
		b	Less rental expenses					
		c	Rental income or (loss)	9,875				
	d	Net rental income or (loss)		9,875			9,875	
	7a	(i) Securities		(ii) Other				
		Gross amount from sales of assets other than inventory	6,656,024	50,095				
		b	Less cost or other basis and sales expenses	6,658,404	98,979			
		c	Gain or (loss)	-2,380	-48,884			
	d	Net gain or (loss)		-51,264			-51,264	
	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	THRIFT SHOP REVENUE	453310	279,570	279,570				
b	MISCELLANEOUS	900099	643,097	643,097				
c								
d	All other revenue							
e	Total. Add lines 11a-11d		922,667					
12	Total revenue. See Instructions		90,693,481	87,760,696		1,574,518		

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	2,530,678	2,530,678		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	43,732	43,732		
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	836,382	742,316	93,947	119
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	26,561	26,561		
7	Other salaries and wages	36,917,807	32,762,733	3,982,299	172,775
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,286,998	1,142,251	138,857	5,890
9	Other employee benefits	7,599,305	6,744,623	819,905	34,777
10	Payroll taxes	2,750,467	2,491,206	247,037	12,224
11	Fees for services (non-employees)				
a	Management	351,269	351,269		
b	Legal	43,374		43,374	
c	Accounting	155,776		155,776	
d	Lobbying	0			
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	151,376		151,376	
g	Other	6,482,985	4,562,359	1,907,777	12,849
12	Advertising and promotion	252,921	232,295	1,671	18,955
13	Office expenses	1,462,958	1,243,563	212,315	7,080
14	Information technology	55,501		55,501	
15	Royalties	0			
16	Occupancy	1,524,182	1,416,048	108,134	
17	Travel	149,069	149,069		
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	145,410	101,922	42,747	741
20	Interest	3,762,405	3,762,405		
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	9,076,693	6,807,520	2,269,173	
23	Insurance	0			
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	BAD DEBT EXPENSE	7,059,749	7,059,749		
b	MEDICAL SUPPLIES	13,266,698	13,262,346	4,352	
c	EQUIPMENT REPAIR/MAINTENANCE	2,756,314	2,682,881	73,433	
d	EMPLOYEE EXPENSES	2,485,635	2,485,635		
e					
f	All other expenses	2,042,985	1,223,668	801,785	17,532
25	Total functional expenses. Add lines 1 through 24f	103,217,230	91,824,829	11,109,459	282,942
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			-214,987	1	238,408
	2	Savings and temporary cash investments			23,214,503	2	22,616,894
	3	Pledges and grants receivable, net			0	3	0
	4	Accounts receivable, net			9,041,665	4	11,146,609
	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			2,749,633	8	2,632,217
	9	Prepaid expenses and deferred charges			466,307	9	729,528
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	143,237,190			
	b	Less: accumulated depreciation	10b	58,564,911	89,531,466	10c	84,672,279
	11	Investments—publicly traded securities			0	11	0
	12	Investments—other securities. See Part IV, line 11			68,588,925	12	73,643,373
	13	Investments—program-related. See Part IV, line 11			0	13	0
	14	Intangible assets			0	14	0
	15	Other assets. See Part IV, line 11			6,638,688	15	4,582,328
	16	Total assets. Add lines 1 through 15 (must equal line 34)			200,016,200	16	200,261,636
Liabilities	17	Accounts payable and accrued expenses			6,837,518	17	6,873,805
	18	Grants payable			1	18	1
	19	Deferred revenue			0	19	0
	20	Tax-exempt bond liabilities			70,792,992	20	69,109,381
	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			1,580,000	23	1,660,000
	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			1,652,817	25	16,674,820
	26	Total liabilities. Add lines 17 through 25			80,863,328	26	94,318,007
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			118,909,799	27	105,694,655
	28	Temporarily restricted net assets			243,073	28	248,974
	29	Permanently restricted net assets			0	29	0
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			119,152,872	33	105,943,629
	34	Total liabilities and net assets/fund balances			200,016,200	34	200,261,636

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	90,693,481
2	Total expenses (must equal Part IX, column (A), line 25)	2	103,217,230
3	Revenue less expenses Subtract line 2 from line 1	3	-12,523,749
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	119,152,872
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-685,494
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	105,943,629

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization Sid Peterson Memorial Hospital	Employer identification number 74-2557820
--	--

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?

(i)

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

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

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

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

Part II

Support Schedule for Organizations Described in 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 IIIPart 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

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 Sid Peterson Memorial Hospital	Employer identification number 74-2557820
--	--

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?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If "Yes," describe in Part IV	

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

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

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

Part II-A

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

- A
- Check
- ☐
- if the filing organization belongs to an affiliated group (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														
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
h	Subtract line 1g from line 1a If zero or less, enter -0-														
i	Subtract line 1f from line 1c If zero or less, enter -0-														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No												

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 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)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		9,620
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			9,620
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).	2a	
a	Current year		
b	Carryover from last year		
c	Total		
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
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SCHEDULE D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ 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.

Name of the organization
Sid Peterson Memorial Hospital

Employer identification number
74-2557820

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?	
	<input type="checkbox"/> Yes <input type="checkbox"/> 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	
	<input type="checkbox"/> Yes <input type="checkbox"/> 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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

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

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

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

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

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

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

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

Part III

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

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

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

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

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

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

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

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

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

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

1a

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

☐ Yes

☒ No

b

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

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☒ No

b

If "Yes," explain the arrangement in Part XIV

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a	Beginning of year balance	81,306	80,263	77,800	76,860
b	Contributions				
c	Investment earnings or losses	78	1,266	2,661	1,116
d	Grants or scholarships				
e	Other expenditures for facilities and programs				
f	Administrative expenses	233	223	198	176
g	End of year balance	81,151	81,306	80,263	77,800

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶ 100 000 %

c

Term endowment ▶

3a

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

(i)

unrelated organizations

3a(i)

☐ Yes

☐ No

(ii)

related organizations

3a(ii)

☐ Yes

☐ No

b

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

3b

☐ Yes

☐ No

4

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

Part VI 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		3,668,549		3,668,549
b Buildings		85,344,190	21,174,462	64,169,728
c Leasehold improvements		180,846	180,096	750
d Equipment		54,043,605	37,210,353	16,833,252
e Other				
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				84,672,279

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 90,693,481
2	Total expenses (Form 990, Part IX, column (A), line 25)	2 103,217,230
3	Excess or (deficit) for the year Subtract line 2 from line 1	3 -12,523,749
4	Net unrealized gains (losses) on investments	4 -692,112
5	Donated services and use of facilities	5
6	Investment expenses	6
7	Prior period adjustments	7
8	Other (Describe in Part XIV)	8 -1,332,126
9	Total adjustments (net) Add lines 4 - 8	9 -2,024,238
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10 -14,547,987

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 81,497,551
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	
a	Net unrealized gains on investments	2a -692,112
b	Donated services and use of facilities	2b
c	Recoveries of prior year grants	2c
d	Other (Describe in Part XIV)	2d 48,884
e	Add lines 2a through 2d	2e -643,228
3	Subtract line 2e from line 1	3 82,140,779
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 8,552,702
c	Add lines 4a and 4b	4c 8,552,702
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5 90,693,481

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return		
1	Total expenses and losses per audited financial statements	1 96,045,538
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 48,884
e	Add lines 2a through 2d	2e 48,884
3	Subtract line 2e from line 1	3 95,996,654
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 7,220,576
c	Add lines 4a and 4b	4c 7,220,576
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5 103,217,230

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
Part V, Line 4	Describe the Inteneded uses of the organization's endowment funds	Earnings from the endowment fund will be used for the Hospice program. To date earnings have not been expended.
RECONCILIATION OF CHANGE IN NET ASSETS- OTHER EXPENSE	SCH D, PART XI, LINE 8	CONTRIBUTIONS IN NET ASSETS \$1,332,126
RECONCILIATION OF REVENUE PER AUDITED F/S WITH REVENUE PER RETURN	SCH D, PART XII, LINE 2D	LOSS ON DISPOSAL IN EXPENSES PER AUDIT- 48,884
RECONCILIATION OF REVENUE PER AUDITED F/S WITH REVENUE PER RETURN	SCH D, PART XII, LINE 4B	BAD DEBT EXPENSE OFFSETTING AUDIT REVENUE- 7,058,604 CLASSIFICATION DIFFERENCES- 161,972 CONTRIBUTIONS IN NET ASSETS- 1,332,126 ----- 8,552,702
RECONCILIATION OF EXPENSES PER AUDITED F/S WITH EXPENSES PER RETURN	SCH D, PART XIII, LINE 2D	LOSS ON DISPOSAL IN EXPENSES PER AUDIT- 48,884
RECONCILIATION OF EXPENSES PER AUDITED F/S WITH EXPENSES PER RETURN	SCH D, PART XIII, LINE 4B	BAD DEBT EXPENSE OFFSETTING AUDIT REVENUE- 7,058,604 CLASSIFICATION DIFFERENCES- 161,972 ----- ----- 7,220,576

