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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 94-2916102	
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	C Name of organization Kingman Hospital Inc Doing Business As Number and street (or P O box if mail is not delivered to street address) Room/suite 3269 Stockton Hill Road City or town, state or country, and ZIP + 4 Kingman, AZ 86409		E Telephone number (928) 757-2101
		F Name and address of principal officer Brian Turney 3269 Stockton Hill Road Kingman, AZ 86409	G Gross receipts \$ 249,265,471
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		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 ▶	
J Website: ▶ AZKRCM.com			
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 1980	M State of legal domicile AZ

Part I		Summary	
Activities & Governance	1 Briefly describe the organization's mission or most significant activities OUR VISION IS TO BE THE REGION'S LEADING HEALTHCARE PROVIDER THROUGH AN ENVIRONMENT THAT FOSTERS RESPECT FOR OTHERS, PRIDE IN PERFORMANCE, CLINICAL EXCELLENCE AND NATIONALLY RECOGNIZED PATIENT SATISFACTION		
	2 Check this box <input checked="" 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	25
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	25
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	1,924
	6 Total number of volunteers (estimate if necessary)	6	260
	7a Total unrelated business revenue from Part VIII, column (C), line 12 . . .	7a	0
	b Net unrelated business taxable income from Form 990-T, line 34 . . .	7b	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	394,235	286,449
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	212,359,760	232,335,275
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	4,619,352	2,369,462
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	3,045,080	3,281,083
		220,418,427	238,272,269
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3) . . .	100,733	186,942
	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)	111,996,301	116,751,079
	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"/> 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	102,341,086	110,265,451
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	214,438,120	227,203,472
	19 Revenue less expenses Subtract line 18 from line 12	5,980,307	11,068,797
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	215,559,265	239,140,407
	21 Total liabilities (Part X, line 26)	23,286,049	38,622,450
	22 Net assets or fund balances Subtract line 21 from line 20	192,273,216	200,517,957

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	
	TIMOTHY BLANCHARD CHIEF FINANCIAL OFFICER Type or print name and title				
Paid Preparer's Use Only	Preparer's signature		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 111 South Tejon Suite 800 Colorado Springs, CO 809039848			EIN	
				Phone no (719) 471-4290	

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

Part III

Statement of Program Service Accomplishments

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

☐

☒

1

Briefly describe the organization's mission

OUR VISION IS TO BE THE REGION'S LEADING HEALTHCARE PROVIDER THROUGH AN ENVIRONMENT THAT FOSTERS RESPECT FOR OTHERS, PRIDE IN PERFORMANCE, CLINICAL EXCELLENCE AND NATIONALLY RECOGNIZED PATIENT SATISFACTION

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 \$ 181,783,269 including grants of \$ 186,942) (Revenue \$ 233,036,493)

Mohave County is one of the fastest growing counties in Arizona. The area around Kingman which is the county seat is expected to continue growing steadily in the coming years. In response to the growth, KRMC has continued to expand its services. We now offer a full range of health and wellness services, including a wellness and fitness center, multiple primary care physician practices, advanced medical programs in cardiology, cancer, and rehabilitation, and home health and hospice care. Moreover, we are honored to serve as a teaching hospital in affiliation with Midwestern University to train doctors specializing in family practice, dermatology, and emergency medicine. With the growing population we are seeing the following problems and trends. We are seeing an increasing number of uninsured patients in our area. We are experiencing a higher volume of self pay patients who are waiting to seek medical care until the time that they must go to the emergency room. Our Medicaid population is 25% of our total patient population. Our Medicare population is 55% of total patient population. Major strategies to address identified needs and problems include. We have increased recruitment efforts of RN's, therapists and skilled technicians to meet the growing needs of the community. We continue to recruit physicians of various specialties to the area. We continue to expand our facilities to meet the needs of the community. KRMC is collaborating with community organizations to improve community health, expand access to health care, or in other ways benefit the community. Some examples are. We work with the Women's Health Organization to provide discounted mammography to self pay patients. We work with the Foster Grandparents Association and provide free physical exams. We pay 50% and write off the other 50% for Victims of Crime collaborating with the Mohave County Attorney's Office. The KRMC Foundation has established the Katherine Duncan Fund as a result of a private donation, to assist those who can not afford to pay. If the patient qualifies for KRMC Charity Care and is left with a private pay balance, they are eligible to receive an additional 25% payment through the Katherine Duncan Fund. KRMC is a teaching hospital with a GME program in association with Midwestern University. KRMC operates several physician practices and a continuity clinic. There are plans to expand these services to the outlying areas of our community. In recent years, KRMC has expanded services to include services that are not usually found in a rural community such as, cardiac catheterization, cancer diagnosis and treatment with a state-of-the-art cancer center, a new outpatient imaging and women's health center, acute rehabilitation unit, cardiac surgical unit for open heart surgery, wound care, and hyperbaric. Our uncompensated care policy is called "Qualifying Discount Program". Our program is defined as Charity Care services provided for which payment is not anticipated because of an inability to pay, and may apply to an entire account balance or a portion of it. Charity Care is separate and distinct from Bad Debts, which are accounts for which credit was extended and payment is anticipated, but not received. Our discount program is based on a percentage of the Federal Poverty Level. KRMC has updated it's charity care policy to include those patients whose household income is less than 400% of the FPL. This program is for all patients regardless of their primary insurance status and is based on their family size and income from all sources. Organizational Description for Tax Exemption. KRMC operates an ER that is open to all persons regardless of their ability to pay and complies with all EMTALA regulations. We have notices in the ER that informs the patients of this fact, Our admissions staff advises all patients who present for services that we are calling for a nurse and will perform a Medical Screening exam regardless of their ability to pay. We assist them after the medical screening exam with DES applications and in-service them on our Charity Program if should they have an inability to pay. KRMC has an open medical staff with privileges available to all qualified physicians in the area. Kingman Hospital Inc has a governing body in which independent persons representative of the community comprise a majority. KRMC engages in the training and education of health care professionals with its GME program. We participate with Medicare and Medicaid, Champus, Tricare, Veterans Affairs and other governmental health care programs.

4b

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

4c

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

4d

Other program services (Describe in Schedule O)




















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

4e

Total program service expenses \$ 181,783,269

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22	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		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or 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	

Part V Statements Regarding Other IRS Filings and Tax Compliance						
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>						
		Yes	No			
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	179			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes			
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	1,924			
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: 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	25		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	25
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	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	No
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official	15a	Yes
b	Other officers or key employees of the organization	15b	Yes
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed AZ
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. THE ORGANIZATION 3269 STOCKTON HILL ROAD Kingman, AZ 86409 (928) 757-2101

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

☐ Check this box if neither the organization nor any related organizations compensated any current or former officer, director, or trustee

Form **990** (2011)

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	5,693,466	0	223,628

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. 172

		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
HIGH DESERT RADIOLOGY 695 COUNTRY CLUB DRIVE KINGMAN, AZ 86401	RADIOLOGISTS	5,280,345
T R ORR INC 3965 N BANK STREET KINGMAN, AZ 89409	CONTRACTOR	2,608,884
MIDWESTERN UNIVERSITY 19555 N 59TH AVE GLENDALE, AZ 85308	GME PROGRAM	1,576,495
AMN HEALTHCARE FILE 56157 LOS ANGELES, CA 90074	NURSE AGENCY	1,996,102
JSS MEDICAL STAFFING 2909 DEBRA DRIVE RALEIGH, NC 27604	NURSE AGENCY	1,242,327

