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Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

TO PROVIDE HEALTH CARE SERVICE TO THE COMMUNITIES IN INDEPENDENCE COUNTY, STONE COUNTY AND SURROUNDING AREAS TO PROMOTE HEALTHIER COMMUNITIES AND PROVIDE QUALITY, EFFICIENT HEALTHCARE IN AN ATMOSPHERE OF COMPASSION, RESPECT, AND DIGNITY

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 \$ 109,549,039 including grants of \$ ) (Revenue \$ )

WHITE RIVER HEALTH SYSTEM, INC IS A MULTIDIMENSIONAL PROVIDER OF HEALTHCARE SERVICES PRIMARILY TO THE RESIDENTS OF NORTH CENTRAL ARKANSAS THE NOT-FOR-PROFIT ORGANIZATION OPERATES TWO HOSPITALS, WHITE RIVER MEDICAL CENTER WHICH IS AN ACUTE CARE HOSPITAL PROVIDING INPATIENT, OUTPATIENT AND EMERGENCY CARE TO THE RESIDENTS OF INDEPENDENCE COUNTY AND SURROUNDING AREAS AND STONE COUNTY MEDICAL CENTER WHICH IS A CRITICAL ACCESS HOSPITAL PROVIDING INPATIENT, OUTPATIENT AND EMERGENCY CARE SERVICES FOR THE RESIDENTS OF STONE COUNTY AND SURROUNDING AREAS THE SYSTEM ALSO INCLUDES OUTPATIENT FACILITIES, PRIMARY CARE AND SPECIALTY PHYSICIAN OFFICES, MEDICAL OFFICE BUILDINGS, AND WHITE RIVER HEALTH SYSTEM FOUNDATION, INC , WHICH PROVIDES SUPPORT FOR FURTHERING THE PURPOSE AND PROMOTING THE ACTIVITIES OF THE SYSTEM

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 \$ 109,549,039

Part IV

Checklist of Required Schedules

		Yes	No	
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	1	Yes	
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? 	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i> 	3		No
4	<b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> 	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i> 	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i> 	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> 	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> 	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b		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? <i>If "Yes," complete Schedule D, Part VIII.</i> 	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States? . . . . .	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i> . . . . .	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? <i>If "Yes," complete Schedule F, Part II and IV.</i> . . . . .	15		No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? <i>If "Yes," complete Schedule F, Part III and IV.</i> . . . . .	16		No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i>	17		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i> . . . . .	18		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i> . . . . .	19		No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> . . . . . 	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> 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		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25</i> . . . . .	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		No
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	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		No
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b		No
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	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? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		<b>Yes</b>	<b>No</b>
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	<b>1a</b>	182
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	0
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>1c</b>	No
<b>2a</b>	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.	<b>2a</b>	1,388
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>	Yes
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	<b>3b</b>	Yes
<b>4a</b>	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)?	<b>4a</b>	No
<b>b</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.		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	<b>5a</b>	No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>	No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>	No
<b>6a</b>	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?	<b>6a</b>	No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	<b>6b</b>	No
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
<b>a</b>	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?	<b>7a</b>	No
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7b</b>	No
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7c</b>	No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.	<b>7d</b>	0
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7e</b>	No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7f</b>	No
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7g</b>	No
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>7h</b>	No
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	<b>8</b>	No
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>		
<b>a</b>	Did the organization make any taxable distributions under section 4966?	<b>9a</b>	No
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?	<b>9b</b>	No
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter		
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12.	<b>10a</b>	
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	<b>10b</b>	
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter		
<b>a</b>	Gross income from members or shareholders.	<b>11a</b>	
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	<b>11b</b>	
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12a</b>	No
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	<b>12b</b>	
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> 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.	<b>13a</b>	No
<b>b</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.	<b>13b</b>	
<b>c</b>	Enter the aggregate amount of reserves on hand.	<b>13c</b>	
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>	No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	<b>14b</b>	No

Part VI

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . . . . .		
1a	12		
b	Enter the number of voting members included in line 1a, above, who are independent . . . . .	1b	12
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	Yes
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	No
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? . . . . .	11a	Yes
b	Describe in Schedule O the process, if any, used by the organization to review the Form 990 . . . . .		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .	12a	Yes
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	12b	Yes
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done . . . . .	12c	Yes
13	Did the organization have a written whistleblower policy? . . . . .	13	Yes
14	Did the organization have a written document retention and destruction policy? . . . . .	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? . . . . .		
a	The organization's CEO, Executive Director, or top management official . . . . .	15a	Yes
b	Other officers or key employees of the organization . . . . .	15b	Yes
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions) . . . . .		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .	16a	Yes
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? . . . . .	16b	Yes

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed ▶ _____
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ JANA RICHARDSON 1710 HARRISON STREET BATESVILLE, AR 72501 (870) 262-3222

Part VII

Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

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

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) LEO SUTTERFIELD Ex OFFICIO	1 00	X						0	0	0
(2) SETH BARNES MD Ex OFFICIO	1 00	X						0	0	0
(3) JEFF ANGEL MD Ex OFFICIO	1 00	X						0	0	0
(4) CHARLES MCCANN III MD Ex OFFICIO	1 00	X						0	0	0
(5) STEVE CASE Director	1 00	X						0	0	0
(6) DOUG BERNARD MD Ex OFFICIO	1 00	X						0	0	0
(7) DICK BERNARD Ex OFFICIO	1 00	X						0	0	0
(8) JAMES MACK STREET Director	1 00	X						0	0	0
(9) DOYLE ROGERS SR Director	1 00	X						0	0	0
(10) DEBBIE FRAZIER EX OFFICIO	1 00	X						0	0	0
(11) GERALD MEACHAM Director	1 00	X						0	0	0
(12) LESLIE FRENSLEY Secretary	1 00	X						0	0	0
(13) BORIS DOVER Vice President	1 00	X						0	0	0
(14) RONALD SIMPSON MD EX OFFICO	1 00	X						0	0	0
(15) JR BAKER MD Director	1 00	X						0	0	0
(16) ROBERT EMERY MD Director	1 00	X						0	0	0
(17) CONNIE SCHIRMER Director	1 00	X						0	0	0



Part VII

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) STANLEY A TOWNSEND Treasurer	1 00	X						0	0	0
(19) CHARLES SCHAFF President	1 00	X						0	0	0
(20) DIANNE LAMBERTH Director	1 00	X						0	0	0
(21) TAMMY GAVIN COO	40 00			X				173,036	0	31,829
(22) GARY BRITTEN CFO	40 00			X				167,408	0	31,505
(23) GARY L BEBOW CEO	40 00			X				549,506	0	40,410
(24) DR THOMAS CUMMINS PHYSICIAN	40 00					X		497,394	0	39,611
(25) DR SHAZIA SIDDIQUI PHYSICIAN	40 00					X		599,997	0	38,347
(26) DR RAMAN K DESIKAN PHYSICIAN	40 00					X		685,306	0	32,333
(27) DR CHRISTOPHER ALLEN STEEL PHYSICIAN	40 00					X		467,406	0	36,453
(28) DR JOHN AKINS PHYSICIAN	40 00					X		467,769	0	18,004
1b Sub-Total . . . . .										
c Total from continuation sheets to Part VII, Section A . . . . .										
d Total (add lines 1b and 1c) . . . . .								3,607,822		268,492

2

Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization▶69

		Yes	No
3	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> . . . . .		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> . . . . .	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> . . . . .		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
TED SHIELDS MD 745 WOODMONT CIRCLE BATESVILLE, AR 72501	CONTRACT	379,948
QAISAR M KHAN PLLC 830 EAGLE MOUNATIN BLVD BATESVILLE, AR 72501	CONTRACT	617,695
NORTH ARKANSAS PAIN MANAGEMENT 30 DUNDEE COVE BATESVILLE, AR 72501	PAIN MGMT	1,599,999
NABHOLZ CONSTRUCTION PO BOX 2090 CONWAY, AR 72033	CONTRACTOR	1,219,294
ARKANSAS EMERGENCY PHYSICIAN PA 1821 ROBINSON AVENUE CONWAY, AR 72034	ER CONTRACT	372,204
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 ▶33		

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues . . . . .	1b					
	c	Fundraising events . . . . .	1c					
	d	Related organizations . . . .	1d					
	e	Government grants (contributions)	1e	1,658,829				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	1,054,876				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f . . . . .		2,713,705				
Program Service Revenue			Business Code					
	2a	PROGRAM SERVICE REVENUE		165,345,838	165,345,838			
	b	PREMIER P P , LP		2,292		2,292		
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f . . . . .		165,348,130				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .		967,150			967,150	
	4	Income from investment of tax-exempt bond proceeds . .		0				
	5	Royalties . . . . .		0				
	6a		(i) Real	(ii) Personal				
			149,463					
		b	Less rental expenses					
		c	Rental income or (loss)	149,463				
	d	Net rental income or (loss) . . . . .		149,463			149,463	
	7a		(i) Securities	(ii) Other				
				2,670,336				
		b	Less cost or other basis and sales expenses	2,870,672				
		c	Gain or (loss)	-200,336				
	d	Net gain or (loss) . . . . .		-200,336			-200,336	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .	a					
	b	Less direct expenses . . . . .	b					
	c	Net income or (loss) from fundraising events . .		0				
	9a	Gross income from gaming activities See Part IV, line 19 . . . . .	a					
	b	Less direct expenses . . . . .	b					
	c	Net income or (loss) from gaming activities . .		0				
	10a	Gross sales of inventory, less returns and allowances . . . . .	a					
	b	Less cost of goods sold . . . . .	b					
	c	Net income or (loss) from sales of inventory . .		0				
	Miscellaneous Revenue		Business Code					
11a	OTHER REVENUE		2,914,444			2,914,444		
b	MEDICAL RECORDS		15,196			15,196		
c	CAFETERIA REVENUE		814,142			814,142		
d	All other revenue . . . . .							
e	Total. Add lines 11a-11d . . . . .		3,743,782					
12	Total revenue. See Instructions . . . . .		172,721,894	165,345,838	2,292	4,660,059		