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
Sid Peterson Memorial Hospital

Employer identification number
74-2557820

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 <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>			
3	Answer the following based on the 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 <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%</div> <div><input type="checkbox"/> 150%</div> <div><input type="checkbox"/> 200%</div> <div><input checked="" type="checkbox"/> Other <u>174. %</u></div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input type="checkbox"/> 200%</div> <div><input type="checkbox"/> 250%</div> <div><input checked="" type="checkbox"/> 300%</div> <div><input type="checkbox"/> 350%</div> <div><input type="checkbox"/> 400%</div> <div><input type="checkbox"/> Other _____%</div> 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"?	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	4	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 eligible for free or discounted care?	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b	Yes	
6b	If "Yes," did the organization make it available to the public?	5c		No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a	Yes	
		6b		No

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)			7,433,236		7,433,236	7 730 %
b Medicaid (from Worksheet 3, column a)			1,735,493	6,588,861	-4,853,368	
c Costs of other means-tested government programs (from Worksheet 3, column b)			428,640	328,487	100,153	0 100 %
d Total Charity Care and Means-Tested Government Programs			9,597,369	6,917,348	2,680,021	7 830 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			157,036		157,036	0 160 %
f Health professions education (from Worksheet 5)			409,224		409,224	0 430 %
g Subsidized health services (from Worksheet 6)			426,391		426,391	0 440 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			40,966		40,966	0 040 %
j Total Other Benefits			1,033,617		1,033,617	1 070 %
k Total. Add lines 7d and 7j			10,630,986	6,917,348	3,713,638	8 900 %

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 Heathcare Financial Management Association Statement No. 15?	1	No
2	Enter the amount of the organization's bad debt expense	2	7,059,749
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	2,823,900
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	41,019,697
6	Enter Medicare allowable costs of care relating to payments on line 5	6	44,579,020
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-3,559,323
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other		

Section C. Collection Practices

9a	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	Kerrville Cancer Ctr	Radiation Treatment inpatient		75.000 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Section A. Hospital Facilities

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

Name and address

[illegible]

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)

Peterson Regional Medical Center

Name of Hospital Facility:

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	No
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? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> 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? If "Yes," indicate the FPG family income limit for eligibility for free care 174 % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes
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? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input checked="" type="checkbox"/> The policy was attached to all billing invoices c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	

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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> 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? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input checked="" type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input checked="" type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input checked="" type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> 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? If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> 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	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> 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	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> 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? If "Yes," explain in Part VI	20	No
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? If "Yes," explain in Part VI	21	No

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? 5

Name and address		Type of Facility (Describe)
1	PETERSON AMBULATORY CARE CENTER 260 CULLY DRIVE KERRVILLE, TX 78028	AMBULATORY SURGICAL CENTER
2	PETERSON HOME CARE 1420 WATER STREET KERRVILLE, TX 78028	HOME HEALTH SERVICES
3	PETERSON HOSPICE 1121 BROADWAY KERRVILLE, TX 78028	HOSPICE CARE
4	KERRVILLE OUTREACH LAB 320 WATER STREET KERRVILLE, TX 78028	LAB DRAW SITE
5	KMP OUTREACH LAB 1331 BANDERA HIGHWAY KERRVILLE, TX 78028	LAB DRAW SITE
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
PART III, LINE 4		Accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectability of accounts receivable, the Medical Center 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 uncollectible accounts 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 Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center records a significant provision for uncollectible accounts on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts The Medical Center's allowance for uncollectible accounts for self-pay patients increased from 89 percent of self-pay accounts receivable at June 30, 2011, to 91 percent of self-pay accounts receivable at June 30, 2012 The Medical Center's write-offs decreased approximately \$1,108,000 from approximately \$6,948,000 for the year ended June 30, 2011, to approximately \$5,840,000 for the year ended June 30, 2012 The increase in the allowance for uncollectible accounts is the result of increased aging of receivables The decrease in the write-offs is primarily a timing difference due to resource constraints within the business office

Identifier	ReturnReference	Explanation
PART III, LINE 4		AMOUNT REPORTED ON LINE 2 IS BASED ON BAD DEBTS PER THE AUDITED FINANCIAL STATEMENTS AMOUNT REPORTED IN ITEM 3 IS THE ORGANIZATION'S ESTIMATE OF THE AMOUNT OF BAD DEBT ATTRIBUTABLE TO CHARITY CARE PATIENTS ESTIMATED AT 40%

Identifier	ReturnReference	Explanation
PART III, LINE 8		THE MEDICAL CENTER USES MEDICARE COST REPORT METHODOLOGY, WHICH APPORTIONS ROUTINE COSTS (ROOM AND BOARD) BASED ON MEDICARE OR MEDICAID DAYS TO TOTAL DAYS AND APPORTIONS ANCILLARY COSTS BASED ON PROGRAM CHARGES TO TOTAL CHARGES THE ORGANIZATION HAD A MEDICARE SHORTFALL IN THE AMOUNT OF \$3,559,323 LESSENING THE BURDEN OF GOVERNMENT IN ADDITION, THE STATE OF TEXAS TREATS MEDICARE SHORTFALL AS COMMUNITY BENEFIT FOR MEETING STATUTORY REQUIREMENTS FOR CHARITY CARE AND COMMUNITY BENEFIT

Identifier	ReturnReference	Explanation
PART III, LINE 9B		IF THE PATIENT QUALIFIES FOR CHARITY CARE PER WRITTEN HOSPITAL CRITERIA, THE QUALIFYING BALANCE IS WRITTEN OFF TO CHARITY CARE AND NO FURTHER COLLECTION EFFORTS ARE MADE

Identifier	ReturnReference	Explanation
PART V, LINE 19D		THE ORGANIZATION GIVES SELF-PAY PATIENTS A HIGHER DISCOUNT THAN THE CONTRACTED INSURANCE PLANS

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT		PETERSON REGIONAL MEDICAL CENTER (PRMC) ASSESSES COMMUNITY NEEDS THROUGH A COMBINATION OF OUTSIDE SOURCES LIKE FOCUS GROUPS TO DETERMINE COMMUNITY PERCEPTIONS ABOUT OUR SERVICES (EMERGENCY DEPARTMENT AND WOMEN'S HEALTH SERVICES MOST RECENTLY), THOMSON REUTERS, TEXAS DEPARTMENT OF HEALTH AND HUMAN SERVICES, AND ORGANIZATIONS INCLUDING CHAMBER OF COMMERCE, ECONOMIC DEVELOPMENT COMMISSION AND TEXAS HOSPITAL ASSOCIATION ALONG WITH INFORMATION AND DATA GATHERED FROM THESE EXTERNAL SOURCES PRMC USES PRESSGANEY SURVEYS FOR PATIENTS, EMPLOYEES AND PHYSICIANS PRESENTLY PRMC OFFERS MOST OF THE SAME HIGH-TECH MEDICAL TREATMENTS AND PROCEDURES FOUND IN NEARBY URBAN AREAS ADDITIONALLY, THE 35-ACRE PRMC CAMPUS INCLUDES AN AMBULATORY CARE CENTER COMPLETE WITH OUTPATIENT SURGERY, IMAGING, LABORATORY, INFUSION SERVICES AND REHABILITATION SERVICES INCLUDING A LARGE INDOOR HEATED THERAPY POOL AS WELL AS A REGIONAL WOUND HEALING CENTER