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 ▶27

Part VIII Statement of Revenue

				(A)	(B)	(C)	(D)	
				Total revenue	Related or exempt function revenue	Unrelated business revenue	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	228,617				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	57,832				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f		286,449				
Program Service Revenue			Business Code					
	2a	PATIENT SERVICE REVENUE	900099	122,399,077	122,399,077			
	b	MEDICARE & MEDICAID REVENUE	900099	108,542,577	108,542,577			
	c	ORTHO MISC REVENUE	900099	3,866	3,866			
	d	ALLERGY MISC REVENUE	900099	195,334	195,334			
	e	WELLNESS CENTER REVENUE	900099	1,083,934	1,083,934			
	f	All other program service revenue		110,487	110,487			
	g	Total. Add lines 2a-2f		232,335,275				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		638,250			638,250	
	4	Income from investment of tax-exempt bond proceeds . .		0				
	5	Royalties		0				
	6a	Gross rents	(i) Real	(ii) Personal				
			533,592					
			533,592					
	d	Net rental income or (loss)		533,592			533,592	
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
			12,483,446	224,760				
			10,576,571	400,423				
			1,906,875	-175,663				
	d	Net gain or (loss)		1,731,212			1,731,212	
	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	6,606				
	b	Less cost of goods sold	b	16,208				
	c	Net income or (loss) from sales of inventory . .		-9,602			-9,602	
Miscellaneous Revenue		Business Code						
11a	CAFETERIA	900099	1,696,795			1,696,795		
b	CHILD CARE	624410	350,132			350,132		
c	MISCELLANEOUS REVENUE	900099	59,641	50,693		8,948		
d	All other revenue		650,525	650,525				
e	Total. Add lines 11a-11d		2,757,093					
12	Total revenue. See Instructions		238,272,269	233,036,493		4,949,327		

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)
Check if Schedule O contains a response to any question in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	0			
2	Grants and other assistance to individuals in the United States See Part IV, line 22	186,942	186,942		
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	1,943,364	1,554,691	388,673	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	89,316,116	71,452,893	17,863,223	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,243,750	1,795,000	448,750	
9	Other employee benefits	17,560,509	14,048,407	3,512,102	
10	Payroll taxes	5,687,340	4,549,872	1,137,468	
11	Fees for services (non-employees)				
a	Management	9,285,164	7,428,131	1,857,033	
b	Legal	181,280	145,024	36,256	
c	Accounting	123,394	98,715	24,679	
d	Lobbying	21,121		21,121	
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	1,084,589	867,671	216,918	
12	Advertising and promotion	633,857	507,086	126,771	
13	Office expenses	41,435,884	33,148,707	8,287,177	
14	Information technology	11,267,279	9,013,823	2,253,456	
15	Royalties	0			
16	Occupancy	3,784,664	3,027,731	756,933	
17	Travel	862,404	689,923	172,481	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	0			
20	Interest	198,421	158,737	39,684	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	13,619,212	10,895,370	2,723,842	
23	Insurance	4,604,581	3,683,665	920,916	
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	20,874,227	16,699,382	4,174,845	
b	OTHER EXPENSE	2,289,374	1,831,499	457,875	
c					
d					
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	227,203,472	181,783,269	45,420,203	0
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			58,010	1	305,697
	2	Savings and temporary cash investments			26,704,343	2	12,809,542
	3	Pledges and grants receivable, net			0	3	0
	4	Accounts receivable, net			36,573,797	4	43,514,460
	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			547,440	7	225,760
	8	Inventories for sale or use			4,407,994	8	5,053,690
	9	Prepaid expenses and deferred charges			2,107,628	9	2,158,691
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	218,189,065			
	b	Less: accumulated depreciation	10b	92,596,848	96,082,109	10c	125,592,217
	11	Investments—publicly traded securities			40,531,264	11	41,155,564
	12	Investments—other securities. See Part IV, line 11			746,230	12	604,207
	13	Investments—program-related. See Part IV, line 11			6,609,799	13	7,301,052
	14	Intangible assets			650,000	14	0
	15	Other assets. See Part IV, line 11			540,651	15	419,527
	16	Total assets. Add lines 1 through 15 (must equal line 34)			215,559,265	16	239,140,407
Liabilities	17	Accounts payable and accrued expenses			21,183,028	17	22,444,367
	18	Grants payable			0	18	0
	19	Deferred revenue			373,135	19	338,789
	20	Tax-exempt bond liabilities			0	20	0
	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			37,803	23	13,793,930
	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			1,692,083	25	2,045,364
	26	Total liabilities. Add lines 17 through 25			23,286,049	26	38,622,450
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			191,126,827	27	199,416,884
	28	Temporarily restricted net assets			1,146,389	28	1,101,073
	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			192,273,216	33	200,517,957
	34	Total liabilities and net assets/fund balances			215,559,265	34	239,140,407

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	238,272,269
2	Total expenses (must equal Part IX, column (A), line 25)	2	227,203,472
3	Revenue less expenses Subtract line 2 from line 1	3	11,068,797
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	192,273,216
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-2,824,056
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	200,517,957

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 Kingman Hospital Inc	Employer identification number 94-2916102
--	--

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 Se**section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

Support Schedule for Organizations Described in 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	(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	(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 Kingman Hospital Inc	Employer identification number 94-2916102
--	--

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?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		21,121
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			21,121
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
Part II B, Line 1g	Lobbying Expense	Kingman Hospital pays annual dues in which a percentage of their dues is attributable to lobbying. The amount shown on the line above represents that percentage.

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization Kingman Hospital Inc	Employer identification number 94-2916102
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Part I

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

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

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure)☐ Preservation of an historically importantly land area
☐ Protection of natural habitat☐ Preservation of a certified historic structure
☐ Preservation of open space

2

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

	Held at the End of the Year
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

► \$ _____

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2011

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	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	166,182	118,983	101,798	108,227	
b Contributions	71,548	92,138	62,988	15,089	
c Investment earnings or losses	101	117	281	250	
d Grants or scholarships					
e Other expenditures for facilities and programs	88,608	45,056	46,084	21,768	
f Administrative expenses					
g End of year balance	149,223	166,182	118,983	101,798	

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶ 100 000 %

3a

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

(i) unrelated organizations

(ii) related organizations

3a(i)

☐ Yes

☐ No

3a(ii)

☐ Yes

☐

b

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

3b

☐ Yes

☐

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		18,998,292		18,998,292
b Buildings		96,870,294	36,829,569	60,040,725
c Leasehold improvements				
d Equipment		94,155,429	55,767,279	38,388,150
e Other		8,165,050		8,165,050
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				125,592,217

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	238,272,269
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	227,203,472
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	11,068,797
4	Net unrealized gains (losses) on investments	4	-2,168,318
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-655,738
9	Total adjustments (net) Add lines 4 - 8	9	-2,824,056
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	8,244,741

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	235,702,764
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	-2,168,318
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	-401,187
e	Add lines 2a through 2d	2e	-2,569,505
3	Subtract line 2e from line 1	3	238,272,269
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	238,272,269

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return			
1	Total expenses and losses per audited financial statements	1	227,458,023
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	254,551
e	Add lines 2a through 2d	2e	254,551
3	Subtract line 2e from line 1	3	227,203,472
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	227,203,472

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 INTENDED USES OF THE ORGANIZATION'S ENDOWMENT FUNDS	TEMPORARILY RESTRICTED NET ASSETS ARE THOSE WHOSE USE BY THE MEDICAL CENTER HAS BEEN LIMITED BY DONORS TO A SPECIFIC TIME PERIOD OR PURPOSE. THE TEMPORARILY RESTRICTED NET ASSETS ARE AVAILABLE FOR THE PURCHASE OF SUPPLIES AND TO EDUCATE PERSONNEL INVOLVED WITH EMERGENCY PREPAREDNESS.
PART XI, LINE 8	DESCRIPTION OF OTHER	INCOME FROM INVESTMENT IN FOUNDATION (5,738) GOODWILL IMPAIRMENT (650,000) TOTAL (655,738)
PART XII, LINE 2D	DESCRIPTION OF OTHER	LOSS ON SALE OF ASSETS 175,663 COST OF GOODS SOLD 16,208 INCOME FROM INVESTMENT IN NARIC 62,680 INCOME FROM INVESTMENT IN FOUNDATION (5,738) GOODWILL IMPAIRMENT (650,000) TOTAL (401,187)
PART XIII, LINE 2D	DESCRIPTION OF OTHER	LOSS ON SALE OF ASSETS 175,663 COST OF GOODS SOLD 16,208 INCOME FROM INVESTMENT IN NARIC 62,680 TOTAL 254,551
Part X, Line 2	Uncertain Tax Positions	Management has evaluated their income tax positions under the guidance included in ASC 740. Based on their review, management has not identified any material uncertain tax positions to be recorded or disclosed in the financial statements.