Part IX Statement of Functional Expenses

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	0			
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees . . . . .	993,694		993,694	
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	63,467,460	50,387,711	13,079,749	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	1,272,970	1,021,987	250,983	
9	Other employee benefits . . . . .	15,308,747	212,136	15,096,611	
10	Payroll taxes . . . . .	4,454,284	3,387,429	1,066,855	
11	Fees for services (non-employees)				
a	Management . . . . .	0			
b	Legal . . . . .	0			
c	Accounting . . . . .	0			
d	Lobbying . . . . .	0			
e	Professional fundraising See Part IV, line 17 . . . . .	0			
f	Investment management fees . . . . .	0			
g	Other . . . . .	0			
12	Advertising and promotion . . . . .	0			
13	Office expenses . . . . .	0			
14	Information technology . . . . .	0			
15	Royalties . . . . .	0			
16	Occupancy . . . . .	2,133,223		2,133,223	
17	Travel . . . . .	632,627	398,831	233,796	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .	0			
19	Conferences, conventions, and meetings . . . . .	0			
20	Interest . . . . .	1,920,680		1,920,680	
21	Payments to affiliates . . . . .	0			
22	Depreciation, depletion, and amortization . . . . .	9,852,471		9,852,471	
23	Insurance . . . . .	1,607,223	357,556	1,249,667	
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	TELEPHONE	879,295	205,535	673,760	
b	EQUIPMENT RENTAL MAINT	7,277,377	5,066,095	2,211,282	
c	PURCHASED SERVICES	8,685,882	6,881,627	1,804,255	
d	SUPPLIES & OTHER	48,263,593	41,461,474	6,802,119	
e					
f	All other expenses	626,801	168,658	458,143	
25	Total functional expenses. Add lines 1 through 24f	167,376,327	109,549,039	57,827,288	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 . . . . .			11,962,543	1	14,790,811
	2	Savings and temporary cash investments . . . . .				2	0
	3	Pledges and grants receivable, net . . . . .				3	0
	4	Accounts receivable, net . . . . .			47,885,069	4	46,452,553
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .				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 . . . . .				6	0
	7	Notes and loans receivable, net . . . . .				7	0
	8	Inventories for sale or use . . . . .			2,845,536	8	2,806,518
	9	Prepaid expenses and deferred charges . . . . .			1,073,723	9	1,124,681
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D . . . . .	10a	208,801,668			
	b	Less: accumulated depreciation . . . . .	10b	100,242,973	90,491,252	10c	108,558,695
	11	Investments—publicly traded securities . . . . .				11	0
	12	Investments—other securities. See Part IV, line 11 . . . . .				12	0
	13	Investments—program-related. See Part IV, line 11 . . . . .				13	0
	14	Intangible assets . . . . .				14	0
	15	Other assets. See Part IV, line 11 . . . . .			56,467,785	15	33,708,625
16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			210,725,908	16	207,441,883	
Liabilities	17	Accounts payable and accrued expenses . . . . .			22,481,097	17	19,416,636
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .				19	
	20	Tax-exempt bond liabilities . . . . .			64,715,511	20	58,210,000
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .				22	
	23	Secured mortgages and notes payable to unrelated third parties . . . . .			1,725,374	23	2,001,190
	24	Unsecured notes and loans payable to unrelated third parties . . . . .				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D . . . . .			540,000	25	540,000
	26	Total liabilities. Add lines 17 through 25 . . . . .			89,461,982	26	80,167,826
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 . . . . .			121,263,926	27	127,274,057
	28	Temporarily restricted net assets . . . . .				28	
	29	Permanently restricted net assets . . . . .				29	
	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 . . . . .			121,263,926	33	127,274,057
	34	Total liabilities and net assets/fund balances . . . . .			210,725,908	34	207,441,883

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	172,721,894
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	167,376,327
<b>3</b>	Revenue less expenses Subtract line 2 from line 1	<b>3</b>	5,345,567
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	121,263,926
<b>5</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>5</b>	664,564
<b>6</b>	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	<b>6</b>	127,274,057

**Part XII Financial Statements and Reporting**

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

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

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 WHITE RIVER HEALTH SYSTEM INC	Employer identification number 71-0411459
---	--

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box )

- 1

☐

A church, convention of churches, or association of churches **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10

☐

An organization organized and operated exclusively to test for public safety See**section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
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 WHITE RIVER HEALTH SYSTEM INC	Employer identification number 71-0411459
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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 checked="" type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input checked="" 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?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		12,463
	j Total lines 1c through 1i			12,463
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?		No	

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
Part II-B, Line 1i	Part II-B, Line 1i - Other Activities Description	Portion of Arkansas Hospital Association and American Hospital Association Dues utilized for lobbying purposes

SCHEDULE D  
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

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

Name of the organization  
WHITE RIVER HEALTH SYSTEM INC

Employer identification number  
71-0411459

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 ▶ \$ \_\_\_\_\_

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 . . . . .				
b	Contributions . . . . .				
c	Investment earnings or losses . . . . .				
d	Grants or scholarships . . . . .				
e	Other expenditures for facilities and programs . . . . .				
f	Administrative expenses . . . . .				
g	End of year balance . . . . .				

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations . . . . .

(ii)

related organizations . . . . .

b

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

	Yes	No
3a(i)		
3a(ii)		
3b		

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .		3,153,328		3,153,328
b Buildings . . . . .		118,098,380	36,354,948	81,743,432
c Leasehold improvements . . . . .		2,134,630	1,001,034	1,133,596
d Equipment . . . . .		84,475,561	62,886,991	21,588,570
e Other . . . . .		939,769		939,769
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				108,558,695



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)	1172,721,894
2	Total expenses (Form 990, Part IX, column (A), line 25)	2167,376,327
3	Excess or (deficit) for the year Subtract line 2 from line 1	35,345,567
4	Net unrealized gains (losses) on investments	4664,564
5	Donated services and use of facilities	5
6	Investment expenses	6
7	Prior period adjustments	7
8	Other (Describe in Part XIV)	8
9	Total adjustments (net) Add lines 4 - 8	9664,564
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	106,010,131

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return		
1	Total revenue, gains, and other support per audited financial statements . . . . .	1172,721,894
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	
a	Net unrealized gains on investments . . . . .2a	
b	Donated services and use of facilities . . . . .2b	
c	Recoveries of prior year grants . . . . .2c	
d	Other (Describe in Part XIV) . . . . .2d	
e	Add lines 2a through 2d . . . . .2e	3172,721,894
3	Subtract line 2e from line 1 . . . . .3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1	
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .4a	
b	Other (Describe in Part XIV) . . . . .4b	
c	Add lines 4a and 4b . . . . .4c	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .5	5172,721,894

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return		
1	Total expenses and losses per audited financial statements . . . . .	1167,376,327
2	Amounts included on line 1 but not on Form 990, Part IX, line 25	
a	Donated services and use of facilities . . . . .2a	
b	Prior year adjustments . . . . .2b	
c	Other losses . . . . .2c	
d	Other (Describe in Part XIV) . . . . .2d	
e	Add lines 2a through 2d . . . . .2e	3167,376,327
3	Subtract line 2e from line 1 . . . . .3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:	
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .4a	
b	Other (Describe in Part XIV) . . . . .4b	
c	Add lines 4a and 4b . . . . .4c	
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 ) . . . . .5	5167,376,327

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 X	Part X FIN48 Footnote	MANAGEMENT ANNUALLY REVIEWS ITS TAX POSITIONS AND HAS DETERMINED THAT THERE ARE NO MATERIAL UNCERTAIN TAX POSITIONS THAT REQUIRE RECOGNITION 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**  
WHITE RIVER HEALTH SYSTEM INC

**Employer identification number**  
71-0411459

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 checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most 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%<input type="checkbox"/> 150%<input checked="" type="checkbox"/> 200%<input type="checkbox"/> Other _____%</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%<input type="checkbox"/> 250%<input checked="" type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input type="checkbox"/> Other _____%</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	Yes	
6b	If "Yes," did the organization make it available to the public? . . . . .	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H			

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1) . . . . .			1,404,105		1,404,105	0 840 %
b Medicaid (from Worksheet 3, column a) . . . . .						
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d <b>Total</b> Charity Care and Means-Tested Government Programs . . . . .			1,404,105		1,404,105	0 840 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			413,622		413,622	0 250 %
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) . . . . .						
j <b>Total</b> Other Benefits . . . . .			413,622		413,622	0 250 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			1,817,727		1,817,727	1 090 %

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
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	Yes	
2Enter the amount of the organization's bad debt expense	2	19,596,840	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	6,722,821	
4Provide 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

5Enter total revenue received from Medicare (including DSH and IME)	5	63,167,236	
6Enter Medicare allowable costs of care relating to payments on line 5	6	69,166,419	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	-5,999,183	
8Describe 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

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
9bIf "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9b		No

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 %
1KN PROFESSIONALS INC	RENTS OFFICE SPACE	33.000 %		
2BATESVILLE ENDOSCOPY CENTER	HEALTHCARE	50.000 %		
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? 2

Name and address

**Schedule H (Form 990) 2011**

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)

STONE COUNTY MEDICAL CENTER

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A):2

	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 200 0000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 0000</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 checked="" 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 checked="" 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 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 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 or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged a <input 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 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 checked="" 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		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		No

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)

WHITE RIVER 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	
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 200 0000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 0000</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 checked="" 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 checked="" 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 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 or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged a <input 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 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 checked="" type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI	20	No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? . . . . . If "Yes," explain in Part VI	21	No

Part V

Facility Information (continued)

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

(list in order of size from largest to smallest)

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

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

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
	Part V - Explanation of Number of Facility Type	1-ACUTE CARE HOSPITAL, 1-CRITICAL ACCESS HOSPITAL

Identifier	ReturnReference	Explanation
	Part VI - Explanation Of How Organization Furthers Its Exempt Purpose	WHITE RIVER HEALTH SYSTEM, INC IS A MULTIDIMENSIONAL PROVIDER OF HEALTHCARE SERVICES PRIMARILY TO THE RESIDENTS OF NORTH CENTRAL ARKANSAS THE NOT-FOR-PROFIT ORGANIZATION OPERATES TWO HOSPITALS, WHITE RIVER MEDICAL CENTER WHICH IS AN ACUTE CARE HOSPITAL PROVIDING INPATIENT, OUTPATIENT AND EMERGENCY CARE TO THE RESIDENTS OF INDEPENDENCE COUNTY AND SURROUNDING AREAS AND STONE COUNTY MEDICAL CENTER WHICH IS A CRITICAL ACCESS HOSPITAL PROVIDING INPATIENT, OUTPATIENT AND EMERGENCY CARE SERVICES FOR THE RESIDENTS OF STONE COUNTY AND SURROUNDING AREAS THE SYSTEM ALSO INCLUDES OUTPATIENT FACILITIES, PRIMARY CARE AND SPECIALITY PHYSICIAN OFFICES, MEDICAL OFFICE BUILDINGS, AND WHITE RIVER HEALTH SYSTEM FOUNDATION, INC , WHICH PROVIDES SUPPORT FOR FURTHERING THE PURPOSE AND PROMOTING THE ACTIVITIES OF THE SYSTEM THE SYSTEM HAS AN OPEN MEDICAL STAFF AND FACILITATES NUMEROUS HEALTHCARE EDUCATION AND FREE HEALTH SCREENING EVENTS IN THE COMMUNITY

Identifier	ReturnReference	Explanation
	Part VI - Community Information	THE SYSTEM HAS FACILITIES IN RURAL AND URBAN SETTINGS PREDOMINATELY AGRICULTURAL BASE, AVERAGE INCOME AT OR BELOW FEDERAL POVERTY GUIDELINES PREDOMINANTLY CAUCASIAN, HIGH SCHOOL EDUCATED AND GERIATRIC IN NATURE

Identifier	ReturnReference	Explanation
	Part VI - Patient Education of Eligibility for Assistance	INFORMS PATIENTS UPON ADMISSION AND POSTS NOTICES IN CONSPICUOUS AREAS

Identifier	ReturnReference	Explanation
	Part VI - Needs Assessment	UTILIZES ANNUAL STATISTICAL REPORT WITH DEMOGRAPHIC INFORMATION FROM DHS AS WELL AS REPORTS SHOWING PERCENT OF ACTIVITY OF COMMUNITY BY PAYOR SOURCE

Identifier	ReturnReference	Explanation
	Part III, Line 9b - Provisions On Collection Practices For Qualified Patients	PATIENTS ARE INFORMED OF CHARITY CARE PROGRAM



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  
WHITE RIVER HEALTH SYSTEM INC