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE		PATIENTS WHO HAVE OR WILL HAVE A PATIENT RESPONSIBILITY ARE APPROACHED BY PATIENT REGISTRATION STAFF TO MAKE FINANCIAL ARRANGEMENTS PRIOR TO OR AT THE TIME OF SERVICE ANY PATIENT WHO CANNOT MAKE APPROPRIATE FINANCIAL ARRANGEMENTS IS REFERRED TO MEDICAL THIRD PARTY RESOURCES (MTPR) (A GROUP CONTRACTED BY HOSPITAL TO ASSIST PATIENTS IN QUALIFYING FOR FINANCIAL ASSISTANCE) FOR POSSIBLE FINANCIAL ASSISTANCE FOR WHICH THEY MAY QUALIFY IF PATIENT DOES NOT QUALIFY FOR ASSISTANCE THROUGH MTPR, REGISTRATION STAFF OFFER AN INTERNAL FINANCIAL AID APPLICATION (CHARITY CARE) AND EXPLAIN THE PROCESS TPR CONTACTS ALL REFERRED UNINSURED PATIENTS, NOT SEEN AT THE TIME OF HOSPITAL PRE-REGISTRATION OR AT REGISTRATION, BY SENDING A LETTER, CONTACT BY PHONE, AND OR PERSONAL VISIT, INFORMING THEM OF FEDERAL, STATE OR LOCAL GOVERNMENT PROGRAMS THAT MAY ASSIST WITH UNPAID MEDICAL BILLS THE PATIENT IS INSTRUCTED TO CALL OR COME BY THE OFFICE TO BE SCREENED FOR POSSIBLE ASSISTANCE IF PATIENT IS POTENTIALLY ELIGIBLE, MTPR WILL ASSIST WITH THE APPLICATION PROCESS AND GATHERING OF NECESSARY VERIFICATION IF NO ASSISTANCE IS AVAILABLE THROUGH THESE PROGRAMS, MTPR WILL OFFER A FINANCIAL AID APPLICATION (CHARITY CARE) FOR POSSIBLE ASSISTANCE WITH THE HOSPITAL BILL AT THE TIME OF BILLING FOR PATIENTS WITH SELF PAY BALANCES, BUSINESS OFFICE INCLUDE LETTERS WHICH STATE TO CALL IF FINANCIAL ASSISTANCE IS NEEDED WHEN PAYMENTS ARE NOT RECEIVED IN A TIMELY MANNER, A COURTESY CALL TO THE PATIENT IS ATTEMPTED TO MAKE PAYMENT ARRANGEMENTS IF THE PATIENT STATES THAT THEY DO NOT HAVE MEANS TO PAY THE BILL, AN OFFER IS AGAIN MADE TO CONTACT MTPR FOR FINANCIAL ASSISTANCE OR WE OFFER TO MAIL OUR FINANCIAL AID APPLICATION A POSTING IS DISPLAYED IN REGISTRATION AREAS THAT WE OFFER CHARITY CARE AND TO CONTACT THE BUSINESS OFFICE (PHONE NUMBER IS PROVIDED) FOR DETAILS

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION		PRMC SERVES A REGION OF APPROXIMATELY 6 COUNTIES, MORE THAN 40,000 PEOPLE LIVE WITHIN PRMC'S PRIMARY SERVICE AREA AND APPROXIMATELY 80,000 PEOPLE RESIDE IN PRMC'S OVERALL SERVICE AREA REPRESENTED BY KERR, KENDALL, KIMBLE, BANDERA, EDWARDS, GILLESPIE AND REAL COUNTIES PRMC OPERATES WITHIN A COMPETITIVE HEALTHCARE MARKETPLACE LOCATED APPROXIMATELY 60 MILES NORTHWEST OF SAN ANTONIO, RESIDENTS OF THE TEXAS HILL COUNTRY HAVE RELATIVELY EASY ACCESS TO THE SOUTH TEXAS MEDICAL CENTER, A MEDICAL DISTRICT CONSISTING OF 45 MEDICALLY RELATED INSTITUTIONS- VARIOUS SEPARATE MEDICAL, DENTAL AND NURSING SCHOOLS, TWELVE HOSPITALS AND FIVE SPECIALTY INSTITUTIONS

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH		PRMC ACTIVELY PROMOTES HEALTHCARE AND WELLNESS EDUCATION WITHIN THE COMMUNITIES WE SERVE THROUGH LOW OR NO COST SCREENINGS, MONTHLY EDUCATIONAL SEMINARS ADDRESSING IMPORTANT AND TIMELY MEDICAL ISSUES, EVENTS AND PUBLICATIONS PRMC EMPLOYS A HEALTH AND WELLNESS COORDINATOR TO HELP ORGANIZE, SCHEDULE, AND EXECUTE THE COMMUNITY SEMINARS AND SCREENINGS WORKING WITH LOCAL BUSINESSES, CHURCHES, COMMUNITY GROUPS, AND SENIORS, PRMC BRINGS INFORMATION AND EDUCATION OUT INTO THE COMMUNITIES WE SERVE THROUGH PROGRAMS LIKE THE ANNUAL FLU CLINIC, LOW COST LAB TESTING OPTIONS

Identifier	ReturnReference	Explanation
PART V, LINE 15, 16, & 17		NEITHER PETERSON REGIONAL MEDICAL CENTER, NOR THIRD PARTIES AUTHORIZED BY PRMC, TAKE ANY ACTIONS UPON NON-PAYMENT FROM A PATIENT BEFORE MAKING A REASONABLE EFFORT TO DETERMINE IF THE PATIENT IS ELIGIBLE FOR THE FACILITY'S FINANCIAL ASSISTANCE POLICY

Identifier	ReturnReference	Explanation
PERCENT OF TOTAL EXPENSE	PART I, LINE 7, COLUMN F	BAD DEBT EXPENSE OF \$7,059,749 WAS INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT WAS SUBTRACTED FROM TOTAL EXPENSE FOR THE CALCULATION OF "PERCENT OF TOTAL EXPENSE" IN THIS COLUMN

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Sid Peterson Memorial Hospital

Grants and Other Assistance to Organizations,
Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

OMB No 1545-0047

2011

Open to Public
Inspection

Employer identification number
74-2557820

Part I General Information on Grants and Assistance

1

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

☒ Yes ☐ No

2

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

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) HEALTHCARE PARTNERSHIP OF GREATER SAN ANTONIO 551 Hill Country Drive Kerrville, TX 78028	45-0599888	501(C)(3)	1,835,454		FMV		SUPPORT

2

Enter total number of section 501(c)(3) and government organizations listed in the line 1 table

1

3

Enter total number of other organizations listed in the line 1 table

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Use Schedule I-1 (Form 990) if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance
(1) EDUCATION ASSISTANCE	31	43,732		FMV	

Part IV

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

Identifier	Return Reference	Explanation
Procedures for Monitoring the use of grant funds to U S	PART I, QUESTION 2	In order to be eligible to receive funds from Peterson Regional Medical Center's School or Work Study Programs, the following criteria must be met 1)A copy of the student's degree plan from the educational institution 2)A copy of the bill 3)The requested courses for the semester 4)A current copy of the student's FAFSA confirmation 5)E-mail/MOX from the unit manager acknowledging the student is enrolling 6)Personal data from current to this semester 7)Copy of grades from any previous paid classes 8)If work study, a copy of the signed promissory agreement 9)If work study, the application Every student is required to complete and present this information for every semester they request scholarship funds The request for funds is considered only after all paperwork is turned in and passing grades from the previous semester funds are presented

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization Sid Peterson Memorial Hospital	Employer identification number 74-2557820
--	--

Part I

Questions Regarding Compensation

	Yes	No
1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
<input type="checkbox"/> First-class or charter travel		
<input type="checkbox"/> Travel for companions		
<input type="checkbox"/> Tax idemnification and gross-up payments		
<input type="checkbox"/> Discretionary spending account		
<input type="checkbox"/> Housing allowance or residence for personal use		
<input type="checkbox"/> Payments for business use of personal residence		
<input type="checkbox"/> Health or social club dues or initiation fees		
<input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)		
1b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain		
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?		
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		
<input checked="" type="checkbox"/> Compensation committee		
<input type="checkbox"/> Independent compensation consultant		
<input checked="" type="checkbox"/> Form 990 of other organizations		
<input type="checkbox"/> Written employment contract		
<input checked="" type="checkbox"/> Compensation survey or study		
<input checked="" type="checkbox"/> 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		
4a Receive a severance payment or change-of-control payment?		No
4b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	Yes	
4c Participate in, or receive payment from, an equity-based compensation arrangement?		No
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
5a The organization?		No
5b Any related organization?		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		
6a The organization?		No
6b Any related organization?		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		No
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III		No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?		