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
Kingman Hospital Inc

Employer identification number
94-2916102

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>400. %</u></div>	3a	Yes	
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 type="checkbox"/> 300%</div> <div><input type="checkbox"/> 350%</div> <div><input checked="" type="checkbox"/> 400%</div> <div><input type="checkbox"/> Other <u> % </u></div>	3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a		No
6b	If "Yes," did the organization make it available to the public?	6b		
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			4,616,241		4,616,241	2 240 %
b Medicaid (from Worksheet 3, column a)			33,000,011	28,454,081	4,545,930	2 200 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			37,616,252	28,454,081	9,162,171	4 440 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			179,855		179,855	0 090 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			534,335		534,335	0 260 %
j Total Other Benefits			714,190		714,190	0 350 %
k Total. Add lines 7d and 7j			38,330,442	28,454,081	9,876,361	4 790 %

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

Part IIIBad 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?	1Yes	
2	Enter the amount of the organization's bad debt expense	25,400,163	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	51,747,976
6	Enter Medicare allowable costs of care relating to payments on line 5	6	44,666,017
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	7,081,959
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?	9aYes	
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.	9bYes	

Part IVManagement Companies and Joint Ventures (see instructions)

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

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)

Kingman 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 400 % 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>400</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 checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	Yes	
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 checked="" 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 checked="" type="checkbox"/> Reporting to credit agency b <input checked="" 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	Yes	
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	Yes	

Part V

Facility Information (continued)

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

(list in order of size from largest to smallest)

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

Name and address		Type of Facility (Describe)
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 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 V , Question 15	Permitted Collection Actions against a patient	THE HOSPITAL SENDS STATEMENTS, COLLECTION LETTERS, MAKES PHONE CALLS AND DISCUSSES HOSPITAL DISCOUNT AND CHARITY CARE POLICIES THAT ARE AVAILABLE FOR PATIENTS ADDITIONALLY, WHEN AN ACCOUNT HAS BEEN TURNED OVER TO A COLLECTION AGENCY, THAT AGENCY IS INFORMING PEOPLE ABOUT OUR CHARITY CARE POLICY

Identifier	ReturnReference	Explanation
PART V, QUESTION 19	HOW HOSPITAL DETERMINES AMOUNT BILLED FOR THOSE W/O INSURANCE	ALL UNINSURED PATIENTS ARE ELIGIBLE FOR A 25% DISCOUNT WHICH IS EQUAL TO THE AVERAGE COMMERCIAL INSURANCE RATES

Identifier	ReturnReference	Explanation
PART V, QUESTION 21	DID HOSPITAL CHARGE AMOUNT EQUAL TO GROSS CHARGE FOR ANY SERVICES	ALL UNINSURED PATIENTS WHO DO NOT MEET THE ELIGIBILITY REQUIREMENTS OF THE CHARITY CARE POLICY OR SELF PAY DISCOUNT CAN QUALIFY FOR A NO INTEREST LOAN FROM THE HOSPITAL OVER 3-5 YEARS THESE PATIENTS ARE CHARGED TOTAL GROSS CHARGES NEW POLICY EFFECTIVE FOR FISCAL YEAR 2012 WILL GRANT 30% DISCOUNT TO ALL SELF PAY PATIENTS REGARDLESS OF ABILITY TO PAY

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT		A community survey was conducted in September 2007 to help identify the communities perceptions about the services provided at KRMC and what could be done to improve healthcare in our community In Addition, we rely on our current medical staff to communicate perceived needs and opportunities in the community The hospital uses Intellimed data that tracks where patients are coming from which shows need for specific services and demographics of patients by zip code We monitor community growth and identify benchmarks based on demographics of the population and look at the number of cases transferred to other hospitals because we currently do not have that service and/or physician

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION		Kingman Regional Medical Center (KRMCC) serves an approximate 1500 square-mile geographic area in Mohave County, Arizona called Hospital District Number One of Mohave County. The district includes the City of Kingman (pop 28,000) and numerous smaller outlying communities. The total estimated population of the district is 78,000, with an estimated 11.6 persons per square mile. According to the latest statistics of the U.S. Census Bureau, the racial mix of the population is 92% Caucasian, 1.5% African American, 2.6% Native American, and 14.1% Hispanic or Latino origin. U.S. Census Bureau statistics for 2006 show 16.8% of Mohave County's population is 100% below the federal poverty level and about 38.7% of the population is 200% below the federal poverty level. The median household income is \$38,641. The current unemployment rate in Mohave County is 11.1% (as of January, 2011). Approximately 77.5% of the county's population over age 25 are high school graduates, with 9.9% of the population over age 25 holding a Bachelor's degree or higher.

Identifier	ReturnReference	Explanation
OTHER INFORMATION		<p>Kingman Hospital Incorporated is organized exclusively for charitable, scientific, and educational purposes relating to healthcare in Hospital District #1 of Mohave County. Its primary function is to operate Kingman Regional Medical Center. KHI's Board of Directors consists of 25 members holding terms of five years. All board members are community-minded individuals who receive no compensation for their services on the KHI Board. All excess funds are kept for the benefit and development of the community's health services as determined by our local board. With this, our hospital average inpatient charges have remained significantly below the Arizona average for the same types of patients. Additionally, excess funds accumulated since KRMC was organized, have been utilized to pay campus expansion / improvements, state-of-the-industry technology, and competitive salaries for employees. Kingman Hospital Inc. continually invests in advanced medical technologies. From specialized diagnostic capabilities to advanced treatments in cardiac care and cancer, patients at KRMC benefit from some of the most sophisticated medical technologies in the region. In 2007, KRMC received the Governor's Arizona Innovation Award in recognition for its investment in technology and services not normally seen in a rural community. KRMC is a major community partner dedicated to enhancing the overall quality-of-life in northwest Arizona. We offer many services and programs to benefit the community, especially our most vulnerable citizens- children, elderly, those in ill health, and those in socio-economic distress. Examples of our community building activities include:</p> <ul style="list-style-type: none">-Conducting public health lectures at the hospital and at area nursing homes and businesses(monthly)-Conducting health fairs, which are free and open to the public (8 health fairs per year)-Offering a variety of free support groups to help people who are working to change a behavior or who are dealing with a loss, condition, or disease-Publishing a quarterly 8-page newsletter (called Healthwise), which contains important health information for the public. The newsletter is free and distributed throughout northwest Arizona-Providing free growth mats and car seats for babies born at KRMC-Sponsoring physical fitness programs at community elementary schools to help kids be active, fit, and healthy-Placing defibrulators in our community's high-traffic public places to provide immediate lifesaving treatment to someone with cardiac arrest-Providing free or low cost mammograms to uninsured or underinsured women residing in the Hospital District of Mohave County-Providing scholarships for qualified individuals who cannot afford a membership to KRMC's Del E. Webb Wellness Center-Providing scholarships to help nursing students with their educational costs-Providing cash contributions, free services, or other support to over 40 local organizations that serve the needs of our community (e.g., Boys & Girls Club, Kingman Food Bank, Sarah's House, etc.)- Helping uninsured/underinsured patients with their healthcare costs through KRMC's charity care program. <p>Additionally, KRMC is one of the area's largest contributors to the local economy. We employ over 1500 people and during the past year spent over \$10,000,000 with local businesses. In 2011, and for the sixth time in seven years, KRMC was named by Cleverley + Associates as a national 5-Star Hospital for the value we provide to our community.</p>

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM ROLES		N/A

Identifier	ReturnReference	Explanation
PART I, LINE 7, COLUMN F		TOTAL BAD DEBT EXPENSE REMOVED FROM THE DENOMINATOR PRIOR TO THE PERCENTAGE CALCULATION = \$20,874,227