Employer identification number  
71-0411459

Part I

Questions Regarding Compensation

	Yes	No
<div>1a</div> <div>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><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div>		
<div>b</div> <div>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</div>	1b	
<div>2</div> <div>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?</div>	2	
<div>3</div> <div>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><div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Approval by the board or compensation committee</div></div></div>		
<div>4</div> <div>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</div>		
<div>a</div> <div>Receive a severance payment or change-of-control payment?</div>	4a	No
<div>b</div> <div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div>	4b	No
<div>c</div> <div>Participate in, or receive payment from, an equity-based compensation arrangement?</div>	4c	No
<div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>		
<div></div> <div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div>		
<div>5</div> <div>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</div>		
<div>a</div> <div>The organization?</div>	5a	No
<div>b</div> <div>Any related organization?</div>	5b	No
<div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>		
<div>6</div> <div>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</div>		
<div>a</div> <div>The organization?</div>	6a	No
<div>b</div> <div>Any related organization?</div>	6b	No
<div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>		
<div>7</div> <div>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</div>	7	No
<div>8</div> <div>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</div>	8	No
<div>9</div> <div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div>	9	No

**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) TAMMY GAVIN	(i) (ii)	173,036				31,829	204,865	
(2) GARY L BEBOW	(i) (ii)	549,506				40,410	589,916	
(3) GARY BRITTEN	(i) (ii)	167,408				31,505	198,913	
(4) DR THOMAS CUMMINS	(i) (ii)	497,394				39,611	537,005	
(5) DR SHAZIA SIDDIQUI	(i) (ii)	599,997				38,347	638,344	
(6) DR RAMAN K DESIKAN	(i) (ii)	685,306				32,333	717,639	
(7) DR JOHN AKINS	(i) (ii)	467,769				18,004	485,773	
(8) DR CHRISTOPHER ALLEN STEEL	(i) (ii)	467,406				36,453	503,859	

**Part III**   **Supplemental Information**

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

Identifier	Return Reference	Explanation
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Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
WHITE RIVER HEALTH SYSTEM INC

Employer identification number  
71-0411459

Part I Bond Issues

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A CITY OF MT VIEW AR PFB	35-2242231	624308AY8	12-01-2010	4,647,580	REFUNDING		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue	4,647,580							
4	Gross proceeds in reserve funds	464,758							
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow	4,085,709							
7	Issuance costs from proceeds	92,952							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds	4,161							
12	Other unspent proceeds								
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

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

Schedule K (Form 990)	<div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.</div>	OMB No 1545-0047
		2011
		Open to Public Inspection

Name of the organization WHITE RIVER HEALTH SYSTEM INC	Employer identification number 71-0411459
---	--

Part I

Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	INDEPENDENCE CO AR PUB	71-0576691	453430BQ2	12-01-2010	8,080,428	REFUNDING		X		X		X
B	INDEPENDENCE COUNTY PFB	71-0576691	453430CG3	05-10-2011	34,789,465	CAPITAL IMPROVEMENT BOND		X		X		X
C	MOUNTAIN VIEW AR PFB PUBLIC FACILITIES BOARD	35-2242231	624308AR3	11-15-2004	6,000,000	STONE COUNTY MEDICAL CENTER PROJECT - ER RENOVATION		X		X		X
D	BATESVILLE AR PFB PUBLIC FACILITIES BOARD	33-1078402	070666AR3	12-01-2003	10,000,000	WHITE RIVER MEDICAL CENTER PROJECT - WOMEN'S CTR		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue	8,080,428		35,000,000		6,000,000		10,000,000	
4	Gross proceeds in reserve funds	808,043		3,478,947					
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow	7,147,222							
7	Issuance costs from proceeds	124,061		533,150		93,327		147,917	
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds			30,777,368		5,906,673		9,852,083	
11	Other spent proceeds	1,102							
12	Other unspent proceeds								
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X			X		X		X
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		X
16	Has the final allocation of proceeds been made?	X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

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

Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
WHITE RIVER HEALTH SYSTEM INC

Employer identification number  
  
71-0411459

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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



Part IV

**Business Transactions Involving Interested Persons.**  
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
See Additional Data Table					

Part V

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

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

## Additional Data

**Software ID:** 11000144  
**Software Version:** 2011v1.5  
**EIN:** 71-0411459  
**Name:** WHITE RIVER HEALTH SYSTEM INC

### Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction \$	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
O ZARK ORTHOPEDIC HAND SURGERY	OWNER ON BOARD	267,233	PROVIDE SERVICES		No
MEACHAM PACKING COMPANY	OWNER ON BOARD	214,702	PROVIDE SERVICES		No
WHITE RIVER INSURANCE AGENCY	OWNER ON BOARD	1,474,774	PROVIDES SERVICES		No
MATTHEW P GAVIN	SON OF COO	32,102	EMPLOYEE OF WRHS		No
DOYLE COCKRILL	BROTHER OF COO	120,404	EMPLOYEE OF WRHS		No
BETTY B COCKRILL	MOTHER OF COO	33,415	EMPLOYEE OF WRHS		No
NANCY BERNARD	WIFE OF DIRECTOR	12,153	EMPLOYEE OF WRHS		No
DOUGLAS BERNARD MD	SON OF DIRECTOR	60,000	EMPLOYEE OF WRHS		No
WANN OFFICE SUPPLY	OWNER ON FND B	415,220	PROVIDES SUPPLIES		No
OZARK CHRYOTHERAPY LLC	OWNER ON BOARD	23,199	PROVIDES SERVICES		No
LT SURGICAL SERVICES	OWNER ON BOARD	413,152	PROVIDES SERVICES		No
MYLES BRITTEN	SON OF CFO	89,709	EMPLOYEE OF WRHS		No

Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction \$	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
DR VERONA T BROWN-BEBOW	SPOUSE OF CEO	31,625	CONTRACTED PHYSICIAN		No

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  
WHITE RIVER HEALTH SYSTEM INC

Employer identification number  
71-0411459

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 19	Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	AVAILABLE UPON REQUEST FROM ADMINISTRATION
Form 990, Part VI, Line 15b	Form 990, Part VI, Line 15b Compensation Review and Approval Process for Officers and Key Employees	THE WHITE RIVER HEALTH SYSTEM ("WRHS") HAS ESTABLISHED A COMPENSATION PHILOSOPHY WHICH REFLECTS ITS CHARITABLE, TAX-EXEMPT MISSION. THE WRHS COMPENSATION COMMITTEE MAY ENGAGE OUTSIDE INDEPENDENT COMPENSATION AND LEGAL ADVISORS WHEN DEEMED NECESSARY, AND MAY USE COMPARABILITY DATA FROM OTHER SIMILARLY SITUATED ORGANIZATIONS. DOCUMENTATION WITH REGARD TO THE BASIS FOR THE COMPENSATION RECOMMENDATIONS SHALL INCLUDE, WITHOUT LIMITATION, THE MEMBERS OF THE WRHS COMPENSATION COMMITTEE WHO WERE PRESENT AND WHO VOTED FOR THE RECOMMENDATION, THE COMPARABILITY DATA OBTAINED AND RELIED UPON BY WRHS AND HOW THE DATA WAS OBTAINED, AND ANY ACTIONS TAKEN WITH RESPECT TO THE RECOMMENDATION BY ANYONE WHO HAD A CONFLICT OF INTEREST WITH RESPECT TO THE RECOMMENDATION. THE WRHS COMPENSATION COMMITTEE SHALL MEET PERIODICALLY OUTSIDE OF THE PRESENCE OF ANY SENIOR EXECUTIVE OFFICER. IS SHALL BE RESPONSIBLE FOR MAKING RECOMMENDATIONS REGARDING THE COMPENSATION AND BENEFIT ARRANGEMENTS PROVIDED TO SENIOR EXECUTIVE MANAGEMENT OF WRHS FOLLOWING THE RECEIPT OF A RECOMMENDATION FROM AN INDEPENDENT CONSULTANT WITH AN EXPERTISE IN MANAGERIAL COMPENSATION, THE TOTAL COMPENSATION FOR THE CEO SHALL BE APPROVED BY THE WRHS COMPENSATION COMMITTEE AND THE WRHS BOARD OF DIRECTORS. THE CEO SHALL PRESENT HIS ANNUAL COMPENSATION RECOMMENDATIONS FOR ADMINISTRATORS AND DEPARTMENT DIRECTORS. FOLLOWING RECEIPT OF THE CEO'S RECOMMENDATION, APPROVAL SHALL BE OBTAINED BY THE WRHS COMPENSATION COMMITTEE AND THE WRHS BOARD OF DIRECTORS. THE WRHS COMPENSATION COMMITTEE AND BOARD OF DIRECTORS SHALL ASSURE THAT EXECUTIVE COMPENSATION IS REASONABLE AND CONSISTENT WITH MARKET PRACTICE. THE WRHS COMPENSATION COMMITTEE SHALL CONSIST OF PERSONS WHO ARE KNOWLEDGEABLE IN COMPENSATION MATTERS AND WHO HAVE NO FINANCIAL INTEREST IN THE COMPENSATION DETERMINATION.
Form 990, Part VI, Line 12c	Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	ANY ACTUAL OR POSSIBLE CONFLICTS OF INTEREST MUST BE DISCLOSED AND GIVEN AN OPPORTUNITY TO DISCLOSE ALL MATERIAL FACTS TO DIRECTORS. AFTER DISCLOSURE OF FINANCIAL INTEREST AND ALL MATERIAL FACTS, THE INTERESTED PERSON SHALL LEAVE THE BOARD MEETING WHILE THE DETERMINATION OF CONFLICT OF INTEREST IS DISCUSSED AND VOTED UPON. ADDRESSING CONFLICTS OF INTEREST: AN INTERESTED PERSON MAY MAKE A PRESENTATION AT THE BOARD MEETING, BUT AFTER SUCH PRESENTATION, SUCH PERSON SHALL LEAVE THE MEETING DURING THE DISCUSSION OF, AND THE VOTE ON, THE TRANSACTION OR ARRANGEMENT INVOLVING THE POSSIBLE CONFLICT OF INTEREST. FAILURE TO DISCLOSE ACTUAL OR POSSIBLE CONFLICT OF INTEREST AS DETERMINED BY THE BOARD WILL RESULT IN APPROPRIATE DISCIPLINARY AND CORRECTIVE ACTIONS.
Form 990, Part VI, Line 11	Form 990, Part VI, Line 11 Form 990 Review Process	THE 990 WAS REVIEWED AND APPROVED BY A MEMBER OF MANAGEMENT AND WAS PRESENTED TO BOARD MEMBERS FOR REVIEW BEFORE BEING FILED.
Form 990, Part VI, Line 2	Form 990, Part VI, Line 2 Description of Business or Family Relationship of Officers, Directors, Et	DOUG BERNARD, M.D. IS THE SON OF DICK BERNARD AND THEY SERVE ON THE BOARD. DIANNE LAMBERTH AND DOYLE ROGERS, SR. HAVE AN OWNERSHIP INTEREST IN SHOPPERS, INC. WHICH LEASES OFFICE SPACE TO WRHS.

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**  
WHITE RIVER HEALTH SYSTEM INC

**Employer identification number**  
71-0411459

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) WHITE RIVER HEALTH SYSTEM FOUNDATION INC  1710 HARRISON STREET  BATESVILLE, AR 72501 71-0728911	SUPPORT WRHS	AR	501(C)(3)	11A	WRHS		No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) KN PROFESSIONALS INC  197 HOSPITAL DRIVE CHEROKEE VILLAGE, AR 72529 71-0856709	RENTS SPACE	AR	N/A		77,239	321,676		No			No	33 330 %
(2) BATESVILLE ENDOSCOPY CENTER LLC  1700 HARRISON STREET SUITE S BATESVILLE, AR 72501 26-2916355	HEALTHCARE	AR	N/A		-31,570	90,277		No			No	100 000 %
(3) PREMIER PURCHASING PARTNERS LP  12255 EL CAMINO REAL STE 100 SAN DIEGO, CA 92130 33-0387407	SUPPLIES	CA	N/A		697,137	800,243		No			No	22 060 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) NORTH ARKANSAS CLINIC PO BOX 2197 BATESVILLE, AR 72503 71-0210496	RENT SPACE	AR	WRHS	C CORP	-75,340	2,449,005	100 000 %

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

Yes

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) WHITE RIVER HEALTH SYSTEM FOUNDATION INC	c	983,993	CASH
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2011

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

[illegible]



Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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**WHITE RIVER HEALTH SYSTEM, INC.**

**Independent Auditor's Report and  
Consolidated Financial Statements**

**September 30, 2012 and 2011**

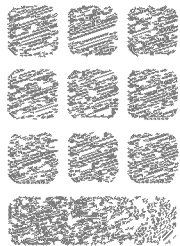
# WHITE RIVER HEALTH SYSTEM, INC.