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.

[illegible]

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
PERSONS PARTICIPATING IN, OR RECEIVING PAYMENT FROM, A RETIREMENT PLAN	PART I, QUESTION 4B	THE FOLLOWING INDIVIDUALS PARTICIPATED IN A SERP PLAN. AMOUNTS DEFERRED IN THE CURRENT YEAR WERE AS FOLLOWS: PAT MURRAY \$120,000; BOB WALTHER 25,000; STEVE PAUTLER 10,000. Hospital started contributing to SERP program for the 3 individuals this year. Individuals are not eligible to receive any funds until after 5 years of service or retire after 3 years of program implementation.

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
Sid Peterson Memorial Hospital

Employer identification number
74-2557820

Part I

Bond Issues

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A CITY OF KERRVILLE TX HEALTH FACILITIES DEV CORP	20-3591155	492436AA8	10-26-2005	81,675,000	FINANCE COST OF HEALTH FACILITIES		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	0							
2	Amount of bonds defeased	0							
3	Total proceeds of issue	81,675,000							
4	Gross proceeds in reserve funds	5,694,385							
5	Capitalized interest from proceeds	0							
6	Proceeds in refunding escrow	0							
7	Issuance costs from proceeds	1,959,776							
8	Credit enhancement from proceeds	0							
9	Working capital expenditures from proceeds	0							
10	Capital expenditures from proceeds	74,020,839							
11	Other spent proceeds	0							
12	Other unspent proceeds	0							
13	Year of substantial completion	2008							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X						
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		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						
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?		X						
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %							
6	Total of lines 4 and 5	0 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV

Arbitrage

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

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

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Sid Peterson Memorial Hospital

Employer identification number
74-2557820

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV

Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Elizabeth Murray	Wife of CEO	26,561	WAGES		No

Part V

Supplemental Information

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

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization Sid Peterson Memorial Hospital	Employer identification number 74-2557820
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Identifier	Return Reference	Explanation
PROCESS TO REVIEW THE FORM 990	FORM 990, PART VI, QUESTION 11B	THE ORGANIZATION ENGAGES AN OUTSIDE ACCOUNTING FIRM TO PREPARE FORM 990 ONCE PREPARED, THE FORM IS REVIEWED BY THE ORGANIZATION'S INTERNAL ACCOUNTANTS, CEO, CFO, AND CONTROLLER, AND COPIES OF THE RETURN ARE PROVIDED TO EACH BOARD MEMBER FOR INPUT PRIOR TO FILING
REVIEW OF CEO OR TOP MGMT OFFICIAL COMPENSATION	FORM 990, PART VI, QUESTION 15A	THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS IS COMPOSED OF THREE DIRECTORS APPOINTED BY THE CHAIRMAN OF THE BOARD AND APPROVED BY THE BOARD THE COMPENSATION COMMITTEE ANNUALLY REVIEWS THE HISTORY OF COMPENSATION FOR THE CEO, COMPARES COMPENSATION FOR PETERSON REGIONAL MEDICAL CENTER WITH THAT OF OTHER NOT FOR PROFIT HOSPITALS OF SIMILAR SIZE AND SERVICE, ANALYZES LOCAL AND NATIONAL DATA REGARDING SUCH COMPENSATION, AND RECOMMENDS ACTION TO THE BOARD OF DIRECTORS AFTER EXTENSIVE EVALUATION OF THE WORK OF THE CEO, AND REVIEW OF THE DATA GATHERED BY THE COMMITTEE, THE BOARD DETERMINES COMPENSATION FOR THE YEAR
GOVERNING DOCUMENTS AVAILABLE TO THE PUBLIC	FORM 990, PART VI, QUESTION 19	The organization makes its governing documents, conflict of interest policy, and financial statements available to the public upon request
PROCESS FOR MONITORING COMPLIANCE WITH CONFLICT OF INTEREST POLICY	FORM 990, PART VI, QUESTION 12C	THE ORGANIZATION INTERNALLY REVIEWS TRANSACTIONS FOR POSSIBLE CONFLICT ON A ROUTINE BASIS THROUGHOUT THE YEAR ALL BOARD MEMBERS ARE COVERED UNDER THIS POLICY THE BOARD REVIEWS ALL POSSIBLE CONFLICTS THIS PAST YEAR ONE BOARD MEMBER WAS NOT ALLOWED TO ATTEND MEETINGS BECAUSE HIS CONSTRUCTION FIRM WAS BIDDING ON A HOSPITAL PROJECT HE WAS ALLOWED TO RESUME ATTENDING BOARD MEETINGS ONCE THE CONTRACTOR WAS DECIDED UPON
DESCRIPTION OF OTHER PROGRAM SERVICES	FORM 990, PART III, QUESTION 4D	HAVE TWO LAB OFF-SITE OUTREACH LOCATIONS THERE WERE 9,831 PATIENT VISITS FOR THE YEAR
OTHER CHANGES IN NET ASSETS OF FUND BALANCES	FORM 990, PART XI, LINE 5	UNREALIZED GAIN/LOSS \$(692,112) PRIOR PERIOD ADJUSTMENT 6,618 ----- \$(685,494)
SIGNIFICANT CHANGES TO GOVERNING DOCUMENTS	FORM 990, PART VI, LINE 4	DURING THE YEAR, THE ORGANIZATION REVISED IT'S BY LAWS FOR THE FOLLOWING CHANGES 1 NUMBER OF DIRECTORS CHANGED FROM "DETERMINED FROM TIME TO TIME" TO "3 TO 15" 2 AGE LIMIT IMPLEMENTED 3 NO BOARD MEMBER CAN HAVE OWNERSHIP INTEREST IN COMPETING FACILITY 4 ADDED HOSPITAL MISSION AND VISION STATEMENTS 5 CHANGED HOW SPECIAL MEETINGS CAN BE CALLED 6 PRESIDENT AND VICE PRESIDENT TITLES CHANGED TO CHAIR AND VICE-CHAIR 7 NOW LIST CORPORATION OFFICERS AS WELL AS BOARD OFFICERS 8 DUTIES OF ALL OFFICERS EXPANDED 9 ELABORATION OF DUTIES OF COMMITTEES AND ADDED AUDIT AND FINANCE COMMITTEE AND QUALITY COMMITTEE 10 EXPANDED MEDICAL STAFF SECTION TO COVER ORGANIZATION, APPOINTMENTS, COMPETENCE, PATIENT CARE AND EVALUATION, MEMBERSHIP AND INSURANCE, COMPLIANCE, MEDICAL STAFF BY LAWS AMENDMENTS, CONTINUOUS QUALITY IMPROVEMENT PROGRAM 11 EXPANDED THE CONFLICT OF INTEREST SECTION 12 UPDATED INDEMNIFICATION OF DIRECTORS AND OFFICERS SECTION

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
Sid Peterson Memorial Hospital

Employer identification number
74-2557820

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Peterson Regional Medical Center Fdn 551 Hill Country Drive Kerrville, TX 78028 74-2645149	SUPPORT	TX	501(C)(3)	11a	PRMC	Yes	
(2) HEALTHCARE PARTNERSHIP GRTR SAN ANTONIO 551 HILL COUNTRY DRIVE KERRVILLE, TX 78028 45-0599888	SUPPORT	TX	501(C)(3)	7	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?		(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	

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) PETERSON MEDICAL ASSOCIATES 551 HILL COUNTRY DR KERRVILLE, TX 78028 27-2184637	HEALTHCARE	TX	NA	509(a) C-CORP	859,101	36,785	100 000 %

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

Yes

Yes

Yes

Yes

Yes

No

No

No

No

No

No

No

No

No

No

No

No

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) PETERSON REGIONAL MEDICAL CENTER FOUNDATION	C	847,966	FMV
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2011

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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**Sid Peterson Memorial Hospital d/b/a
Peterson Regional Medical Center**
Accountants' Report and Consolidated Financial Statements
June 30, 2012 and 2011

**Sid Peterson Memorial Hospital d/b/a
Peterson Regional Medical Center**

June 30, 2012 and 2011

Contents

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Consolidated Financial Statements

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Statements of Operations	3
Statements of Changes in Net Assets.....	4
Statements of Cash Flows	5
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Independent Accountants' Report

Board of Trustees
Sid Peterson Memorial Hospital d/b/a
Peterson Regional Medical Center
Kerrville, Texas

We have audited the accompanying consolidated balance sheets of Sid Peterson Memorial Hospital d/b/a Peterson Regional Medical Center 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 financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Sid Peterson Memorial Hospital d/b/a Peterson Regional Medical Center 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.