Identifier	ReturnReference	Explanation
PART I, LINE 7		THE ORGANIZATION USED A COST-TO-CHARGE RATIO FOR LINES 7A, 7B, AND 7B THE COST-TO-CHARGE RATIO WAS DERIVED FROM WORKSHEET 2, RATIO OF PATIENT CARE COST-TO-CHARGES THE INFORMATION FOR LINES 7E THROUGH 7I WAS DERIVED FROM INFORMATION IN THE GENERAL LEDGER AND OTHER FINANCIAL DATA RELATED SPECIFICALLY TO THE VARIOUS TYPES OF COMMUNITY BENEFITS

Identifier	ReturnReference	Explanation
PART III, LINE 4		<p>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 allowances 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 allowances 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 example, for expected uncollectible deductibles and copayments on accounts for which the third party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely.) For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many of the patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. The Medical Center's allowance for doubtful accounts for self-pay patients decreased from 95% of self-pay accounts receivable at June 30, 2011 to 81% of self-pay accounts receivable at June 30, 2012. In addition, the Medical Center's write-offs decreased approximately \$8,300,000 from approximately \$16,900,000 for the year ended June 30, 2011, to approximately \$8,600,000 for the year ended June 30, 2012. Both changes are primarily due to the Medical Center recording an uninsured discount of 30% and increasing the charity care policy's threshold starting in fiscal year 2012. This discount is recorded for self-pay accounts at the time of billing.</p>

Identifier	ReturnReference	Explanation
PART III, LINE 8		The Organization is a sole community hospital that provides healthcare services to community residents and visitors. Accessible, high-quality healthcare service is important for the overall health of all residents. Were there to be a Medicare shortfall, this would reflect the excess of costs over payments received for participants in the Medicare program. Costs are based on Medicare cost report allocations.

Identifier	ReturnReference	Explanation
PART III, LINE 9B		For Self-Pay Patients Once the patient is billed and contacted, they are informed of options and of the Qualifying Discount Program (QDP) The other options include paying up front or no interest payments within a scheduled number of days A cash discount is available to the patient If qualified for the QDP, the appropriate qualifying amount is adjusted to Charity Care If a balance remains that does not qualify, the patient has cash discount and no interest payment plan as described above For patients that the hospital is unable to contact Eight account statements are sent Three letters explaining that if the patient fails to contact Patient Financial Services, collection efforts will be passed to an agency The above is a minimum of 120 day process for all patient payer types Once the patient account is submitted to a collection agency, it is adjusted to bad debt

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Kingman Hospital Inc

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

94-2916102

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

2

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

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) Scholarships	63	186,942			

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
Part I, Question 2	Procedures for Monitoring the use of grant funds to U S	Fund usage is predetermined by the Board of Directors of Kingman Regional Medical Center (KRMCC) Scholarships are provided to students in the U S for tuition and related educational expenses only

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
Kingman Hospital Inc

Employer identification number
94-2916102

Part I

Questions Regarding Compensation

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

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space needed.

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

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) BRIAN TURNEY	(i)	432,854	33,500	16,500	14,700	22,576	520,130	0
	(ii)	0	0	0	0	0	0	0
(2) RYAN KENNEDY	(i)	160,908	0	0	0	22,756	183,664	0
	(ii)							
(3) LAWRENCE LEWIS	(i)	261,994	0	13,359	9,971	18,551	303,875	0
	(ii)							
(4) JEFFREY LUNN MD	(i)	448,086	0	50,478	9,153	20,325	528,042	0
	(ii)							
(5) DEBORAH BENNETT DO	(i)	207,859	0	0	8,402	24,406	240,667	0
	(ii)							
(6) EMMETT MCELENEY	(i)	901,693	191,905	0	0	1,551	1,095,149	0
	(ii)							
(7) ROBERT MATHENEY	(i)	721,392	15,134	36,447	6,758	1,551	781,282	0
	(ii)							
(8) HESHAM SAHAWNEH	(i)	587,554	55,000	35,436	7,350	23,154	708,494	0
	(ii)							
(9) ERICK MONTERO	(i)	657,967	843	46,882	0	1,551	707,243	0
	(ii)							
(10) SAADEH SAADEH	(i)	641,842	36,148	0	0	3,571	681,561	0
	(ii)							
(11) TIMOTHY BLANCHARD	(i)	139,685	0	0	0	27,122	166,807	0
	(ii)							

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
Part 1 Question 5	Explanation of compensation contingent of Revenues	Employed physicians are eligible for bonuses based on either revenues or business line income depending on their individual employment contracts.

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
Kingman Hospital Inc

Employer identification number

94-2916102

Identifier	Return Reference	Explanation
Part VI, Question 11	Process to review the form 990	The Form 990 is prepared by a third party preparer with a detail review being conducted by the general accounting manager and accountant of the organization. A final copy of the Form 990 is then e-mailed to the board of directors before the return is filed with the IRS.
Part VI, Question 12c	Process for monitoring compliance with conflict of interest policy	The executive assistant to the CEO annually distributes the policy documents and forms to all managers and board members. The related forms contain written explanations by managers and board members. If a potential conflict arises, the situation is then reviewed by the CEO. If a conflict of interest covered by this policy exists, whether or not listed on a disclosure form, then the person involved with the potential conflict of interest recuses themselves from voting on the matter.
Part VI, Question 15A-B	Process for Determining Compensation	A benefits and compensation analyst prepares a study based on external comparisons of similar positions in similar sized organizations in the industry. The study is reviewed by a compensation committee then submitted to the Executive Board for final approval. Contemporaneous documentation and recordkeeping with respect to deliberations and decisions regarding the compensation process are kept on file. This study is conducted annually.
Part VI, Question 19	Governing Documents Available to the Public	The organization makes its governing documents, conflict of interest policy and financial statements available to the public upon request for a valid business purpose.
Part XI, Line 5	Other Changes in Net Assets or Fund Balances	Unrealized Gain or Loss (2,168,318) Goodwill Impairment (650,000) Change in Investment of Foundation (5,738) Total (2,824,056)

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
Kingman Hospital Inc

Employer identification number
94-2916102

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) NORTHWESTERN ARIZONA REGIONAL INSURANCE 4041 N CENTRAL AVE PHOENIX, AZ 85012 20-8081486	INSURER	AZ	501(C)(3)	LINE 9	NA	Yes	
(2) KINGMAN REGIONAL MEDICAL CENTER FOUNDATI 3269 STOCKTON HILL ROAD KINGMAN, AZ 86409 74-2388735	FUND RAISING	AZ	501(C)(3)	LINE 7	NA	Yes	

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

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

No

1b

No

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

No

1m

Yes

1n

Yes

1o

No

1p

No

1q

Yes

1r

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Northwestern Arizona Regional Insurance Co	q	1,742,433	FMV
(2) KINGMAN REGIONAL MEDICAL CENTER FOUNDATION	C	228,617	FMV
(3)			
(4)			
(5)			
(6)			

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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Additional Data

Software ID:
Software Version:
EIN: 94-2916102
Name: Kingman Hospital Inc

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
DAVE FRENCH CHAIRMAN	10	X		X						
DON VAWTER VICE-CHAIRMAN	10	X		X						
KRYSTAL BURGE SECRETARY	10	X		X						
DENNIS GUSTAFSON DC TREASURER	10	X		X						
SANDY MOON EXECUTIVE BOARD MEMBER	10	X								
ROD MARQUARDT EXECUTIVE BOARD MEMBER	10	X								
CATHY OTT EXECUTIVE BOARD MEMBER	10	X								
ROBERT MATHENEY MD EXECUTIVE BOARD MEMBER	10	X								
BARBARA RICCA EXECUTIVE BOARD MEMBER	10	X								
GARY DYKMAN DIRECTOR	10	X								
WILLIAM KIRBY DIRECTOR	10	X								
RENNA MATTHEWS DIRECTOR	10	X								
CLAIRE CRUM DIRECTOR	10	X								
SANDRA COFER DIRECTOR	10	X								
TOM PRICE DIRECTOR	10	X								
MAHMOOD KHAN MD DIRECTOR	10	X								
DARRELL LAUTERET DIRECTOR	10	X								
JIM BAKER DIRECTOR	10	X								
STEVE PEBLEY DIRECTOR	10	X								
SUSAN CHAN DIRECTOR	10	X								
TOM CLARK DIRECTOR	10	X								
DOUG ANGLE DIRECTOR	10	X								
MIKE ROBERTS DIRECTOR	10	X								
ROBERT DEVRIES DIRECTOR	10	X								
JEFFREY BERGESON DIRECTOR	10	X								