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**INDEPENDENT  
AUDITOR'S  
REPORT**

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## HUGHES, WELCH & MILLIGAN, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 2094 BATESVILLE, ARKANSAS 72503 PHONE 870/793-5231 FAX 870/793-7788

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1618 GIBSON STREET, WEST PLAINS, MISSOURI 65775 PHONE 417/256-6624 FAX 417/256-1171

ROBERT J. HUGHES, JR., CPA  
(1951-2007)

JOHN ED WELCH, CPA  
WILLIAM T. COUCH, JR., CPA  
JEFF D. WELCH, CPA, JD

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
White River Health System, Inc  
Batesville, Arkansas

We have audited the accompanying consolidated balance sheets of White River Health System, Inc (a nonprofit organization) as of September 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 Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of White River Health System, Inc. as of September 30, 2012 and 2011, and the results of its consolidated operations, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2013, on our consideration of White River Health System, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of White River Health System, Inc. taken as a whole. The supplemental consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial positions, results of operations and cash flows of the individual entities and is not a required part of the basic consolidated financial statements. Additionally, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local*

*Governments, and Non-Profit Organizations*, and is not a required part of the consolidated basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Hughes, Welch & Milligan, Ltd.*  
Certified Public Accountants

Batesville, Arkansas  
February 18, 2013

**CONSOLIDATED  
FINANCIAL  
STATEMENTS**

---

# WHITE RIVER HEALTH SYSTEM, INC.

## Consolidated Balance Sheets

September 30, 2012 and 2011

Assets		
	<u>2012</u>	<u>2011</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 15,549,767	\$ 12,771,864
Assets limited as to use - current	2,149,690	2,775,797
Patient accounts receivable, less allowance for uncollectible accounts of \$47,743,069 in 2012 and \$54,002,159 in 2011	38,810,933	38,972,959
Current portion of pledges receivable	491,869	704,852
Other receivables	2,055,682	2,634,994
Due from third-party payors	5,585,938	6,277,116
Supplies	2,806,518	2,845,536
Prepaid expenses and other	1,124,681	1,073,723
<b>Total current assets</b>	<u>68,575,078</u>	<u>68,056,841</u>
<b>Assets limited as to use</b>		
Internally designated	11,811,538	11,182,346
Held by trustee	14,697,862	35,050,923
Restricted by donors	198,379	202,361
	<u>26,707,779</u>	<u>46,435,630</u>
Less amount required to meet current obligations	2,149,690	2,775,797
	<u>24,558,089</u>	<u>43,659,833</u>
<b>Property and equipment, at cost</b>		
Land and land improvements	5,475,843	5,466,043
Buildings and leasehold improvements	122,144,872	92,612,899
Equipment	84,664,059	80,564,529
Construction in progress	953,295	9,311,826
	<u>213,238,069</u>	<u>187,955,297</u>
Less accumulated depreciation and amortization	102,775,322	95,484,899
	<u>110,462,747</u>	<u>92,470,398</u>
<b>Other assets</b>		
Deferred financing costs	726,620	1,133,903
Other	1,237,843	947,035
Investment in equity investee	321,676	301,006
Property and equipment held for sale	-	3,374,482
Long-term portion of pledges receivable, net	702,618	642,374
	<u>2,988,757</u>	<u>6,398,800</u>
<b>Total assets</b>	<u><u>\$ 206,584,671</u></u>	<u><u>\$ 210,585,872</u></u>

See accompanying notes to consolidated financial statements



## Liabilities and Net Assets

	<u>2012</u>	<u>2011</u>
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 3,266,091	\$ 3,062,420
Accounts payable	9,350,553	12,589,390
Accrued expenses	10,066,559	9,868,379
Estimated due to third-party payors	-	23,328
Total current liabilities	<u>22,683,203</u>	<u>25,543,517</u>
 <b>Long-term debt</b> , net of current portion	 <u>56,945,099</u>	 <u>63,378,465</u>
 <b>Deferred grant revenue</b>	 <u>540,000</u>	 <u>540,000</u>
 <b>Total liabilities</b>	 <u>80,168,302</u>	 <u>89,461,982</u>
 <b>Net assets</b>		
Unrestricted	124,758,363	119,481,753
Temporarily restricted	1,593,006	1,577,137
Permanently restricted	65,000	65,000
Total net assets	<u>126,416,369</u>	<u>121,123,890</u>
 <b>Total liabilities and net assets</b>	 <u><u>\$ 206,584,671</u></u>	 <u><u>\$ 210,585,872</u></u>

See accompanying notes to consolidated financial statements

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Consolidated Statements of Operations**  
**Years Ended September 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Unrestricted revenues, gains and other support</b>		
Net patient service revenue	\$ 165,348,130	\$ 163,465,658
Other revenue	3,995,929	4,791,572
Unrestricted contributions	46,066	130,633
Net assets released from restrictions	779,518	1,227,100
<b>Total unrestricted revenues, gains and other support</b>	<u>170,169,643</u>	<u>169,614,963</u>
<b>Operating expenses</b>		
Salaries and wages	64,702,371	64,455,628
Employee benefits	21,058,999	20,483,172
Supplies and other	54,604,680	53,482,559
Purchased services and professional fees	16,035,113	13,607,278
Depreciation and amortization	9,941,089	9,104,716
Interest	1,920,680	1,571,054
<b>Total operating expenses</b>	<u>168,262,932</u>	<u>162,704,407</u>
<b>Operating income</b>	<u>1,906,711</u>	<u>6,910,556</u>
<b>Other nonoperating income (expense)</b>		
Grant income	1,729,712	1,509,426
Investment return	280,512	260,190
Other income and expense (net)	490,639	(1,144,072)
<b>Total other nonoperating income (expense)</b>	<u>2,500,863</u>	<u>625,544</u>
<b>Excess of revenues over expenses</b>	4,407,574	7,536,100
Contributions for acquisition of property and equipment	204,472	329,248
Investment return - change in unrealized gains and losses on other than trading securities	<u>664,564</u>	<u>(185,118)</u>
<b>Increase in unrestricted net assets</b>	<u><u>\$ 5,276,610</u></u>	<u><u>\$ 7,680,230</u></u>

See accompanying notes to consolidated financial statements

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended September 30, 2012 and 2011**

	<u><b>2012</b></u>	<u><b>2011</b></u>
<b>Unrestricted net assets</b>		
Excess of revenues over expenses	\$ 4,407,574	\$ 7,536,100
Contributions for acquisition of property and equipment	204,472	329,248
Investment return - change in unrealized gains and (losses) on other than trading securities	664,564	(185,118)
<b>Increase in unrestricted net assets</b>	<u>5,276,610</u>	<u>7,680,230</u>
<b>Temporarily restricted net assets</b>		
Contributions	773,983	2,276,142
Net investment return	21,404	(1,141)
Net assets released from restriction	(779,518)	(1,227,100)
<b>Increase in temporarily restricted net assets</b>	<u>15,869</u>	<u>1,047,901</u>
<b>Change in net assets</b>	5,292,479	8,728,131
<b>Net assets, beginning of year</b>	<u>121,123,890</u>	<u>112,395,759</u>
<b>Net assets, end of year</b>	<u><b>\$ 126,416,369</b></u>	<u><b>\$ 121,123,890</b></u>

See accompanying notes to consolidated financial statements

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2012 and 2011**

	<u><b>2012</b></u>	<u><b>2011</b></u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 5,292,479	\$ 8,728,131
Adjustments to reconcile change in net assets		
To net cash provided by operating activities.		
Depreciation and amortization	9,941,089	9,104,716
Amortization of issue cost	404,242	60,291
Grant income	(1,729,712)	(1,509,426)
Net realized and unrealized loss/(gain) on investments	(664,564)	185,118
Equity in net income of equity investee	(66,272)	24,310
(Gain)/Loss on sale of property and equipment	(468,196)	1,144,072
Provision for bad debts	19,596,840	17,221,798
Contributions for acquisition of property and equipment	(204,472)	(329,248)
Changes in.		
Patient accounts receivable	(19,785,866)	(25,085,135)
Estimated amounts due from third-party payors	691,178	(2,392,006)
Accounts payable and accrued expenses	(3,063,985)	3,283,080
Other assets and liabilities	748,382	(4,382,073)
<b>Net cash provided by operating activities</b>	<u>10,691,143</u>	<u>6,053,628</u>
<b>Cash flows from investing activities</b>		
Change in assets limited as to use	20,392,415	(28,562,278)
Capital expenditures	(27,174,587)	(21,644,531)
Investment in equity investees	45,602	27,000
Proceeds from sale of equipment	4,112,509	389,385
<b>Net cash (used in) investing activities</b>	<u>(2,624,061)</u>	<u>(49,790,424)</u>
<b>Cash flows from financing activities</b>		
Repayment on long-term debt	(7,727,516)	(16,608,853)
Proceeds from borrowing	504,153	47,626,645
Proceeds from grants	1,729,712	997,237
Proceeds from contributions for acquisition of property and equipment	204,472	329,248
<b>Net cash provided by (used in) financing activities</b>	<u>(5,289,179)</u>	<u>32,344,277</u>
<b>(Decrease) increase in cash and cash equivalents</b>	2,777,903	(11,392,519)
<b>Cash, beginning of year</b>	<u>12,771,864</u>	<u>24,164,383</u>
<b>Cash, end of year</b>	<u><u>\$ 15,549,767</u></u>	<u><u>\$ 12,771,864</u></u>
<b><u>Supplemental cash flows information</u></b>		
Interest paid (net of any amount capitalized)	\$ 1,855,977	\$ 910,291
Capital lease obligation incurred for property and equipment	\$ 965,332	\$ 976,202

See accompanying notes to consolidated financial statements

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

**Nature of Operations**

White River Health System, Inc and subsidiaries (the System) is a multidimensional provider of healthcare services. White River Health System, Inc offers health care services primarily to residents of North Central Arkansas. The not-for-profit organization operates two hospitals, White River Medical Center which is an acute care hospital providing inpatient, outpatient and emergency care to the residents of Independence County and surrounding areas and Stone County Medical Center which is a Critical Access Hospital providing inpatient, outpatient and emergency care services for residents of Stone County and surrounding areas. The System also includes outpatient facilities, primary care and specialty physician offices, medical office buildings, and White River Health System Foundation, Inc, which provides support for furthering the purpose and promoting the activities of the System. The significant accounting policies used by the System in preparing and presenting the consolidated financial statements follow:

**Principles of Consolidation**

The consolidated financial statements include the accounts of the System and its controlled subsidiaries. All material 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, liabilities, revenues and expenses as well as disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Significant items subject to such estimates and assumption include the allowances for uncollectible accounts and contractual adjustments, reserves for professional and general liability claims, reserves for workers' compensation claims, reserves for employee healthcare claims, and estimated third-party payor settlements. In addition, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs could change by a material amount in the near term.