BKD, LLP

November 20, 2012

Sid Peterson Memorial Hospital d/b/a Peterson Regional Medical Center

Consolidated Balance Sheets

June 30, 2012 and 2011

Assets

	2012	2011
Current Assets		
Cash and cash equivalents	\$ 21,247,346	\$ 22,334,230
Short-term investments	4,630,560	5,967,731
Assets limited as to use	2,274,685	2,160,211
Patient accounts receivable, net of allowance, 2012 - \$3,934,000, 2011 - \$2,716,000	9,297,028	8,423,508
Contributions receivable	385,599	368,326
Estimated amounts due from third-party payers	-	1,216,779
Supplies	2,632,217	2,749,633
Receivable from property sale, current	1,000,000	1,000,000
Prepaid expenses and other	773,917	499,124
Total current assets	<u>42,241,352</u>	<u>44,719,542</u>
Assets Limited As To Use		
Held by trustee, under indenture agreement	7,607,268	7,571,815
Internally designated, self-insurance funds	1,659,673	1,652,525
Internally designated	<u>14,808,714</u>	<u>13,501,014</u>
	24,075,655	22,725,354
Less amount required to meet current obligations	<u>2,274,685</u>	<u>2,160,211</u>
	<u>21,800,970</u>	<u>20,565,143</u>
Investments	<u>48,316,733</u>	<u>42,591,360</u>
Property and Equipment, At Cost		
Land and land improvements	3,668,549	3,668,549
Buildings and leasehold improvements	85,259,334	85,227,135
Equipment	53,677,226	50,494,452
Construction in progress	<u>635,972</u>	<u>743,403</u>
	143,241,081	140,133,539
Less accumulated depreciation	<u>58,568,802</u>	<u>50,602,073</u>
	<u>84,672,279</u>	<u>89,531,466</u>
Other Assets		
Contributions receivable	476,524	749,089
Deferred financing costs	1,308,285	1,403,509
Receivable from property sale	1,890,546	2,868,656
Other	<u>311,842</u>	<u>8,000</u>
	3,987,197	5,029,254
Total assets	<u>\$ 201,018,531</u>	<u>\$ 202,436,765</u>

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

Current Liabilities

Current portion of long-term debt
Accounts payable
Accrued expenses
Estimated amounts due to third-party payers
Estimated self-insurance costs

Total current liabilities

2012

2011

\$	1,660,000	\$	1,580,000
	1,448,594		1,460,058
	5,142,223		5,230,833
	14,894,681		-
	978,873		737,540
	24,124,371		9,008,431

Estimated Self-insurance Costs

794,094

916,608

Deferred Compensation Obligation

332,742

169,201

Long-term Debt

Total liabilities

69,109,381

70,792,992

94,360,588

80,887,232

Net Assets

Unrestricted
Temporarily restricted
Permanently restricted

Total net assets

Total liabilities and net assets

104,253,873

2,184,070

220,000

106,657,943

\$ 201,018,531

118,899,706

2,429,827

220,000

121,549,533

\$ 202,436,765

Sid Peterson Memorial Hospital d/b/a Peterson Regional Medical Center

Consolidated Statements of Operations

Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Revenues, Gains and Other Support		
Net patient service revenue (net of contractual allowances and discounts)	\$ 99,635,798	\$ 96,207,243
Provision for uncollectible accounts	7,058,604	6,523,481
Net patient service revenue less provision for uncollectible accounts	92,577,194	89,683,762
Other	877,041	629,055
Total unrestricted revenues, gains and other support	93,454,235	90,312,817
Expenses and Losses		
Salaries and wages	38,890,952	38,623,407
Employee benefits	11,854,058	9,577,483
Purchased services and professional fees	11,137,175	8,633,998
Supplies and other	23,814,041	23,015,808
Insurance	33,957	55,512
Depreciation and amortization	9,080,584	8,959,061
Interest	3,762,726	3,841,329
Loss on impairment of long-lived assets	-	316,479
(Gain) loss on disposal of assets	48,884	(973,297)
Total expenses and losses	98,622,377	92,049,780
Operating Loss	(5,168,142)	(1,736,963)
Other Income (Expense)		
Investment return	923,822	9,091,774
Gain on repurchase of outstanding bonds	-	14,001
Impact of loss of sole community hospital status pertaining to prior years (Note 2)	(12,045,139)	-
Contributions	37,763	216,557
Total other income (expense)	(11,083,554)	9,322,332
Excess (Deficiency) of Revenues Over Expenses	(16,251,696)	7,585,369
Net assets released from restriction used for capital acquisitions	1,605,863	405,305
Increase (Decrease) in Unrestricted Net Assets	\$ (14,645,833)	\$ 7,990,674

**Sid Peterson Memorial Hospital d/b/a
Peterson Regional Medical Center**
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Net Assets		
Excess (deficiency) of revenues over expenses	\$ (16,251,696)	\$ 7,585,369
Assets released from restriction for capital acquisitions	<u>1,605,863</u>	<u>405,305</u>
Increase (decrease) in unrestricted net assets	<u>(14,645,833)</u>	<u>7,990,674</u>
Temporarily Restricted Net Assets		
Contributions received	1,342,130	416,876
Unrealized gains	17,976	93,738
Net assets released from restriction	<u>(1,605,863)</u>	<u>(405,305)</u>
Increase (decrease) in temporarily restricted net assets	<u>(245,757)</u>	<u>105,309</u>
Change in Net Assets	(14,891,590)	8,095,983
Net Assets, Beginning of Year	<u>121,549,533</u>	<u>113,453,550</u>
Net Assets, End of Year	<u><u>\$ 106,657,943</u></u>	<u><u>\$ 121,549,533</u></u>

Sid Peterson Memorial Hospital d/b/a Peterson Regional Medical Center

Consolidated Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	2012	2011
Operating Activities		
Change in net assets	\$ (14,891,590)	\$ 8,095,983
Items not requiring (providing) operating cash flow		
Depreciation and amortization	9,080,584	8,959,061
(Gain) loss on investments	703,218	(7,856,592)
(Gain) loss on disposal of assets	48,884	(973,297)
Loss on impairment of long-lived assets	-	316,479
Gain on de-recognition of debt	-	(14,001)
Restricted contributions	(1,342,130)	(416,876)
Changes in		
Patient accounts receivable, net	(873,520)	1,885,551
Estimated amounts due from and to third-party payers	16,111,460	683,221
Accounts payable and accrued expenses	(148,398)	1,780,949
Deferred compensation obligation	163,541	169,201
Other current assets and liabilities	635,710	81,315
Net cash provided by operating activities	<u>9,487,759</u>	<u>12,710,994</u>
Investing Activities		
Purchases of investments	(13,097,745)	(9,515,709)
Sales of investments	6,656,024	4,823,804
Proceeds from sale of property and equipment	50,095	845,766
Purchase of property and equipment	<u>(4,200,439)</u>	<u>(5,056,744)</u>
Net cash used in investing activities	<u>(10,592,065)</u>	<u>(8,902,883)</u>
Financing Activities		
Proceeds from restricted contributions	1,597,422	974,772
Payments on long-term debt	<u>(1,580,000)</u>	<u>(1,590,999)</u>
Net cash provided by (used in) financing activities	<u>17,422</u>	<u>(616,227)</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(1,086,884)</u>	<u>3,191,884</u>
Cash and Cash Equivalents, Beginning of Year	<u>22,334,230</u>	<u>19,142,346</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 21,247,346</u></u>	<u><u>\$ 22,334,230</u></u>
Supplemental Cash Flows Information		
Interest paid	\$ 3,753,504	\$ 3,832,665
Receivable from property sale	-	3,868,656

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

Nature of Operations

Sid Peterson Memorial Hospital d/b/a Peterson Regional Medical Center (the Medical Center) is a not-for-profit acute care hospital located in Kerrville, Texas. The Medical Center was incorporated on February 13, 1989. The Medical Center is governed by a Board of Directors (the Board) of not less than three or more than 15 members elected at an annual meeting of the Board. The Medical Center earns revenues by providing inpatient, outpatient and emergency services to residents in and around Kerr County, Texas.