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
BRIAN TURNEY CHIEF EXECUTIVE OFFICER	40 0			X				482,854	0	37,456
RYAN KENNEDY CHIEF OPERATING OFFICER	40 0			X				160,908		22,756
LAWRENCE LEWIS CHIEF ADMINISTRATIVE OFFICER	40 0			X				275,353		28,522
TIMOTHY BLANCHARD CHIEF FINANCIAL OFFICER	40 0			X				139,685		27,122
JEFFREY LUNN MD CHIEF MEDICAL OFFICER	40 0				X			498,564		29,478
DEBORAH BENNETT DO CHIEF MEDICAL OFFICER	40 0				X			207,859		32,808
EMMETT MCELENEY PHYSICIAN	40 0					X		1,093,598		1,551
ROBERT MATHENEY PHYSICIAN	40 0					X		772,973		8,309
HESHAM SAHAWNEH PHYSICIAN	40 0					X		677,990		30,504
ERICK MONTERO PHYSICIAN	40 0					X		705,692		1,551
SAADEH SAADEH PHYSICIAN	40 0					X		677,990		3,571

**Kingman Hospital, Inc. and Subsidiary
(d/b/a Kingman Regional Medical Center)**

Auditors' Report and Consolidated Financial Statements

June 30, 2012 and 2011

Kingman Hospital, Inc. and Subsidiary
(d/b/a Kingman Regional Medical Center)
June 30, 2012 and 2011

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Statements of Cash Flows	5
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Independent Auditors' Report

Board of Directors
Kingman Hospital, Inc. and Subsidiary
d/b/a Kingman Regional Medical Center
Kingman, Arizona

We have audited the accompanying consolidated balance sheets of Kingman Hospital, Inc. and Subsidiary d/b/a Kingman Regional Medical Center (collectively, the 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 did not audit the financial statements of Northwestern Arizona Regional Insurance Company (NARIC), a wholly-owned subsidiary, which statements reflect total assets of \$12,814,322 and \$10,797,507 as of June 30, 2012 and 2011, respectively, and total revenues of \$2,445,207 and \$2,092,377, respectively, for the years then ended. Those statements were audited by other auditors' whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for NARIC, is based solely on the report of the other accountants.

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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kingman Hospital, Inc. and Subsidiary d/b/a Kingman 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.

As discussed in Note 1, in 2012 the Medical Center changed its method of presentation and disclosure of patient service revenue and provision for bad debts in accordance with Accounting Standards Update 2011-07.

BKD, LLP

October 29, 2012

Kingman Hospital, Inc. and Subsidiary (d/b/a Kingman Regional Medical Center)

Consolidated Balance Sheets

June 30, 2012 and 2011

Assets

	2012	2011
Current Assets		
Cash and cash equivalents	\$ 6,515,665	\$ 11,560,848
Short-term investments	55,592,752	57,830,682
Patient accounts receivable, net of allowance, 2012 - \$21,647,692 and 2011 - \$10,433,775	39,492,054	36,573,797
Estimated amounts due from Medicaid	2,780,604	1,211,310
Current portion of notes receivable, net	156,289	300,246
Accrued interest receivable	29,871	182,274
Supplies	5,053,690	4,407,994
Prepaid expenses and other	2,948,870	1,646,190
	<hr/>	<hr/>
Total current assets	112,569,795	113,713,341
	<hr/>	<hr/>
Long-term investments	5,398,585	9,269,872
Property and equipment, net	125,592,217	96,082,109
Interest in net assets of Kingman Regional Medical Center Foundation	887,734	893,472
Goodwill	-	650,000
Notes receivable	69,471	247,194
Prepaid rent	156,582	187,106
Other assets	419,527	388,331
	<hr/>	<hr/>
Total assets	\$ 245,093,911	\$ 221,431,425
	<hr/> <hr/>	<hr/> <hr/>

Liabilities and Net Assets

	2012	2011
Current Liabilities		
Line of credit	\$ 1,000,000	\$ -
Capital lease obligations, current	137,768	-
Accounts payable	5,679,631	4,136,774
Accrued expenses	11,654,243	11,540,815
Incurred but not reported	4,848,002	4,179,825
Estimated amounts due to Medicare and other third-party payers	7,008,995	7,891,577
Total current liabilities	30,328,639	27,748,991
Line of credit	12,515,000	-
Capital lease obligations	141,162	-
Deferred rent	338,789	373,135
Accrued retirement obligation	1,252,364	1,036,083
Total liabilities	44,575,954	29,158,209
Net Assets		
Unrestricted	199,416,884	191,126,827
Temporarily restricted	1,101,073	1,146,389
Total net assets	200,517,957	192,273,216
Total liabilities and net assets	\$ 245,093,911	\$ 221,431,425

**Kingman Hospital, Inc. and Subsidiary
(d/b/a Kingman 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 discounts and allowances)	\$ 229,400,163	\$ 210,773,734
Provision for uncollectible accounts	<u>20,874,227</u>	<u>17,929,571</u>
Net patient service revenue less provision for uncollectible accounts	208,525,936	192,844,163
Other	5,798,533	4,283,898
Net assets released from restrictions used for operations	<u>19,974</u>	<u>79,130</u>
Total unrestricted revenues, gains and other support	<u>214,344,443</u>	<u>197,207,191</u>
Operating Expenses		
Salaries and employee benefits	116,848,827	112,683,878
Supplies	36,088,062	32,996,009
Purchased services and professional fees	24,237,405	24,865,187
Other expenses	13,505,569	11,493,820
Depreciation	13,619,909	12,622,667
Rental expense	<u>2,284,024</u>	<u>2,273,025</u>
Total operating expenses	<u>206,583,796</u>	<u>196,934,586</u>
Operating Income	7,760,647	272,605
Investment Return	<u>3,251,708</u>	<u>5,515,234</u>
Excess of Revenues Over Expenses Before Goodwill Impairment Loss	11,012,355	5,787,839
Impairment of goodwill	<u>650,000</u>	<u>1,887,507</u>
Excess of Revenues Over Expenses	10,362,355	3,900,332
Change in net unrealized gains (losses)	(2,161,696)	1,463,937
Net assets released from restriction used for purchase of property and equipment	<u>89,398</u>	<u>58,533</u>
Increase in Unrestricted Net Assets	<u><u>\$ 8,290,057</u></u>	<u><u>\$ 5,422,802</u></u>

**Kingman Hospital, Inc. and Subsidiary
(d/b/a Kingman Regional Medical Center)**
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Net Assets		
Excess of revenues over expenses	\$ 10,362,355	\$ 3,900,332
Change in net unrealized gains (losses)	(2,161,696)	1,463,937
Net assets released from restriction used for purchase of property and equipment	<u>89,398</u>	<u>58,533</u>
Increase in unrestricted net assets	<u>8,290,057</u>	<u>5,422,802</u>
Temporarily Restricted Net Assets		
Contributions received	69,794	271,597
Change in interest in net assets of Kingman Regional Medical Center Foundation	(5,738)	148,486
Net assets released from restriction	<u>(109,372)</u>	<u>(137,663)</u>
Increase (decrease) in temporarily restricted net assets	<u>(45,316)</u>	<u>282,420</u>
Increase in Net Assets	8,244,741	5,705,222
Net Assets, Beginning of Year	<u>192,273,216</u>	<u>186,567,994</u>
Net Assets, End of Year	<u><u>\$ 200,517,957</u></u>	<u><u>\$ 192,273,216</u></u>