**Cash and Cash Equivalents**

Cash and cash equivalents include certain investments in highly liquid debt instruments purchased with original maturities of three months or less, excluding assets whose use is limited.

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Cont.)**

**Investments and Assets Limited to Use**

Investments and assets limited as to use include assets set aside by the Health System for future long-term purposes, including capital improvements and self insurance. In addition, assets limited to use include amounts held by trustees under bond indenture agreements, amounts contributed by donors with stipulated restrictions and designated assets set aside by the System's Board of Directors. Amounts required to satisfy current liabilities relating to bond obligations have been reclassified in the balance sheet at September 30, 2012 and 2011.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet based upon quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses unless the investments are trading securities.

Investments in partnerships and limited liability companies are recorded using the equity method of accounting (which approximates fair value) with the related changes in value in earnings reported as other non-operating income in the accompanying consolidated financial statements.

**Supplies**

Supplies, consisting primarily of medical and surgical supplies and pharmaceuticals, are stated at lower of cost (first-in-first out method) or market.

**Patient Accounts Receivable**

The System reports patient accounts receivable for services rendered at net realizable amounts from patients, third-party payors and others. The System records a provision for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value.

The System estimates this allowance based on the aging of its accounts receivable and historical and expected net collections, business and economic conditions, trends in federal and state governmental and private employer health care coverage and other collection indicators. As a service to the patient, the System bills third-party payors directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. Additions to the allowance for doubtful accounts are made by means of provision for doubtful accounts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added.

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Cont.)**

**Property and Equipment**

The System's property and equipment acquisitions with estimated useful lives of one year and a cost of \$2,500 or more are capitalized and recorded at cost, with the exception of Stone County Medical Center, whose capitalization policy is assets with a useful life of two years or more and a cost of \$5,000. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Donations of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Contributions restricted to the purchase of property and equipment which are met within the same year as received are reported as increases in unrestricted net assets in the accompanying consolidated financial statements.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets to be disposed of are separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale are presented separately in the asset and liability sections of the consolidated balance sheets.

**Costs of Borrowing**

Bond issue costs and bond premiums are amortized using the effective interest method over the term of the related bond issue. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets, net of related investment income.

Interest expense on debt issued for construction projects is capitalized until the projects are placed in service. The components of interest expense, net, include the following.

	<u><b>2012</b></u>	<u><b>2011</b></u>
Interest on debt	\$ 3,371,587	\$ 2,213,489
Capitalized interest expense	<u>(1,450,907)</u>	<u>(642,435)</u>
<b>Interest expense, net</b>	<u><b>\$ 1,920,680</b></u>	<u><b>\$ 1,571,054</b></u>

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Cont.)**

**Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donor's wishes primarily to purchase equipment and to provide other health and educational programs and services.

**Net Patient Service Revenue**

The Health System has agreements with third-party payors that provide for payments to the System 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 payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Charity Care**

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

**Contributions**

Unconditional promises to give cash and other assets are reported at fair value at the date each promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. 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 as unrestricted net assets and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.



**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Cont.)**

**Pledges Receivable**

Pledges of financial support are recorded at fair value by the Foundation and when a donor's unconditional promise to give has sufficient definition with respect to the amount and planned timing of the donation. Pledges receivable are primarily in association with capital improvement campaigns. Conditional promises to give and intentions to give are reported at fair value at the earlier of when the contingency is met or the date the gift is received. And allowance for uncollectible pledges is recorded based on an estimated percentage of pledges that may not be collectible based on historical experience. Significant pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue.

**Estimated Professional and General Liability Costs**

An annual estimated provision is accrued for the System's portion of professional and general liability claims. The provision for estimated professional and general liability claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

**Income Taxes**

White River Health System, Inc. is a tax exempt corporation and has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Health System owns certain taxable subsidiaries and engages in certain activities that are unrelated to its exempt purpose and therefore subject to income tax, such amounts are not significant to the consolidated financial statements.

Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements.

The System's federal and state income tax returns are generally open to examination by relevant taxing authorities for a period of three years from the later of the date the returns were filed or the returns were due (including approved extensions).

**Excess of Revenues Over Expenses**

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

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Cont.)**

**New Accounting Pronouncements**

In July 2011, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* ("ASU 2011-07") to provide greater transparency regarding a health care entity's net patient revenue and the related allowance for doubtful accounts. ASU 2011-07 requires certain health care entities to change the presentation of the provision for bad debts associated with patient service revenue by reclassifying the provision from operating expenses to a deduction from net patient revenue and requires enhanced disclosures about net patient revenue and the policies for recognizing revenue and assessing bad debts. The adoption of ASU 2011-07 did not have any material impact on the Health System's consolidated financial statements.

In August 2010, the FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure* (ASU 2010-23). The provisions of ASU 2010-23 are intended to reduce the diversity in how charity care is calculated and disclosed across healthcare entities that provide it. Charity care is required to be measured at cost, defined as the direct and indirect costs of providing the charity care. Funds received to offset or subsidize the cost of charity care provided, for example from gifts or grants restricted for charity care, should be separately disclosed. As a healthcare entity does not recognize revenue when charity care is provided, this update will only require enhanced disclosures and will have an effect on the consolidated statements of operations and changes in net assets. This new guidance is effective for fiscal years beginning after December 15, 2010, with retrospective application required and with early application permitted. The adoption of ASU 2010-23 did not have any material impact on the Health Systems consolidated financial statements.

**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.

**Note 2 – Net Patient Service Revenue**

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

**Medicare**

Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification System that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity. Other inpatient nonacute services, certain outpatient services and defined medical education costs related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost reimbursement methodology. The System is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary.

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 2 – Net Patient Service Revenue (Cont.)**

Stone County Medical Center has been designated as a Critical Access Hospital. As a result of the Critical Access Hospital designation, inpatient and outpatient acute care services rendered to Medicare program beneficiaries are reimbursed under a cost reimbursement methodology.

**Medicaid**

Inpatient acute care services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology subject to certain limitations. Inpatient services rendered to Medicaid program beneficiaries for long-term care are reimbursed under a prospective payment methodology. Outpatient services are paid based on fee schedules. The System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary.

Outpatient services rendered to Medicaid program beneficiaries by Stone County Medical Center, a Critical Access Hospital, are reimbursed under a cost reimbursement methodology.

Approximately 65.3% and 65.3% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 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 System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

A summary of amounts comprising net patient service revenue follows.

	<b><u>2012</u></b>	<b><u>2011</u></b>
Gross patient service revenue	\$ 519,587,114	\$ 478,931,921
Less provisions for contractual and other adjustments	<u>(354,238,984)</u>	<u>(315,466,263)</u>
<b>Net patient service revenue</b>	<b><u>\$ 165,348,130</u></b>	<b><u>\$ 163,465,658</u></b>

Included in provision for contractual and other adjustment are amounts related to beneficiaries of public programs, principally Medicare and Medicaid, of approximately \$245,882,264 and \$212,391,585 for the years ended September 30, 2012 and 2011, respectively.

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 3 – Business and Credit Concentrations**

The System grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2012 and 2011, was

	<u><b>2012</b></u>	<u><b>2011</b></u>
Medicare	34.8%	39.1%
Medicaid	13.9%	10.4%
Other third-party payors	27.6%	31.5%
Patient liability	<u>23.7%</u>	<u>19.0%</u>
	<u><b>100.0%</b></u>	<u><b>100.0%</b></u>

The System maintains amounts on deposit with various financial institutions. Management periodically reviews the credit worthiness of these institutions and obtains additional collateral on an as needed basis to secure deposits and mitigate credit risk. The System has not experienced any losses on such deposits for fiscal years' ended September 30, 2012 and 2011.

**Note 4 – Investments and Investment Return**

**Assets Limited as to Use**

The composition of assets limited as to use at September 30, 2012 and 2011, is set forth in the following table. Investments are stated at fair value.

	<u><b>2012</b></u>	<u><b>2011</b></u>
<b>Internally designated by Board for capital improvements</b>		
Cash and short-term investments	\$ 346,878	\$ 1,869,861
Certificates of deposit	7,007,453	6,183,878
U S treasury and agency obligations	1,000,088	350,005
Equities and other mutual funds	3,434,804	2,758,888
Accrued interest receivable	<u>22,315</u>	<u>19,714</u>
	<u>11,811,538</u>	<u>11,182,346</u>
<b>Held by trustee under indenture agreements</b>		
Cash and short-term investments	11,223,097	26,580,923
Certificates of deposit	<u>3,474,765</u>	<u>8,470,000</u>
	<u>14,697,862</u>	<u>35,050,923</u>

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 4 – Investments and Investment Return (Cont.)**

**Assets Limited as to Use (cont.)**

	<u><b>2012</b></u>	<u><b>2011</b></u>
<b>Restricted by donors</b>		
Cash and short-term investments	\$ 40,121	\$ 46,265
Fixed income securities	28,713	27,237
Equities and other mutual funds	129,545	128,859
	<u>198,379</u>	<u>202,361</u>
 Total assets limited to use	 26,707,779	 46,435,630
Less amounts classified as current assets	<u>(2,149,690)</u>	<u>(2,775,797)</u>
 Noncurrent assets limited to use	 <u><b>\$ 24,558,089</b></u>	 <u><b>\$ 43,659,833</b></u>

Investment income and gains (losses) for assets limited as to use, cash equivalents, and other investments are comprised of the following for the years ending September 30, 2012 and 2011

	<u><b>2012</b></u>	<u><b>2011</b></u>
Interest and dividend income	\$ 223,011	\$ 288,812
Realized gains (losses) on sales of securities	2,973	(4,312)
Equity earnings (loss) in investee	66,272	(24,310)
Unrealized gains/(loss) on other than trading securities	<u>674,224</u>	<u>(186,259)</u>
	<u><b>\$ 966,480</b></u>	<u><b>\$ 73,931</b></u>

The following schedule summarizes investment return classification in the statement of operations at years ended:

	<u><b>September 30, 2012</b></u>			<u><b>September 30, 2011</b></u>		
	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Total</b></u>	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Total</b></u>
Interest and dividend income	\$ 211,267	\$ 9,354	\$ 220,621	\$ 288,812	\$ -	\$ 288,812
Net realized unrealized gains/ (losses)	667,537	12,050	679,587	(189,430)	(1,141)	(190,571)
Equity earnings (loss) in investee	<u>66,272</u>	<u>-</u>	<u>66,272</u>	<u>(24,310)</u>	<u>-</u>	<u>(24,310)</u>
	<u><b>\$ 945,076</b></u>	<u><b>\$ 21,404</b></u>	<u><b>\$ 966,480</b></u>	<u><b>\$ 75,072</b></u>	<u><b>\$ (1,141)</b></u>	<u><b>\$ 73,931</b></u>

Certain investments in debt and marketable equity securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at September 30, 2012 and 2011, was \$3,321,904 and \$2,758,888, which is approximately 13.5% and 6.3%, respectively, of the System's investment portfolio.