Peterson Regional Health Care Center Foundation (the Foundation) is a nonprofit fund raising foundation organized to raise funds for the benefit of the Medical Center, its sole member.

Peterson Medical Associates (PMA) is a physician group practice organization. PMA's sole member is the Medical Center.

The Medical Center completed construction of a new state-of-the-art hospital campus in the last quarter of the fiscal year ended June 30, 2008. The prior hospital facility was vacated and was sold in 2011, as discussed in Note 16.

Principles of Consolidation

The consolidated financial statements include the accounts of the Medical Center, the Foundation and PMA. All significant intercompany accounts and transactions have been eliminated in consolidation.

Change in Accounting Principle

In 2012, the Medical Center 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 related to patient service revenue to a deduction from patient service revenue and to provide enhanced disclosures about the Medical Center's policies related to uncollectible accounts. The change had no effect on prior year change in net assets.

The change in the consolidated statements of operations resulting from the adoption of ASU 2011-07 is shown on the following page.

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2012			
Consolidated Statement of Operations			
	As Computed Under Previous Guidance	As Computed Under ASU 2011-07	Effect of Change
Patient service revenue (net of contractual allowances and discounts)	\$ 99,635,798	\$ 99,635,798	\$ -
Provision for uncollectible accounts	-	(7,058,604)	(7,058,604)
Net patient service revenue less the provision for uncollectible accounts	<u>\$ 99,635,798</u>	<u>\$ 92,577,194</u>	<u>\$ (7,058,604)</u>
Total unrestricted revenues, gains and other support	\$ 100,512,839	\$ 93,454,235	\$ (7,058,604)
Provision for uncollectible accounts	7,058,604	-	(7,058,604)
Total expenses	105,680,981	98,622,377	(7,058,604)
2011			
Consolidated Statement of Operations			
	As Previously Reported	As Adjusted	Effect of Change
Patient service revenue (net of contractual allowances and discounts)	\$ 96,207,243	\$ 96,207,243	\$ -
Provision for uncollectible accounts	-	(6,523,481)	(6,523,481)
Net patient service revenue less the provision for uncollectible accounts	<u>\$ 96,207,243</u>	<u>\$ 89,683,762</u>	<u>\$ (6,523,481)</u>
Total unrestricted revenues, gains and other support	\$ 96,836,298	\$ 90,312,817	\$ (6,523,481)
Provision for uncollectible accounts	6,523,481	-	(6,523,481)
Total expenses	98,573,261	92,049,780	(6,523,481)

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.

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Cash and Cash Equivalents

The Medical Center 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 and certificates of deposit.

Effective July 21, 2010, the Federal Deposit Insurance Corporation's (FDIC) insurance limits were permanently increased to \$250,000. At June 30, 2012, the Medical Center's cash accounts exceeded federally insured limits by approximately \$19,201,000.

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction 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. 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 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. Other investment return is reflected in the consolidated statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Assets Limited As To Use

Assets limited as to use include (1) assets held by trustees under bond indenture agreements, (2) assets internally designated for self-insurance arrangements, (3) assets internally designated under the supplemental executive retirement plan agreements, and (4) assets internally designated for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of the Medical Center are included in current assets.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for

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doubtful accounts and provision for uncollectible accounts. 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 Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center records a significant provision for uncollectible accounts on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Medical Center's allowance for uncollectible accounts for self-pay patients increased from 89 percent of self-pay accounts receivable at June 30, 2011, to 91 percent of self-pay accounts receivable at June 30, 2012. The Medical Center's write-offs decreased approximately \$1,108,000 from approximately \$6,948,000 for the year ended June 30, 2011, to approximately \$5,840,000 for the year ended June 30, 2012. The increase in the allowance for uncollectible accounts is the result of increased aging of receivables. The decrease in the write-offs is primarily a timing difference due to resource constraints within the business office.

Supplies

The Medical Center states supply inventories 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 using the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

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

Buildings and leasehold improvements	5-40 years
Equipment	3-10 years

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Donations of property and equipment are reported at fair 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.

Long-lived Asset Impairment

The Medical Center evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2012. Prior to the sale of the previous hospital facility, an impairment loss of approximately \$316,000 was recognized for the year ended June 30, 2011, based on the estimated sales price of the property, less the cost to prepare that property for sale. The loss is included in operating expenses in the accompanying consolidated statements of operations.

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 interest method.

Physician Guarantees

In an effort to recruit new physicians to its service area, the Medical Center has entered into various physician income guarantee agreements. Under these agreements, the Medical Center guarantees minimum monthly income, revenues, or collections or guarantees reimbursement of expenses up to maximum limits to physicians during a specified period of time (typically, 12 to 24 months). In return for the guarantee payments, the physicians are required to practice in the community for a stated period of time (typically, two to three years, the guarantee period) or else return the guarantee payments to the Medical Center. As of June 30, 2012, the maximum amount of potential future payments that the Medical Center could be required to make under all existing physician guarantee agreements is approximately \$430,000.

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Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Medical Center 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 Medical Center in perpetuity.

Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center 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 revenue adjustments. 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 Medical Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Medical Center 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 (*i.e.*, when a 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 for other than capital purchases 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.

Estimated Malpractice Costs

An annual estimated provision is accrued for the self-insured portion of medical malpractice claims and includes an estimate of the ultimate costs for both reported claims and claims incurred, but not reported.

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Income Taxes

The Medical Center and the Foundation have been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Medical Center and the Foundation are subject to federal income tax on any unrelated business taxable income.

PMA is organized as a not-for-profit taxable 501(a) physician management organization. PMA's taxable income and deferred tax items as of and for the years ended June 30, 2012 and 2011, were not material.

The Medical Center, the Foundation and PMA file tax returns in the U.S. Federal jurisdiction. With a few exceptions, the Medical Center, the Foundation and PMA are no longer subject to U.S. Federal examinations by tax authorities for years before 2008.

Excess (Deficiency) of Revenues Over Expenses

The consolidated statements of operations include excess (deficiency) of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include 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).

Self Insurance

The Medical Center has elected to self-insure certain costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. During the year ended June 30, 2012, the Medical Center purchased insurance that limits its exposure for individual claims to \$200,000.

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.

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 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,

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which is approved by the Centers for Medicare and Medicaid Services (CMS). Payments under both programs are contingent on the Medical Center 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 Medical Center recognizes revenue under the grant accounting model using the cliff recognition approach. Under this approach, revenue is recognized once meaningful use status has been met for the full reporting period.

In 2012, the Medical Center completed the first-year requirements under the Medicaid program and has recorded revenue of approximately \$293,000, which is included as a component of other operating revenue in 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. The reclassifications had no effect on the change in net assets.

Note 2: Net Patient Service Revenue

The Medical Center 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 Medical Center recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Medical Center records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the consolidated statements of operations as a component of net patient service revenue.

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

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and

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other factors. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare administrative contractor.

Medicaid Inpatient services rendered to Medicaid program beneficiaries are paid based on interim rates subject to a year-end cost settlement if allocated costs exceed the interim payment amounts. Outpatient services rendered to Medicaid program beneficiaries are paid using a mixture of cost-based and fee-schedule methodologies. The Medical Center is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid administrative contractor.

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 Medical Center participates in CMS-approved private Medicaid Upper Payment Limit (UPL) programs. The Medical Center has affiliation agreements with third-party hospitals that provide free hospital and physician care to qualifying indigent residents of the counties in Texas in which the hospitals operate (Guadalupe and Kimble). The UPL payments are contingent on the county or hospital district making an Inter-Governmental Transfer (IGT) to the state Medicaid program.

The Medical Center recognized as a component of net patient service revenue approximately \$3,604,000 and \$820,000 in Medicaid UPL funding for the years ended June 30, 2012 and 2011, respectively. On December 12, 2011, the United States Department of Health and Human Services approved a new Medicaid Section 1115(a) demonstration entitled "Texas Health Transformation and Quality Improvement Program." This demonstration will expand existing Medicaid managed care programs and establish two funding pools that will assist providers with uncompensated care costs and promote health system transformation. The demonstration is effective from December 12, 2011 to September 30, 2016, and may have a material impact on the Medical Center's future Medicaid funding. Management is not currently able to estimate the impact of the 1115(a) waiver on future funding.