**Kingman Hospital, Inc. and Subsidiary
(d/b/a Kingman Regional Medical Center)**

Consolidated Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	2012	2011
Operating Activities		
Change in net assets	\$ 8,244,741	\$ 5,705,222
Items not requiring (providing) cash		
Depreciation	13,619,909	12,622,667
Loss on disposal of property and equipment	88,590	537,315
Net realized and unrealized losses (gains) on investments	254,821	(3,985,347)
Forgiveness of notes receivable	-	418,562
Change in interest in net assets of Kingman Regional Medical Center Foundation	5,738	(148,486)
Provision for uncollectible accounts	20,874,227	17,929,571
Goodwill impairment loss	650,000	1,887,507
Changes in		
Accounts receivable	(23,505,804)	(21,181,200)
Estimated amounts due to/from Medicaid payers	(1,569,294)	23,881
Supplies	(645,696)	(559,303)
Prepaid expenses and other current assets	(1,150,277)	1,127,899
Other assets	(672)	57,769
Accounts payable and accrued expenses	68,934	646,627
Estimated amounts due to/from Medicare and other third-party payers	(882,582)	4,553,630
Incurred but not reported	668,177	639,771
Other liabilities	181,935	196,336
Net cash provided by operating activities	<u>16,902,747</u>	<u>20,472,421</u>
Investing Activities		
Purchase of Kingman Heart Center	-	(150,000)
Purchase of property and equipment	(41,357,783)	(17,071,559)
Proceeds from sale of property and equipment	25,000	35,368
Net purchase of investments	5,854,396	(6,854,314)
Issuance of notes receivable	-	(373,997)
Repayments of notes receivable	35,000	69,028
Net cash used in investing activities	<u>(35,443,387)</u>	<u>(24,345,474)</u>
Financing Activities		
Net borrowings under line-of-credit agreement	13,515,000	-
Principal payments under capital lease obligation	(19,543)	-
Net cash provided by financing activities	<u>13,495,457</u>	<u>-</u>
Decrease in Cash and Cash Equivalents	<u>(5,045,183)</u>	<u>(3,873,053)</u>
Cash and Cash Equivalents, Beginning of Year	<u>11,560,848</u>	<u>15,433,901</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,515,665</u>	<u>\$ 11,560,848</u>
Supplemental Cash Flows Information		
Property and equipment included in accounts payable	\$ 1,587,351	\$ 289,541
Accounts payable for purchase of Kingman Heart Center	\$ -	\$ 655,000
Capital lease obligation incurred for property and equipment	\$ 298,473	\$ -

Kingman Hospital, Inc. and Subsidiary (d/b/a Kingman Regional Medical Center)

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

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

Nature of Operations

Kingman Hospital, Inc. d/b/a Kingman Regional Medical Center (the Medical Center) is a not-for-profit acute care hospital. The Medical Center provides inpatient, outpatient and emergency care services for residents of Kingman, Arizona and the surrounding local area. Hospital District Number One of Mohave County, a political subdivision of the State of Arizona (the District), owns certain existing facilities, equipment and land operated by the Medical Center. Northwestern Arizona Regional Insurance Company (NARIC), an Arizona non-profit corporation, provides captive insurance services to the Medical Center. NARIC is a wholly-owned subsidiary of the Medical Center.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Medical Center and NARIC, its wholly-owned subsidiary. Significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Cash and Cash Equivalents

The 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.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At June 30, 2012, the Medical Center's cash accounts exceeded federally insured limits by approximately \$980,000.

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.

Kingman Hospital, Inc. and Subsidiary (d/b/a Kingman Regional Medical Center)

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at 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.

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 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 example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

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

The Medical Center's allowance for doubtful accounts for self-pay patients decreased from 95% of self-pay accounts receivable at June 30, 2011, to 81% of self-pay accounts receivable at June 30, 2012. In addition, the Medical Center's write-offs decreased approximately \$8,300,000 from approximately \$16,900,000 for the year ended June 30, 2011, to approximately \$8,600,000 for the year ended June 30, 2012. Both changes are primarily due to the Medical Center recording an uninsured discount of 30% and increasing the charity care policy's threshold starting in fiscal year 2012. This discount is recorded for self-pay accounts at the time of billing.

Supplies

The Medical Center states supply inventories at the lower of cost, determined using the first-in, first-out method, or market. Supplies consist primarily of drugs and medical supplies.

Kingman Hospital, Inc. and Subsidiary (d/b/a Kingman Regional Medical Center)

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset. The following estimated useful lives are being used by the Medical Center:

Land improvements	5 – 25 years
Buildings and building improvements	5 – 20 years
Equipment	3 – 20 years

Donations of property and equipment are reported at fair value at the date of contribution as an increase in unrestricted net assets unless use of the assets is restricted by the donor.

Interest in Net Assets of Kingman Regional Medical Center Foundation

Kingman Regional Medical Center Foundation (the Foundation) and the Medical Center are financially interrelated organizations. The Foundation seeks private support for and holds net assets on behalf of the Medical Center. The Medical Center accounts for its interest in the net assets of the Foundation (Interest) in a manner similar to the equity method. The Interest is stated at fair value and changes in the Interest are included in change in net assets. Transfers of assets between the Foundation and the Medical Center are recognized as increases or decreases in the Interest.

Temporarily 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.

Goodwill

Goodwill is tested annually for impairment. If the fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill are not recognized in the financial statements. Management evaluated the goodwill for impairment at the individual reporting unit level. Based on management's evaluation, it was determined that impairment of goodwill in the amount of \$650,000 and \$1,887,507 existed as of June 30, 2012 and 2011, respectively.

Kingman Hospital, Inc. and Subsidiary (d/b/a Kingman Regional Medical Center)

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

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. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. 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.

Change in Accounting Principle

In 2012, the Medical Center changed its method of presentation and disclosure of patient service revenue and provision for bad debts 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*. This standard requires health care organizations that do not assess a patient's ability to pay at the time service is rendered to report the provision for bad debts net of revenue. As a result of adopting ASU 2011-07, total net patient service revenue, operating revenues and total operating expenses decreased by \$20,874,227 and \$17,929,571 for the years ended June 30, 2012 and 2011, respectively. The change had no effect on prior year change in net assets.

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. The Medical Center estimates the direct and indirect costs of providing charity care by applying the ratio of cost to gross charges to the gross uncompensated care. The Medical Center's direct and indirect costs for services furnished under its charity care policy aggregated approximately \$4,223,000 and \$806,000 for 2012 and 2011, respectively.

During 2012, the Medical Center modified the charity care policy to provide increased assistance to more of the low income, uninsured and underinsured population of Mohave County who have been affected by the economic downturn or were disenrolled by the State of Arizona's Medicaid program.

Kingman Hospital, Inc. and Subsidiary (d/b/a Kingman Regional Medical Center)

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Contributions

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

Estimated Professional Liability Costs

An annual estimated provision is accrued for the self-insured portion of medical professional liability claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported and receivables for any stop loss recoveries.

Income Taxes

The Medical Center is an Arizona corporation, and has been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Medical Center is subject to federal income tax on any unrelated business taxable income. NARIC is considered by management to be a "feeder organization" under Section 502(b)(2) and is not subject to federal or state income taxes. NARIC has been recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Medical Center files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Medical Center is no longer subject to U.S. federal examinations by tax authorities for years before 2009.

Excess of Revenues Over Expenses

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

Reclassifications

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

Kingman Hospital, Inc. and Subsidiary (d/b/a Kingman Regional Medical Center)

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Subsequent Events

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

Note 2: 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, home health services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are predominantly paid based on prospectively determined rates per procedure. 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 fiscal intermediary.

Medicaid Inpatient services rendered to Arizona Healthcare Cost Containment System (AHCCCS) beneficiaries are paid based on a per diem rate, plus an outlier payment for certain high-cost admissions. Outpatient services are paid using a fee schedule methodology for each service or group of services provided.