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 4 – Investments and Investment Return (Cont.)**

The System reviews investments each period and assesses whether an other-than-temporary impairment has occurred. Each investment within the portfolio is evaluated individually. Major factors that are considered are: 1) fair value of the investment is below cost, 2) loss has been sustained over an extended period of time, and 3) whether the System intends to sell or could be required to sell the investment security, or, if not, whether it has the ability to hold an investment for a reasonable period of time sufficient for a forecasted recovery of fair value up to or beyond the cost of the investment. Additional factors that might be considered include, but are not limited to: 1) credit risk of the investment, 2) decline attributable to adverse conditions specifically related to the investment, its industry, or geography, 3) investment has been downgraded by a rating agency, 4) dividends have been reduced or eliminated or scheduled interest has not been paid, 5) changes in the value of the investment after the close of the period, 6) trading in the investment has been suspended, and 7) discussion with investment advisor.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information, improvements in unrealized loss positions and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified. The following table shows the investments' gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2012 and 2011.

Description of Securities	September 30, 2012					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities	\$ -	\$ -	\$ 3,321,904	\$ 510,795	\$ 3,321,904	\$ 510,795
<b>Total temporarily impaired securities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,321,904</b>	<b>\$ 510,795</b>	<b>\$ 3,321,904</b>	<b>\$ 510,795</b>

Description of Securities	September 30, 2011					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities	\$ -	\$ -	\$ 2,758,888	\$ 1,194,225	\$ 2,758,888	\$ 1,194,225
<b>Total temporarily impaired securities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,758,888</b>	<b>\$ 1,194,225</b>	<b>\$ 2,758,888</b>	<b>\$ 1,194,225</b>

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 4 – Investments and Investment Return (Cont.)**

**Fair Value Measurements**

The System has adopted authoritative guidance issued that provides enhanced guidance for using fair value to measure assets and liabilities, provides a common definition of fair value, and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable among entities. The authoritative guidance also expands the required disclosures concerning the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on changes in net assets.

This authoritative guidance establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows.

**Level 1** – inputs to the valuation methodology are quoted prices for similar assets and liabilities in an active market

**Level 2** – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability either directly or indirectly, for substantially the full term of the financial instrument

**Level 3** – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

When available the System generally uses quoted market prices to determine fair value and classifies such items as Level 1. The System's Level 2 securities are bonds whose fair values are determined by independent vendors, or nontraded funds whose underlying securities would otherwise be considered Level 1. The System's Level 3 securities are comprised of alternative investments and bonds that have less liquidity, a stale quoted price, or varying prices from independent sources.

The following table presents the financial instruments classified as assets limited as to use carried at fair value as of September 30, 2012 and 2011, by caption by the valuation hierarchy (as described above):

<b>Assets at Fair Value as of September 30, 2012</b>				
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
<b>Internally designated by Board for capital improvements:</b>				
Cash and cash equivalents	\$ 369,193	\$ -	\$ -	\$ 369,193
Fixed income investments, principally obligations of the U S Government and its agencies	1,000,088	-	-	1,000,088
Certificate of deposits	7,007,453	-	-	7,007,453
Equity and other mutual funds	3,434,804	-	-	3,434,804
	<u>11,811,538</u>	<u>-</u>	<u>-</u>	<u>11,811,538</u>

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 4 – Investments and Investment Return (Cont.)**

**Fair Value Measurements (cont.)**

<b>Assets at Fair Value as of September 30, 2012</b>				
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
<b>Held by trustee under indenture agreements</b>				
Cash and cash equivalents	\$ 11,223,097	\$ -	\$ -	\$ 11,223,097
Certificates of deposit	3,474,765	-	-	3,474,765
	<u>14,697,862</u>	<u>-</u>	<u>-</u>	<u>14,697,862</u>
<b>Restricted by donors</b>				
Cash and cash equivalents	\$ 40,121	\$ -		\$ 40,121
Fixed income investments, principally obligations of the U S Government and its agencies	28,713	-	-	28,713
Mutual funds	129,545	-	-	129,545
	<u>198,379</u>	<u>-</u>	<u>-</u>	<u>198,379</u>
<b>Total</b>	<b><u>\$ 26,707,779</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 26,707,779</u></b>

<b>Assets at Fair Value as of September 30, 2011</b>				
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
<b>Internally designated by Board for capital improvements:</b>				
Cash and cash equivalents	\$ 1,889,575	\$ -	\$ -	\$ 1,889,575
Fixed income investments, principally obligations of the U S Government and its agencies	350,005	-	-	350,005
Certificate of deposits	6,183,878	-	-	6,183,878
Equity and other mutual funds	2,758,888	-	-	2,758,888
	<u>11,182,346</u>	<u>-</u>	<u>-</u>	<u>11,182,346</u>
<b>Held by trustee under indenture agreements</b>				
Cash and cash equivalents	\$ 26,580,923	\$ -	\$ -	\$ 26,580,923
Certificates of deposit	8,470,000	-	-	8,470,000
	<u>35,050,923</u>	<u>-</u>	<u>-</u>	<u>35,050,923</u>
<b>Restricted by donors</b>				
Cash and cash equivalents	\$ 46,265	\$ -	\$ -	\$ 46,265
Fixed income investments, principally obligations of the U S Government and its agencies	27,237	-	-	27,237
Mutual funds	128,859	-	-	128,859
	<u>202,361</u>	<u>-</u>	<u>-</u>	<u>202,361</u>
<b>Total</b>	<b><u>\$ 46,435,630</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 46,435,630</u></b>



**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 4 – Investments and Investment Return (Cont.)**

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

**Cash and cash equivalents** – the carrying amount approximates fair value

**Long term debt** – the fair value of the System's long-term debt is estimated using discounted cash flow analysis based on the System's current incremental borrowing rates for similar types of borrowing arrangements

**Other assets and liabilities** – the carrying amounts reported in the consolidated balance sheets for accounts receivable, accrued expenses and other liabilities approximates fair value because of the short maturity of these instruments

The carrying amounts and fair values of the System's financial instruments at September 30, 2012 and 2011 are as follows

	<b>2012</b>		<b>2011</b>	
	<b><u>Carrying Amount</u></b>	<b><u>Fair Value</u></b>	<b><u>Carrying Amount</u></b>	<b><u>Fair Value</u></b>
Cash and cash equivalents	\$ 15,549,767	\$ 15,549,767	\$ 12,771,864	\$ 12,771,864
Assets limited as to use	26,707,779	26,707,779	46,435,630	46,435,630
Patient accounts and other receivables	41,358,484	41,358,484	40,012,805	40,012,805
Accounts payable and accrued expense	19,417,112	19,417,112	22,457,769	22,457,769
Long-term debt	60,211,189	63,336,793	66,440,885	65,844,413

**Note 5 – Endowments**

The System's endowments consist of individual donor restricted endowment funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. The System considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

The System employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of endowment funds. The Health System targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The System can appropriate each year all available earnings in accordance with donor restrictions. The endowment corpus is to be maintained in perpetuity. Certain donor-restricted endowments may require a portion of annual earnings to be maintained in perpetuity along with the corpus. Only amounts exceeding the amounts required to be maintained in perpetuity are expended.

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 5 – Endowments (Cont.)**

Endowment net asset composition by type of fund at September 30 is as follows:

<b>September 30, 2012</b>			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 3,687	\$ 65,000	\$ 68,687
<b>Total endowment funds</b>	<b>\$ 3,687</b>	<b>\$ 65,000</b>	<b>\$ 68,687</b>

<b>September 30, 2011</b>			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 6,512	\$ 65,000	\$ 71,512
<b>Total endowment funds</b>	<b>\$ 6,512</b>	<b>\$ 65,000</b>	<b>\$ 71,512</b>

Changes in endowment net assets for the year ended September 30 include:

<b>September 30, 2012</b>			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Changes in endowment net assets for the year ended September 30, 2011:</b>			
Endowment net assets, beginning of year	\$ 6,512	\$ 65,000	\$ 71,512
Investment return:			
Investment gains (losses)	2,390	-	2,390
Change in net realized/unrealized gains and losses	9,660	-	9,660
Total investment return	12,050	-	12,050
Contributions	-	-	-
Appropriation of assets for expenditures	(14,889)	-	(14,889)
Other	24	-	24
<b>Endowment net assets at September 30, 2012</b>	<b>\$ 3,697</b>	<b>\$ 65,000</b>	<b>\$ 68,697</b>

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 5 – Endowments (Cont.)**

	<b>September 30, 2011</b>			
	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
<b>Changes in endowment net assets for the year ended September 30, 2011:</b>				
Endowment net assets, beginning of year	\$ -	\$ 7,653	\$ 65,000	\$ 72,653
Investment return				
Investment gains (losses)	-	2,821	-	2,821
Change in net realized/unrealized gains and losses	-	(3,962)	-	(3,962)
Total investment return	-	(1,141)	-	(1,141)
Contributions	-	-	-	-
Appropriation of assets for expenditures	-	-	-	-
Other	-	-	-	-
<b>Endowment net assets at September 30, 2011</b>	<u><u><b>\$ -</b></u></u>	<u><u><b>\$ 6,512</b></u></u>	<u><u><b>\$ 65,000</b></u></u>	<u><u><b>\$ 71,512</b></u></u>

The table below describes endowment amounts classified as permanently restricted net assets and temporarily restricted net assets

	<u><b>2012</b></u>	<u><b>2011</b></u>
<b>Permanently restricted net assets</b>		
Foundation Nursing Scholarships	\$ 5,000	\$ 5,000
General Nursing Scholarships	25,000	25,000
Health Education Seminars	25,000	25,000
Pediatric Nursing Scholarships	10,000	10,000
Total endowment assets classified as permanently restricted	<u><u><b>\$ 65,000</b></u></u>	<u><u><b>\$ 65,000</b></u></u>
<b>Temporarily restricted net assets</b>		
Restricted for Nursing Scholarships and Education	\$ 3,697	\$ 6,512
Total endowment funds classified as temporarily restricted	<u><u><b>\$ 3,697</b></u></u>	<u><u><b>\$ 6,512</b></u></u>

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 5 – Endowments (Cont.)**

***Funds with Deficiencies-*** Periodically the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the System to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations and/or continued appropriation for certain programs that was deemed prudent by the System.

**Note 6 – Pledges Receivable**

The System's pledges receivable represents donor commitments to provide future funding, primarily in association with capital improvement campaigns. The System's pledges receivable at September 30, consisted to the following.

	<u>2012</u>	<u>2011</u>
Due within one year	\$ 491,869	\$ 704,852
Due in one to five years	873,701	878,164
Due in more than five years	49,680	79,800
	<u>1,415,250</u>	<u>1,662,816</u>
Less. Allowance for uncollectible contributions	(141,525)	(162,815)
Discount to present value	<u>(79,238)</u>	<u>(152,775)</u>
<b>Total pledges receivable</b>	<b><u>\$ 1,194,487</u></b>	<b><u>\$ 1,347,226</u></b>

**Note 7 – Property and Equipment**

The System has equipment acquired under capital lease obligations as follows:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 1,941,534	\$ 976,202
Less accumulated amortization	<u>(976,202)</u>	<u>(86,700)</u>
<b>Equipment under capital lease obligations, net</b>	<b><u>\$ 965,332</u></b>	<b><u>\$ 889,502</u></b>

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 8 – Long-Term Debt**

A summary of long-term debt and capital lease obligations at September 30, 2012 and 2011 follows.