During the year ended June 30, 2012, the Medical Center was notified by CMS that the Medical Center's status as a Sole Community Hospital (SCH) was being terminated. SCH status provides for a hospital a specific payment rate for inpatient services if that rate, in aggregate, results in total payments greater than the prospective payment that would be paid under Medicare's normal payment methodology and a 7.1 percent add on to the prospective payment for outpatient services. The SCH status termination is retrospective to all fiscal years for which the Medicare cost report has not been settled by CMS, which is fiscal years 2008 through 2011. The impact of the lost SCH status for these fiscal years is approximately \$12,045,000, which is included as a component in estimated amounts due to third-party payers in the consolidated balance sheets.

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The estimated loss has been reflected as a component of other expenses in the consolidated statements of operations. The estimated loss pertaining to 2012 is approximately \$2,666,000 and is reflected as a component of net patient service revenue in the consolidated statements of operations. The average annual benefit of SCH status in the last three fiscal years has been approximately \$3,123,000.

The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center 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 for the years ended June 30, 2012 and 2011, is as follows:

	2012	2011
Medicare	\$ 39,385,555	\$ 40,454,462
Medicaid	7,079,707	6,439,553
Other third-party payers	44,625,058	40,399,214
Self-pay	8,545,478	8,914,014
	<u>\$ 99,635,798</u>	<u>\$ 96,207,243</u>

Note 3: Concentration of Credit Risk

Accounts Receivable

The Medical Center 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, is as follows:

	2012	2011
Medicare	54%	47%
Medicaid	5%	2%
Other third-party payers	37%	46%
Patients	4%	5%
	<u>100%</u>	<u>100%</u>

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Note 4: Investments and Investment Return

Assets Limited As To Use

Assets limited as to use as of June 30, 2012 and 2011, include the following items:

	2012	2011
Held by trustee under indenture agreement		
Cash and cash equivalents	\$ 2,381,826	\$ 2,281,347
Certificates of deposit	5,213,075	5,280,068
Accrued interest	12,367	10,400
	<u>\$ 7,607,268</u>	<u>\$ 7,571,815</u>
Internally designated for self-insurance arrangements		
Cash and cash equivalents	\$ 98,599	\$ 43,322
Certificates of deposit	50,314	49,759
U S Treasury and agency obligations	54,280	53,031
Corporate fixed income instruments	106,047	103,562
Domestic mutual funds	527,446	348,235
Foreign mutual funds	273,639	314,507
Domestic equity securities	494,278	686,766
Foreign equity securities	55,070	53,343
	<u>\$ 1,659,673</u>	<u>\$ 1,652,525</u>
Internally designated for capital acquisition and other		
Cash and cash equivalents	\$ 1,194,770	\$ 453,838
Certificates of deposit	1,607,845	1,590,693
U S Treasury and agency obligations	731,045	1,876,794
Corporate fixed income instruments	2,665,909	3,536,455
Real estate investment trusts	27,389	22,854
Domestic mutual funds	3,352,510	2,153,354
Foreign mutual funds	1,446,039	1,191,831
Domestic equity securities	3,097,228	2,363,519
Foreign equity securities	685,979	311,676
	<u>\$ 14,808,714</u>	<u>\$ 13,501,014</u>

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Other Investments

Other investments at June 30, 2012 and 2011, include:

	2012	2011
Certificates of deposit	\$ 2,303,210	\$ 1,893,824
U.S. Treasury and agency obligations	1,709,294	2,567,941
Corporate and municipal fixed income instruments	10,859,359	8,960,658
Domestic mutual funds	14,577,447	9,028,874
Foreign mutual funds	8,048,775	7,273,730
Domestic equity securities	13,997,495	17,309,638
Foreign equity securities	1,174,113	1,292,211
Real estate investment trusts	277,600	232,215
	<u>52,947,293</u>	<u>48,559,091</u>
Less long-term investments	<u>48,316,733</u>	<u>42,591,360</u>
Short-term investments	<u>\$ 4,630,560</u>	<u>\$ 5,967,731</u>

Total investment return is comprised of the following:

	2012	2011
Interest and dividend income	\$ 1,645,016	\$ 1,328,920
Net realized gains (losses)	(2,380)	174,686
Net unrealized gains (losses)	<u>(700,838)</u>	<u>7,681,906</u>
	<u>\$ 941,798</u>	<u>\$ 9,185,512</u>

Total investment return is reflected in the consolidated statements of operations and changes in net assets as follows:

	2012	2011
Unrestricted net assets:		
Other income - investment return	\$ 923,822	\$ 9,091,774
Temporarily restricted net assets - unrealized gains	<u>17,976</u>	<u>93,738</u>
	<u>\$ 941,798</u>	<u>\$ 9,185,512</u>

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Note 5: Contributions Receivable

Contributions receivable consisted of the following items at June 30, 2012 and 2011:

	2012	2011
Due within one year	\$ 385,599	\$ 368,326
Due in one to five years	765,192	1,148,470
Due in more than five years	39,734	259,498
	<u>1,190,525</u>	<u>1,776,294</u>
Less:		
Allowance for uncollectible contributions	168,461	400,409
Unamortized discount	159,941	258,470
	<u>328,402</u>	<u>658,879</u>
	<u><u>\$ 862,123</u></u>	<u><u>\$ 1,117,415</u></u>

Contributions receivable are for the construction of the new hospital and the Da Vinci surgical machine and have been discounted using an adjusted risk free rate at the time of the contribution.

Note 6: Risk Management

The Medical Center is self-insured for medical malpractice risks. Losses from asserted and unasserted claims identified under the Medical Center's incident reporting system are accrued based on estimates that incorporate the Medical Center's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the Medical Center's estimate of losses will change by a material amount in the near term.

The Medical Center has engaged professional actuarial consultants to assist in computing its accrual for malpractice exposure. Amounts accrued by the Medical Center as of June 30, 2012 and 2011, were approximately \$794,000 and \$917,000, respectively. Estimated losses have been discounted assuming a 2 percent rate of return for each of the years ended June 30, 2012 and 2011.

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The Medical Center is also self-insured for employee health care and workers' compensation claims. During the year ended June 30, 2012, the Medical Center purchased excess insurance coverage, which limits their annual individual exposure to \$200,000. A reserve has been established for unpaid claims and claims incurred, but not received, and is reflected in estimated self-insurance costs in the consolidated balance sheets. Amounts accrued by the Medical Center for employee health and workers' compensation claims were approximately \$979,000 and \$738,000 for the years ended June 30, 2012 and 2011, respectively.

Note 7: Long-term Debt

	2012	2011
Revenue bonds payable (A)	\$ 70,445,000	\$ 72,025,000
Bond premium	324,381	347,992
	<u>\$ 70,769,381</u>	<u>\$ 72,372,992</u>

- (A) Series 2005 City of Kerrville, Texas, Health Facilities Development Corporation Hospital Revenue Bonds (Sid Peterson Memorial Hospital Project) in the original amount of \$81,675,000, plus a net original issue premium of \$485,917 dated October 1, 2005, bearing interest at rates ranging from 4.00 percent to 5.45 percent. The bond indenture requires the Medical Center to make annual principal and sinking fund payments each August 15 beginning in 2009 through 2035, with interest due each August 15 and February 15.

The bond issue includes \$35,070,000 of term bonds due August 15, 2035, which the Medical Center may call at par on any August 15 or February 15. Additionally, the Medical Center may call any other remaining bonds at par on or after August 15, 2016.

The City of Kerrville, Texas, Health Facilities Development Corporation (the Corporation) issued the bonds on behalf of the Medical Center. The bonds are secured by a pledge of the Medical Center's revenues, the reserve funds established with the bond trustee pursuant to the loan agreement and bond indenture, and a mortgage lien on substantially all land and buildings of the Medical Center. The bonds have not been guaranteed by the Corporation.

The indenture and loan agreements require that certain funds be established with a trustee. Accordingly, these funds are included as assets limited as to use held by a trustee in the consolidated financial statements. The agreements also require the Medical Center to comply with certain restrictive covenants including minimum insurance coverage, a liquidity covenant that requires a minimum of 60 days of cash and unrestricted investments on hand, maintaining a debt service coverage ratio of at least 1.15 and restrictions on the incurrence of additional debt and disposition of assets.

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For the year ended June 30, 2012, the Medical Center was not in compliance with a covenant requiring a minimum debt service coverage ratio. The noncompliance is not considered an event of default if a management consultant is retained to make recommended changes in rates, fees and charges or expenses. Subsequent to year-end, the Medical Center hired a management consultant.