During 2011, the Arizona state legislature approved a plan for the state fiscal 2012 budget that has a significant effect on the AHCCCS program. The plan targets \$500 million in annual savings to the general fund of Arizona. The plan eliminates eligibility for childless adults and limits eligibility to other beneficiaries. The plan also reduces reimbursement rates for health providers by 5% beginning on October 1, 2011. Lawsuits have been filed challenging the validity of components of the plan. The outcome of the lawsuits and the ultimate effect on the Medical Center are uncertain. Provisions of the plan have reduced the Medical Center's reimbursement in fiscal 2011. It is reasonably possible that the changes to the AHCCCS program will result in a material reduction in payments to the Medical Center in future years.

Approximately 47% and 45% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2012 and 2011, respectively. 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 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.

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The following summary details gross patient service charges and deductions from these charges at June 30

	2012	2011
Gross charges at established rates		
Inpatient	\$353,363,537	\$279,274,281
Outpatient	430,173,885	333,185,605
	<u>783,537,422</u>	<u>612,459,886</u>
Total deductions from gross charges	<u>554,496,211</u>	<u>401,686,152</u>
Net patient service revenue	<u><u>\$229,041,211</u></u>	<u><u>\$210,773,734</u></u>

Note 3: Concentration of Credit Risk

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 receivables from patients and third-party payers at June 30 is

	2012	2011
Medicare	37%	41%
Medicaid	18%	27%
Other third-party payers	33%	30%
Self-pay	<u>12%</u>	<u>2%</u>
	<u><u>100%</u></u>	<u><u>100%</u></u>

Note 4: Acquisitions

Kingman Heart Center

Effective June 1, 2011, the Medical Center purchased substantially all of the assets of Kingman Heart Center. The aggregate purchase price was \$805,000.

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Notes to Consolidated Financial Statements

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The following table summarizes the estimated fair values of the assets acquired at the date of acquisition. The consolidated financial statements of the Medical Center include the operations of this location since June 1, 2011.

Supplies	\$ 5,000
Property and equipment	150,000
Goodwill	<u>650,000</u>
Net assets acquired	<u><u>\$ 805,000</u></u>

Note 5: Investments and Investment Return

Investments

Investments include

	<u>2012</u>	<u>2011</u>
Cash and equivalents	\$ 1,315,624	\$ 1,565,059
Certificates of deposit	5,533,325	13,937,504
Domestic marketable equity securities	6,598,257	7,080,397
Foreign marketable equity securities	1,618,416	2,179,063
Domestic equity mutual funds	9,162,346	10,283,051
Foreign equity mutual funds	2,601,921	3,330,482
U S government agencies	9,015,302	8,113,418
Fixed income mutual funds	20,457,401	16,832,383
Corporate bonds	4,084,538	3,032,966
Real estate investment trust	<u>604,207</u>	<u>746,231</u>
Total	60,991,337	67,100,554
Less long-term investments	<u>5,398,585</u>	<u>9,269,872</u>
Short-term investments	<u><u>\$ 55,592,752</u></u>	<u><u>\$ 57,830,682</u></u>

Long-term investments consist of certificates of deposit with maturity dates greater than one year.

**Kingman Hospital, Inc. and Subsidiary
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Notes to Consolidated Financial Statements

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Total investment return is comprised of the following

	2012	2011
Interest and dividend income	\$ 1,344,833	\$ 2,993,824
Net realized gain on sales of securities	1,906,875	2,521,410
Net unrealized gain (loss)	<u>(2,161,696)</u>	<u>1,463,937</u>
	<u><u>\$ 1,090,012</u></u>	<u><u>\$ 6,979,171</u></u>

Note 6: Property and Equipment

Property and equipment consists of the following at June 30

	2012	2011
Land and land improvements	\$ 18,998,292	\$ 13,835,458
Building and building improvements	96,870,294	71,334,355
Equipment	<u>94,704,099</u>	<u>81,907,337</u>
	210,572,685	167,077,150
Less accumulated depreciation	<u>(92,596,848)</u>	<u>(79,428,812)</u>
	117,975,837	87,648,338
Construction in progress	<u>7,616,380</u>	<u>8,433,771</u>
	<u><u>\$125,592,217</u></u>	<u><u>\$ 96,082,109</u></u>

Note 7: Interest in Net Assets of Kingman Regional Medical Center Foundation

The Foundation was established to solicit contributions principally for funding a portion of the Medical Center's capital improvements, operations and program needs of the Medical Center. Funds are distributed to the Medical Center as determined by the Foundation's Board of Directors. The Medical Center's interest in the net assets of the Foundation is reported in the balance sheets and was \$887,734 and \$893,472 at June 30, 2012 and 2011, respectively.

Kingman Hospital, Inc. and Subsidiary (d/b/a Kingman Regional Medical Center)

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Note 8: Lines of Credit

During 2012, the Medical Center obtained a \$15,000,000 non-revolving bank line of credit expiring August 26, 2014. At June 30, 2012, there was \$12,515,000 borrowed against this line. The line is collateralized by certain Medical Center investments. Interest is payable monthly and varies at the LIBOR daily floating rate plus .70%, which was 0.95% on June 30, 2012. The outstanding principal balance is due at maturity. Subsequent to year-end, the line of credit was refinanced as a lease agreement through Arizona Health Facilities Authority in the amount of \$12,550,035. Monthly payments in the amount of \$355,262 will commence on November 9, 2013, which includes interest which is fixed at 1.23% and end in October 2015.

During 2012, the Medical Center obtained a \$5,000,000 revolving bank line of credit expiring on August 25, 2012. At June 30, 2012, there was \$1,000,000 borrowed against this line. The line is collateralized by certain certificates of deposit. Interest is fixed at 3.5%. The line of credit was paid in full subsequent to year-end.

Note 9: Capital Lease Obligations

During 2012, the Medical Center obtained capital lease obligations through acquisition of certain assets. The leases are due through 2015 at an interest rate of 1% and are collateralized by equipment. Property and equipment include the following property under capital leases:

Equipment	\$ 298,473
Less accumulated depreciation	<u>45,308</u>
	<u><u>\$ 253,165</u></u>
2013	\$ 154,070
2014	117,396
2015	<u>32,464</u>
	303,930
Less amount representing interest	<u>25,000</u>
Present value of future minimum lease payments	278,930
Less current maturities	<u>137,768</u>
Noncurrent portion	<u><u>\$ 141,162</u></u>

**Kingman Hospital, Inc. and Subsidiary
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Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Note 10: Notes Receivable

Notes receivable consists of the following at June 30

	2012	2011
Various unsecured notes due from physicians with interest rates ranging from 6% to 10 25% per annum due in installments through 2013	\$ 530,394	\$ 1,056,123
Allowance for doubtful accounts	(304,634)	(508,683)
	225,760	547,440
Less current portion	(156,289)	(300,246)
	<u>\$ 69,471</u>	<u>\$ 247,194</u>

Note 11: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose

	2012	2011
Held by Kingman Regional Medical Center Foundation	\$ 887,734	\$ 893,472
Specific programs	213,339	252,917
	<u>\$ 1,101,073</u>	<u>\$ 1,146,389</u>

During 2012 and 2011 net assets were released from donor restrictions by incurring expenses and satisfying the restricted purpose in the amount of \$109,372, and \$137,663, respectively

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Notes to Consolidated Financial Statements

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Note 12: Functional Expenses

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

	2012	2011
Acute care services	\$105,395,639	\$ 96,601,133
Acute rehab unit	1,024,101	1,070,122
Home health services	4,321,020	4,638,458
Outpatient physician services	31,711,812	29,520,011
Management and general	64,131,224	65,104,862
	<u>\$206,583,796</u>	<u>\$196,934,586</u>

Note 13: Professional Liability Costs

During the year ended June 30, 2007, the Medical Center formed a captive insurance company, NARIC, to provide professional liability insurance. NARIC has purchased insurance on a claims-made basis and they are self-insured on an occurrence basis. The Medical Center has purchased excess tail liability insurance to cover professional liability claims incurred before, but reported after, cancellation or expiration of the prior claims-made insurance policy maintained in prior years. Estimates for claims incurred but not reported (IBNR) was \$4,848,002 and \$4,179,825 at June 30, 2012 and 2011, respectively. The amount charged to expense for claims and insurance was approximately \$2,783,000 and \$2,645,000 for the years ended June 30, 2012 and 2011, respectively.