	<u><b>2012</b></u>	<u><b>2011</b></u>
<b>1999 Revenue Tax-Exempt Bonds</b>		
Due June 1, 2024; payable annually at varying amounts plus semi-annual interest rates ranging from 3.75% to 5.60%, secured by revenues of the System	\$ 430,000	\$ 5,453,850
<b>2003 Revenue Tax-Exempt Bonds</b>		
Due December 1, 2024, payable annually at varying amounts plus semi-annual interest at rates ranging from 3.00% to 5.50%, secured by revenue of the System	7,450,000	7,855,000
<b>2004 Revenue Tax-Exempt Bonds</b>		
Due June 1, 2024, payable annually at varying amounts plus semi-annual interest at rates ranging from 2.00% to 5.00%, secured by revenues of the System	4,055,000	4,310,000
<b>2010 Revenue Tax-Exempt Bonds</b>		
Due June 1, 2018; payable annually at varying amounts plus semi-annual interest rates ranging from 2.0% to 4.0%, secured by revenues of the System	6,615,000	7,605,000
<b>2010 Revenue Tax-Exempt Bonds</b>		
Due June 1, 2023, payable annually at varying amounts plus semi-annual interest at rates ranging from 2.0% to 4.0%; secured by revenues of the System	4,660,000	4,660,000
<b>2011 Revenue Tax-Exempt Bonds</b>		
Due June 1, 2028, payable annually at varying amounts plus semi-annual interest rates ranging from 4.0% to 5.75%, secured by revenues of the System	35,000,000	35,000,000
<b>Note Payable, Bank</b>		
Due April 1, 2017, payable \$11,632 quarterly, including interest at 7.5%, secured by land	176,676	208,359

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 8 – Long-Term Debt (Cont.)**

	<u>2012</u>	<u>2011</u>
<b>Note Payable, Bank</b>		
Due July 15, 2013, payable \$30,249 monthly including interest at 5 0%, secured by equipment and related UCC filings	\$ 295,130	\$ 633,919
<b>Note Payable</b>		
Due August 15, 2011, payable in monthly installments of \$3,000 non-interest bearing, secured by land	-	19,000
<b>Note Payable - Bank</b>		
Due November 25, 2021; payable \$2,284 monthly including interest at 4 0%, secured by deposit accounts with lender	209,774	-
<b>Note Payable, Bank</b>		
Due November 30, 2014, payable \$8,176 monthly including interest at 3 47%, secured by endoscopy equipment	203,968	-
<b>Capital Lease Obligation Payable</b>		
Due March 8, 2016; payable at \$17,305 monthly including imputed interest rates ranging from 2 98% to 5 25%, secured by MRI and camera equipment	679,110	864,095
<b>Capital Lease Obligation Payable</b>		
Due March 2014, payable in annual installments of \$321,807, secured by angiography equipment, no stated interest rate	643,525	-
	60,418,183	66,609,223
Unamortized bond discount	(206,993)	(168,338)
Total long-term debt	60,211,190	66,440,885
Less current portion	(3,266,091)	(3,062,420)
	<u><u>\$ 56,945,099</u></u>	<u><u>\$ 63,378,465</u></u>

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 8 – Long-Term Debt (Cont.)**

Aggregate annual maturities and sinking fund requirements of long-term debt and payments on capital lease obligations at September 30, 2012 are.

	<b>Long-Term Debt (Exc. Leases)</b>	<b>Capital Lease Obligations</b>
2013	\$ 2,752,435	\$ 533,063
2014	2,987,113	533,063
2015	2,570,696	211,255
2016	2,653,835	85,054
2017	2,746,855	-
Thereafter	45,384,613	-
	<hr/> 59,095,547	<hr/> 1,362,435
Unamortized bond discount	(206,993)	
	<hr/>	
<b>Total</b>	<b><u>\$ 58,888,554</u></b>	
Less amount representing interest		<hr/> 39,800
<b>Present value of future minimum lease payments</b>		<b><u>\$ 1,322,635</u></b>

Under the terms of the Series 2011, 2010, 2004, 2003 and 1999 revenue bond indentures, the System is required to maintain certain deposits with trustees. Such deposits are included with assets limited as to use. The revenue bond indentures also place limits on the incurrence of additional borrowings and require that the System satisfy certain measures of financial performance as long as the bonds are outstanding. The bonds are callable by the System at the redemption price of par, plus accrued interest thereon to the redemption date for the Series 2011, 2010, 2004, 2003 and 1999 bonds, respectively. The bonds are secured by the gross receipts of the System and bond funds held by the trustees.

The fair value of the System's long-term debt is estimated using discounted cash flow analysis based on the System's current incremental borrowing rates for similar types of borrowing arrangements. The estimated fair value of aggregate long-term debt at September 30, 2012 and 2011 was \$63,336,793 and \$65,844,413, respectively.

**Note 9 – Community Benefits**

In pursuing its mission, the System provides services to the financially disadvantaged and to the broader community in which it operates, despite the lack or adequacy of payment for those services. These services are categorized as follows:

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 9 – Community Benefits (Cont.)**

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

The System maintains records to identify and monitor the level of charity care it provides. The records include the amount of charges foregone for services and supplies furnished under its charity care policy. The following information measures the level of charity care provided during the years ended September 30, 2012 and 2011:

	<u><b>2012</b></u>	<u><b>2011</b></u>
Charges foregone, based on established rates	\$ 6,371,175	\$ 4,956,992
Estimated costs and expenses incurred to provide charity care	\$ 2,105,521	\$ 1,699,367
Equivalent percentage of charity care charges foregone to total gross revenue	1.226%	1.035%

***Other community benefits*** – In addition to the services the System provides to the financially disadvantaged, it provides services to the broader community. These services include educational programs, community information on health services, donations and the cost of care in excess of payments for patients under federal and state programs.

**Note 10 – Functional Expenses**

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

	<u><b>2012</b></u>	<u><b>2011</b></u>
Health care services	\$ 108,629,155	\$ 105,763,199
General and administrative	59,633,777	56,941,208
	<u><b>\$ 168,262,932</b></u>	<u><b>\$ 162,704,407</b></u>

**Note 11 – Operating Lease**

The System leases various equipment and facilities. Lease expense incurred under all operating leases was \$1,705,360 and \$1,622,730 in 2012 and 2011, respectively.



**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 11 – Operating Lease (Cont.)**

The following is a schedule of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year as of September 30, 2012.

<u>Year Ending September 30,</u>	<u>Amount</u>
2013	\$ 1,776,110
2014	1,653,941
2015	1,422,364
2016	1,058,574
2017	<u>587,784</u>
<b>Total minimum lease payments</b>	<b><u>\$ 6,498,773</u></b>

**Note 12 – Self-Funded Health Insurance Costs**

The System has a self-funded health insurance program for its employees. The System has purchased insurance that limits its exposure for individual claims. An estimated accrual is made for claims incurred but not submitted for payment at year end. Total expense for claims for the years ended September 30, 2012 and 2011, was \$13,976,223 and \$13,060,853, respectively.

**Note 13 – Pension Plan**

The System has a defined-contribution pension plan covering substantially all employees. Contributions by employees are matched up to 4% by the System. Pension expense was \$1,236,865 and \$1,324,164 for 2012 and 2011, respectively, and are included in benefit expense in the accompanying consolidated statement of operations.

**Note 14 – Medical Malpractice Claims**

The System purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon loss run reports from insurers, \$241,649 and \$425,000 have been accrued as of September 30, 2012 and 2011, respectively. It is reasonably possible that these estimates could change materially in the near term.

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 15 – Investment in Equity Investee**

On August 5, 2008 White River Health System, Inc. agreed to enter into a subscription agreement with Batesville Endoscopy Center, LLC to purchase 1500 units of Class B membership units giving the System 50% ownership in the joint venture. The System has elected to use the equity method of accounting for the investment in the joint venture. Under the equity method, the initial investment is recorded at cost then reduced by any partnership distributions and increased or decreased by the System's proportionate share of the Endoscopy Center's net earnings or loss. The System's carrying value of its investment in Batesville Endoscopy Center, LLC at September 30, 2012 and 2011 was \$-0- and \$45,602, respectively. In October 2011, the System purchased the remaining ownership interest from the other owners of Batesville Endoscopy Center, LLC.

On August 31, 2010 White River Health System, Inc. agreed to purchase 100 shares of stock of KN Professionals, Inc. for an initial investment of \$222,579 giving the Health System a 33% ownership in the joint venture. The System has elected to use the equity method of accounting for the investment in the joint venture. Under the equity method, the initial investment is recorded at cost then reduced by any partnership distributions and increased or decreased by the System's proportionate share of the KN Professionals, Inc.'s net earnings or loss. The System's carrying value of its investment in KN Professionals, Inc. at September 30, 2012 and 2011 was \$321,676 and \$255,403, respectively.

**Note 16 – Medicaid Inpatient/Outpatient Access Payments**

The Arkansas Medicaid State Plan provides for annual calculated inpatient and outpatient access amounts to be paid by Arkansas Medicaid in quarterly increments to in-state private hospitals. This is predicated in part on the enhanced Federal Medicaid Assistance Percentage ("FMAP") contained in the American Reinvestment and Recovery Act ("ARRA"). A total annual inpatient and outpatient access payment amount is calculated and then distributed to individual eligible hospitals based on the number of each hospital's Medicaid inpatient discharges and outpatient payments as determined from the hospital's most recently audited cost report. These Medicaid supplemental payments are funded through a "Quality Assurance Fee" which is imposed on certain Arkansas hospitals. The total amount recorded as received by the Health System net of quality assurance fees paid for fiscal year ended September 30, 2012 and 2011 was \$3,472,961 and \$3,589,575, respectively.

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 17 – Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at September 30, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Health care services		
Benevolence	\$ 33,420	\$ 32,745
Scholarships	38,325	34,318
Capital expansion project	1,374,707	1,406,591
Women's Center	-	8,254
Other Board designated purposes	146,554	95,229
	<u>\$ 1,593,006</u>	<u>\$ 1,577,137</u>

Permanently restricted net assets at September 30, 2012 and 2011 are restricted to

	<u>2012</u>	<u>2011</u>
Investments to be held in perpetuity the income from which is temporarily restricted for specific scholarships and health education services	<u>\$ 65,000</u>	<u>\$ 65,000</u>

**Note 18 – Related Party Transactions**

Certain notes payable and revenue bonds are financed through various financial institutions that employ certain members of the System's Board of Directors as officers of the respective financial institutions. It is the System's policy that Board members abstain from voting on any matters to which they have a conflict of interest and require each Board member and department manager to disclose any conflicts annually. Amount of borrowings outstanding at respective financial institution at September 30, 2012 and 2011 totaled \$885,547 and \$842,278. Book value of deposits and investments and each respective institution at September 30, 2012 and 2011 were \$30,119,155 and \$21,565,766.

**Note 19 – 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.

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2012 and 2011**

**Note 19 – Significant Estimates and Concentrations (Cont.)**

***Self-Funded Health Insurance Costs***

Estimates related to the accrual for self-funded insurance costs are described in Notes 1 and 12

***Malpractice Claims***

Estimates related to the accrual for medical malpractice claims are described in Notes 1 and 14

**Note 20 – Subsequent Events**

White River Health System, Inc. has evaluated subsequent events in accordance with Accounting Standards Update (ASU) No. 2010-09, *Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements*, through the February 18, 2013 which is the date that the financial statements were available for issuance.