During the year ended June 30, 2011, the Medical Center purchased bonds in the open market with a par value of \$100,000 for \$85,999. This gain is recognized in the consolidated statements of operations as a component of other income.

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

2013	\$ 1,660,000
2014	1,745,000
2015	1,835,000
2016	1,930,000
2017	1,930,000
Thereafter	<u>61,345,000</u>
	<u><u>\$ 70,445,000</u></u>

Note 8: Line of Credit

At June 30, 2012 and 2011, the Medical Center had a \$3,000,000 line of credit with a local financial institution, which expires on February 1, 2013. No amounts were drawn on the line of credit during the years ended June 30, 2012 and 2011.

Note 9: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for health care services. During the years ended June 30, 2012 and 2011, net assets released from donor restrictions by incurring qualifying expenses or by the passage of time were \$605,863 and \$405,305, respectively. Permanently restricted net assets are investments to be held to perpetuity with the income to be used for operations.

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	<u>2012</u>	<u>2011</u>
Investments to be held in perpetuity, the income to be used for operations	\$ 220,000	\$ 220,000

Note 10: Charity Care

In support of its mission, the Medical Center voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. In addition, the Medical Center 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.

The costs of charity care provided under the Medical Center's charity care policy were approximately \$7,042,000 and \$7,259,000 for the years ended June 30, 2012 and 2011, respectively. The cost of providing charity care is estimated by applying the ratio of cost to gross charges to gross uncompensated charges.

Note 11: Functional Expenses

The Medical Center provides health care services primarily to residents within its geographic area. Expenses related to providing these services are shown below:

	<u>2012</u>	<u>2011</u>
Health care services	\$ 94,063,066	\$ 87,794,320
General and administrative	4,559,311	4,255,460
	<u>\$ 98,622,377</u>	<u>\$ 92,049,780</u>

Note 12: Pension Plan

The Medical Center has a defined contribution pension plan covering substantially all employees. The Board of Trustees annually determines the amount, if any, of the Medical Center's contributions to the pension plan. Pension expense was approximately \$1,287,000 and \$1,199,000 for the years ended June 30, 2012 and 2011, respectively.

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Effective July 1, 2010, the Medical Center implemented a supplemental executive retirement plan (SERP) covering certain members of management. The Medical Center's funding policy is to contribute the minimum annual contribution that is required by applicable regulations, plus such amounts as the Medical Center may determine to be appropriate from time to time. The Medical Center contributed approximately \$333,000 and \$0 for the years ended June 30, 2012 and 2011, respectively, and expects to contribute \$155,000 for 2013.

Note 13: Disclosures About Fair Value of Financial Instruments

Accounting Standards Codification Topic 820, *Fair Value Measurements*, 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. The standard 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 inputs and valuation methodologies 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, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include domestic and foreign mutual funds and equity securities, U.S. Treasury and agency obligations, corporate and municipal fixed income securities, and real estate investment trusts. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include U.S. Treasury and agency obligations and corporate and municipal fixed income securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Medical Center did not hold any Level 3 securities at June 30, 2012 and 2011.

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Quoted market prices were used to determine the fair value of Level 1 items listed previously. For Level 2 investments, inputs include maturity and coupon rates and/or closing prices of similar securities from comparable industry financial data.

The following table presents 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.

		Fair Value Measurement Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value			
June 30, 2012					
U S Treasury and agency obligations	\$ 2,494,619	\$ 2,412,755	\$ 81,864	\$ -	
Corporate and municipal fixed income instruments	13,631,315	8,716,679	4,914,636	-	
Domestic mutual funds	18,457,403	18,457,403	-	-	
Foreign mutual funds	9,768,453	9,768,453	-	-	
Domestic equity securities	17,589,001	17,589,001	-	-	
Foreign equity securities	1,915,162	1,915,162	-	-	
Real estate investment trusts	304,989	304,989	-	-	
June 30, 2011					
U S Treasury and agency obligations	4,497,766	-	4,497,766	-	
Corporate and municipal fixed income instruments	12,600,675	-	12,600,675	-	
Domestic mutual funds	11,530,463	11,530,463	-	-	
Foreign mutual funds	8,780,068	8,780,068	-	-	
Domestic equity securities	20,359,923	20,359,923	-	-	
Foreign equity securities	1,657,230	1,657,230	-	-	
Real estate investment trusts	255,069	255,069	-	-	

The methods on the following page 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.

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Cash and Cash Equivalents

The carrying amount approximates fair value.

Certificates of Deposit

Amortized cost approximates fair value.

Contributions Receivable

Fair value is estimated at the present value of the future payments expected to be received.

Long-term Debt

Fair value is estimated, based on the borrowing rates currently available to the Medical Center for debt with similar terms and maturities.

The following table presents estimated fair values of the Medical Center'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	\$ 21,247,346	\$ 21,247,346	\$ 22,334,230	\$ 22,334,230
Assets limited as to use and other investments	77,022,948	77,022,948	71,284,445	71,284,445
Contributions receivable	862,123	862,123	1,117,415	1,117,415
Financial liabilities				
Long-term debt	70,769,381	75,491,021	72,372,992	71,004,868

Note 14: Related-party Transactions

The Medical Center became party to an indigent care affiliation agreement during the year ended June 30, 2011, with the City of Seguin and Guadalupe County, Texas d/b/a Guadalupe Regional Medical Center and during the year ended June 30, 2012, with Kimble County Hospital District to collaborate with the Healthcare Partnership of Greater San Antonio (the Service Organization), a nonprofit corporation, to access Medicaid supplemental payments through the State of Texas private UPL program. The Medical Center's Chief Executive Officer and Chief Financial Officer

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serve on the Board of the Service Organization. The Medical Center contributed approximately \$2,541,000 and \$548,000 to the Service Organization during the years ended June 30, 2012 and 2011, respectively. These contributions, which were used to fund indigent care in west Texas, are reflected as a component of supplies and other expense in the consolidated statements of operations.

Note 15: 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 Notes 1 and 6.

Litigation

In the normal course of business, the Medical Center 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 Medical Center's self-insurance program (discussed elsewhere in these notes) or by commercial insurance (*e g* , allegations regarding employment practices or performance of contracts). The Medical Center 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.

Long-lived Asset Impairment

An estimate related to long-lived asset impairment is discussed in Notes 1 and 16.

Self-insured Employee Health Care and Workers' Compensation

Estimates related to the accrual for self-insured employee health claims and workers' compensation claims are discussed in Note 6.

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Health Care Reform

During 2010, Congress passed legislation that will significantly reform the United States health care system. The legislation will require certain changes through 2014 to private and public health care insurance plans, including the Texas Medicaid program. While the impact of these regulatory changes cannot currently be determined, it is reasonably possible that these changes will negatively impact the Medical Center's net patient service revenues.

Investments

The Medical Center 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.

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 value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The consolidated financial statements have been prepared using values and information currently available to the Medical Center.

Current economic conditions, including the unemployment rate, have made it difficult for certain of our patients to pay for services rendered. As employers make adjustments to health insurance plans or 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 Medical Center'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 consolidated financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts and contributions receivable that could negatively impact the Medical Center's ability to meet debt covenants or maintain sufficient liquidity.

Note 16: Construction of New Medical Center

The Medical Center issued its Series 2005 revenue bonds to fund the construction of a new Medical Center facility, which the Medical Center occupied in fiscal year 2008. As a result, the Medical Center vacated its prior hospital site.

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The Medical Center sold the prior site to an unrelated third party during the year ended June 30, 2011. Prior to the sale, management recorded costs of demolition as an additional impairment. The Medical Center has recorded an impairment loss of approximately \$0 and \$316,000 for the years ended June 30, 2012 and 2011, respectively, which represents the excess of the carrying value of the prior site over the estimated net proceeds of the sale. The remaining book value of the prior facility was written-off when the property was sold and a gain of approximately \$973,000 was recognized in the consolidated statement of operations for the year ended June 30, 2011.

Note 17: Subsequent Events

On August 28, 2012, the Medical Center entered into a letter of intent with a third party to construct a new medical office building. Construction costs are estimated to be \$5,145,000.

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

Additional Data

Software ID:
Software Version:
EIN: 74-2557820
Name: Sid Peterson Memorial Hospital

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

4d. Other program services					
(Code) (Expenses \$	266,056	including grants of \$) (Revenue \$	8,527,667)
Two lab off-site outreach locations					