Note 14: Self-Funded Health and Dental Insurance

The Medical Center is liable for all health and dental benefits incurred and/or paid for covered services delivered to eligible participants, subject to maximum liability limits as defined in the plan. In order to limit claim liability, the Medical Center has purchased insurance coverage for claims in excess of \$175,000 per individual. The Medical Center charges its expected monthly liability to expense in its consolidated statements of operations.

Estimates for claims payable include both reported and unreported claims and are recorded in accrued expenses and were approximately \$2,161,000 and \$2,807,000 at June 30, 2012 and 2011, respectively. The amount charged to expense for claims was approximately \$15,900,000 and \$19,100,000 for the years ended June 30, 2012 and 2011, respectively.

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Notes to Consolidated Financial Statements

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Note 15: Operating Leases

On July 1, 1990, the Medical Center entered into a lease, covering the hospital facilities and equipment, with the District for a period of 10 years with renewal options for two additional 10-year periods. The Medical Center exercised the first 10-year renewal option on July 1, 2000, and restated the terms and provisions of the lease. The lease was again amended through a supplemental agreement on June 1, 2002. The amended lease calls for payments equal to the scheduled principal and interest payments on the Hospital District Number One of Mohave County, General Obligation Refunding Series 2002 Bonds, plus administrative expenses incurred by the District, plus an annual payment of \$185,400 for additional rent during the lease term, adjusted annually 2%. The Medical Center has exercised the second 10-year renewal option beginning July 1, 2010.

As of July 1, 2012, this lease was amended, which increased the annual payment for additional rent to \$300,000 for 2013 to 2015. Beginning in 2016, the annual payment will increase to \$600,000 adjusted annually 2% through 2022. Unless cancelled by either the Medical Center or the District, the lease shall automatically renew for an additional one month on the 1st day of each month so full 10-year lease term is created monthly.

The Medical Center has recorded the lease as an operating lease and is recording rent expense on a straight-line basis over the lease term. The difference between recorded rent expense and actual rent payments is recorded as deferred rent. Upon termination or expiration of the lease, all equipment, personal property and fixtures acquired by the Medical Center subsequent to the lease entered into with the District on July 1, 1990, in connection with the operations of the facilities, shall become the property of the District, subject to any outstanding balance owed by the Medical Center as of that date.

On June 1, 1993, the Medical Center entered into an operating lease with the District for real property adjoining the land on which the hospital facilities are located. The term of the lease is for a period that is identical to the term of the 1990 lease and the extensions contained therein. The Medical Center agreed to a lump sum payment of \$500,000, which was recorded as prepaid rent and is being amortized on a straight-line basis over the term of the lease.

Future minimum lease payments at June 30, 2012 for these leases were:

2013	\$ 1,562,000
2014	1,563,875
2015	1,572,845
2016	600,000
2017	612,000
Thereafter	<u>1,910,412</u>
Future minimum lease payments	<u><u>\$ 7,821,132</u></u>

Kingman Hospital, Inc. and Subsidiary (d/b/a Kingman Regional Medical Center)

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Note 16: Pension Plan

The Medical Center has a defined contribution annuity retirement 403(b) plan covering substantially all of its employees. The Medical Center matches up to 100% of the first 3% of salary for those employees with less than three years but greater than one year of continuous service, 4% of salary for those employees with less than five full years but more than three full years of service and 6% of salary for those employees with more than five full years of service. Pension expense for the Medical Center for the years ended June 30, 2012 and 2011 was \$2,285,975 and \$2,136,652, respectively.

The Medical Center has an executive benefit 457(b) plan for select employees of the Medical Center. The plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation benefits for a select group of highly compensated employees. Under the plan, an executive is entitled to receive a designated percentage of their annual compensation upon retirement. This amount is to be paid over a five-year period. All plan assets remain part of the Medical Center's general assets and, as such, are subject to the claims of its creditors. The related liability, which is included with accrued retirement obligations on the consolidated balance sheets, was \$1,219,581 and \$991,667 as of June 30, 2012 and 2011, respectively.

Note 17: Disclosures About Fair Value of Financial Instruments

Accounting Standards Codification (ASC) 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

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Notes to Consolidated Financial Statements

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Following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities 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 equity and fixed income mutual funds, marketable equity securities, U S government agency securities, and corporate bonds. 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 corporate bonds. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include a real estate investment trust.

		2012			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments	Fair Value				
Domestic marketable equity securities	\$ 6,598,257	\$ 6,598,257	\$ -	\$ -	
Foreign marketable equity securities	1,618,416	1,618,416	-	-	
Domestic equity mutual funds	9,162,346	9,162,346	-	-	
Foreign equity mutual funds	2,601,921	2,601,921	-	-	
U S government agencies	9,015,302	9,015,302	-	-	
Fixed income mutual funds	20,457,401	20,457,401	-	-	
Corporate bonds	4,084,538	1,671,931	2,412,607	-	
Real estate investment trust	604,207	-	-	604,207	

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		2011			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	Fair Value				
Investments					
Domestic marketable equity securities	\$ 7,080,397	\$ 7,080,397	\$ -	\$ -	
Foreign marketable equity securities	2,179,063	2,179,063	-	-	
Domestic equity mutual funds	10,283,051	10,283,051	-	-	
Foreign equity mutual funds	3,330,482	3,330,482	-	-	
U S government agencies	8,113,418	8,113,418	-	-	
Fixed income mutual funds	16,832,382	16,832,382	-	-	
Corporate bonds	3,032,966	1,287,288	1,745,678	-	
Real estate investment trust	746,231	-	-	746,231	

Kingman Hospital, Inc. and Subsidiary (d/b/a Kingman Regional Medical Center)

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheets using significant unobservable (Level 3) inputs

	Real Estate Investment Trust
	<hr/>
Balance, July 1, 2010	\$ 706,007
Total realized and unrealized gains and losses	<hr/> 40,224
Balance, June 30, 2011	746,231
Total realized and unrealized gains and losses	<hr/> (142,024)
Balance, June 30, 2012	<hr/> <u>\$ 604,207</u>
Total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	
Year ended June 30, 2011	<hr/> <u>\$ 40,224</u>
Year ended June 30, 2012	<hr/> <u>\$ (142,024)</u>

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

Kingman Hospital, Inc. and Subsidiary (d/b/a Kingman Regional Medical Center)

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Cash and Cash Equivalents

The carrying amount approximates fair value

Investments

The carrying amount approximates fair value

Lines of Credit and Capital Lease Obligations

Fair value is estimated based on the borrowing rates currently available to the Medical Center for bank loans 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	\$ 6,515,665	\$ 6,515,665	\$ 11,560,848	\$ 11,560,848
Investments	60,991,337	60,991,337	67,100,554	67,100,554
Notes receivable	225,760	225,760	547,440	547,440
Financial liabilities				
Line of credit agreements	13,515,000	13,515,000	-	-
Capital lease obligations	278,930	278,930	-	-

Note 18: 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.

Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in Notes 1 and 13.

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June 30, 2012 and 2011

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. 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.

Current Economic Conditions

The current protracted economic decline continues to present healthcare organizations with unique circumstances and challenges, which in some cases have resulted in significant declines in the fair value of investments, declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Medical Center.

Some of the Medical Center's patients are covered by government-sponsored Medicare or Medicaid programs. The effect of the current economic conditions on government budgets may have an adverse effect on the cash flow from these programs. The State of Arizona has experienced significant financial difficulties as a result of the downturn in the economy. Arizona's financial condition has prompted State legislators and Governor Brewer to make recommendations regarding future funding for various activities, including expenditures made for the AHCCCS, which serves as the State's Medicaid agency. The changes to the AHCCCS program are described in Note 2.

Further, current economic conditions have made it difficult for certain of the Medical Center's other patients to pay for services rendered. As employers make adjustments to health insurance plans, the resulting financial burden placed on the insured may significantly impact net patient service revenue and could have an adverse impact on the Organization's future operating results.