**SUPPLEMENTARY  
INFORMATION**

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**WHITE RIVER HEALTH SYSTEM, INC.**  
**Consolidating Schedule – Balance Sheet Information**  
**September 30, 2012**

	White River Medical Center	North Arkansas Clinic, Inc.	White River Health System Foundation	Eliminations	White River Medical Center and North Arkansas Clinic, Inc White River Health System Foundation White River Laboratories
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 14,486,062	\$ 376,501	\$ 382,455	\$ -	\$ 15,245,018
Assets limited as to use - current	1,521,977	-	-	-	1,521,977
Patient accounts receivable, net	35,496,456	-	-	-	35,496,456
Current portion of pledges receivable	-	-	491,869	-	491,869
Other receivables	2,035,697	-	-	-	2,035,697
Estimated amounts due from third-party payors	4,160,813	-	-	-	4,160,813
Supplies	1,740,445	-	-	-	1,740,445
Prepaid expenses and other	967,604	-	-	-	967,604
<b>Total current assets</b>	<b>60,409,054</b>	<b>376,501</b>	<b>874,324</b>	<b>-</b>	<b>61,659,879</b>
<b>Investments and assets limited to use</b>					
Internally designated	11,811,538	-	-	-	11,811,538
Held by trustee	12,521,899	-	-	-	12,521,899
Restricted by donors	-	-	198,379	-	198,379
	24,333,437	-	198,379	-	24,531,816
Less amount required to meet current obligations	1,521,977	-	-	-	1,521,977
<b>Total investments and assets limited to use</b>	<b>22,811,460</b>	<b>-</b>	<b>198,379</b>	<b>-</b>	<b>23,009,839</b>
<b>Property and equipment, at cost</b>					
Land and land improvements	3,656,971	187,885	-	-	3,844,856
Buildings and leasehold improvements	101,014,392	3,285,115	-	761,377	105,060,884
Equipment	77,589,447	187,598	900	-	77,777,945
Construction in progress	939,769	13,526	-	-	953,295
	183,200,579	3,674,124	900	761,377	187,636,980
Less accumulated depreciation and amortization	93,606,172	1,770,972	-	761,377	96,138,521
<b>Total</b>	<b>89,594,407</b>	<b>1,903,152</b>	<b>900</b>	<b>-</b>	<b>91,498,459</b>
<b>Other assets</b>					
Deferred financing costs	611,742	-	-	-	611,742
Other	25,268,639	169,353	-	(5,082,439)	20,355,553
Property and equipment held for sale	-	-	-	-	-
Long-term portion of pledges receivable, net	-	-	702,618	-	702,618
Investment in equity investee	321,676	-	-	-	321,676
<b>Total other assets</b>	<b>26,202,057</b>	<b>169,353</b>	<b>702,618</b>	<b>(5,082,439)</b>	<b>21,991,589</b>
<b>Total assets</b>	<b>\$ 199,016,978</b>	<b>\$ 2,449,006</b>	<b>\$ 1,776,221</b>	<b>\$ (5,082,439)</b>	<b>\$ 198,159,766</b>

See accompanying independent auditor's report

Stone County Entities Excluding Medical Center	Stone County Medical Center	Stone County Eliminations	Stone County Consolidated	White River Medical Center/ Stone County Eliminations	White River Health System, Inc Consolidated
\$ 38,278	\$ 266,471	\$ -	\$ 304,749	\$ -	\$ 15,549,767
-	627,713	-	627,713	-	2,149,690
23,654	3,290,823	-	3,314,477	-	38,810,933
-	-	-	-	-	491,869
2,706	17,279	-	19,985	-	2,055,682
-	1,425,125	-	1,425,125	-	5,585,938
23,775	1,042,298	-	1,066,073	-	2,806,518
-	157,077	-	157,077	-	1,124,681
<u>88,413</u>	<u>6,826,786</u>	<u>-</u>	<u>6,915,199</u>	<u>-</u>	<u>68,575,078</u>
-	-	-	-	-	11,811,538
-	2,175,963	-	2,175,963	-	14,697,862
-	-	-	-	-	198,379
-	2,175,963	-	2,175,963	-	26,707,779
-	627,713	-	627,713	-	2,149,690
-	1,548,250	-	1,548,250	-	24,558,089
-	1,630,987	-	1,630,987	-	5,475,843
-	17,083,988	-	17,083,988	-	122,144,872
26,010	6,860,104	-	6,886,114	-	84,664,059
-	-	-	-	-	953,295
26,010	25,575,079	-	25,601,089	-	213,238,069
22,034	6,614,767	-	6,636,801	-	102,775,322
3,976	18,960,312	-	18,964,288	-	110,462,747
-	114,878	-	114,878	-	726,620
7,534,214	593,492	(128,004)	7,999,702	(27,117,412)	1,237,843
-	-	-	-	-	-
-	-	-	-	-	702,618
-	-	-	-	-	321,676
<u>7,534,214</u>	<u>708,370</u>	<u>(128,004)</u>	<u>8,114,580</u>	<u>(27,117,412)</u>	<u>2,968,757</u>
<u>\$ 7,626,603</u>	<u>\$ 28,043,718</u>	<u>\$ (128,004)</u>	<u>\$ 35,542,317</u>	<u>\$ (27,117,412)</u>	<u>\$ 206,584,671</u>

See accompanying independent auditor's report

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Consolidating Schedule – Balance Sheet Information (Cont.)**  
**September 30, 2012**

	White River Medical Center	North Arkansas Clinic, Inc	White River Health System Foundation	Eliminations	White River Medical Center and North Arkansas Clinic, Inc White River Health System Foundation White River Laboratories
<b>Liabilities and Net Assets</b>					
<b>Current liabilities</b>					
Current portion of long-term debt	\$ 2,349,183	\$ -	\$ -	\$ -	\$ 2,349,183
Accounts payable	8,755,465	-	-	-	8,755,465
Accrued expenses	9,141,246	-	476	-	9,141,722
Other payables	-	1,159,233	1,629,626	(2,788,859)	-
<b>Total current liabilities</b>	<u>20,245,894</u>	<u>1,159,233</u>	<u>1,630,102</u>	<u>(2,788,859)</u>	<u>20,246,370</u>
<b>Long-term debt</b>	<u>48,050,261</u>				<u>48,050,261</u>
<b>Deferred grant revenue</b>	<u>540,000</u>	<u>-</u>	<u>-</u>		<u>540,000</u>
<b>Total liabilities</b>	<u>68,836,155</u>	<u>1,159,233</u>	<u>1,630,102</u>	<u>(2,788,859)</u>	<u>68,836,631</u>
<b>Net assets</b>					
Common stock	-	70,200	-	(70,200)	-
Additional paid-in capital	-	1,290,824	-	(1,290,824)	-
Treasury stock, at cost	-	(50,000)	-	50,000	-
Unrestricted	130,180,823	(21,251)	(1,511,887)	(982,556)	127,665,129
Temporarily restricted	-	-	1,593,006	-	1,593,006
Permanently restricted net assets	-	-	65,000	-	65,000
<b>Total net assets</b>	<u>130,180,823</u>	<u>1,289,773</u>	<u>146,119</u>	<u>(2,293,580)</u>	<u>129,323,135</u>
<b>Total liabilities and net assets</b>	<u>\$ 199,016,978</u>	<u>\$ 2,449,006</u>	<u>\$ 1,776,221</u>	<u>\$ (5,082,439)</u>	<u>\$ 198,159,766</u>

See accompanying independent auditor's report



Stone County Entities Excluding Medical Center	Stone County Medical Center	Stone County Eliminations	Stone County Consolidated	White River Medical Center/ Stone County Eliminations	White River Health System, Inc. Consolidated
\$ -	\$ 916,908	\$ -	\$ 916,908	\$ -	\$ 3,266,091
4,260,758	23,579,746	(128,004)	27,712,500	(27,117,412)	9,350,553
16,306	908,531	-	924,837	-	10,066,559
-	-	-	-	-	-
<u>4,277,064</u>	<u>25,405,185</u>	<u>(128,004)</u>	<u>29,554,245</u>	<u>(27,117,412)</u>	<u>22,683,203</u>
-	8,894,838	-	8,894,838	-	56,945,099
-	-	-	-	-	540,000
<u>4,277,064</u>	<u>34,300,023</u>	<u>(128,004)</u>	<u>38,449,083</u>	<u>(27,117,412)</u>	<u>80,168,302</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,349,539	(6,256,305)	-	(2,906,766)	-	124,758,363
-	-	-	-	-	1,593,006
-	-	-	-	-	65,000
<u>3,349,539</u>	<u>(6,256,305)</u>	<u>-</u>	<u>(2,906,766)</u>	<u>-</u>	<u>126,416,369</u>
<u>\$ 7,626,603</u>	<u>\$ 28,043,718</u>	<u>\$ (128,004)</u>	<u>\$ 35,542,317</u>	<u>\$ (27,117,412)</u>	<u>\$ 206,584,671</u>

See accompanying independent auditor's report

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Consolidating Schedule – Statement of Operations Information**  
**Year Ended September 30, 2012**

	White River Medical Center	North Arkansas Clinic, Inc.	White River Health System Foundation	Eliminations	White River Medical Center and North Arkansas Clinic, Inc. White River Health System Foundation White River Laboratories
<b>Unrestricted revenues, gains and other support</b>					
Net patient service revenue	\$ 148,832,927	\$ -	\$ -	\$ -	\$ 148,832,927
Other revenues	3,814,810	326,615	-	(223,932)	3,917,493
Unrestricted contributions	-	-	46,066	-	46,066
Net assets released from restrictions	779,518	-	-	-	779,518
<b>Total unrestricted revenues, gains and other support</b>	<b>153,427,255</b>	<b>326,615</b>	<b>46,066</b>	<b>(223,932)</b>	<b>153,576,004</b>
<b>Expenses</b>					
Salaries and wages	57,321,678	68,519	241,217	(68,519)	57,562,895
Employee benefits	18,861,602	-	22,998	-	18,884,600
Supplies and other	49,952,867	158,898	376,897	(59,626)	50,429,036
Purchased services and professional fees	15,163,676	95,787	57,602	(95,787)	15,221,278
Depreciation and amortization	7,911,389	88,619	-	-	8,000,008
Interest	1,273,722	-	-	-	1,273,722
<b>Total expenses</b>	<b>150,484,934</b>	<b>411,823</b>	<b>698,714</b>	<b>(223,932)</b>	<b>151,371,539</b>
<b>Operating income (loss)</b>	<b>2,942,321</b>	<b>(85,208)</b>	<b>(652,648)</b>	<b>-</b>	<b>2,204,465</b>
<b>Other income (expense)</b>					
Contribution & Grant income	1,538,413	-	-	-	1,538,413
Investment return	265,630	35	4,300	-	269,965
Other income and expense	(196,791)	-	-	-	(196,791)
<b>Total other income (expense)</b>	<b>1,607,252</b>	<b>35</b>	<b>4,300</b>	<b>-</b>	<b>1,611,587</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>4,549,573</b>	<b>(85,173)</b>	<b>(648,348)</b>	<b>-</b>	<b>3,816,052</b>
Contributions for acquisition of property and equipment	204,472	-	-	-	204,472
Investment return - change in unrealized gains and losses on other than trading securities	664,564	-	-	-	664,564
Transfer of net assets from Lab	869,036	-	-	-	869,036
<b>Increase (decrease) in unrestricted net assets</b>	<b>\$ 5,418,609</b>	<b>\$ (85,173)</b>	<b>\$ (648,348)</b>	<b>\$ -</b>	<b>\$ 4,685,088</b>

See accompanying independent auditor's report

<b>Stone County Entities Excluding Medical Center</b>	<b>Stone County Medical Center</b>	<b>Stone County Eliminations</b>	<b>Stone County Consolidated</b>	<b>White River Medical Center/ Stone County Eliminations</b>	<b>White River Health System, Inc. Consolidated</b>
\$ 1,090,821	\$ 15,424,382	\$ -	\$ 16,515,203	\$ -	\$ 165,348,130
8,756	69,680	-	78,436	-	3,995,929
-	-	-	-	-	46,066
-	-	-	-	-	779,518
<u>1,099,577</u>	<u>15,494,062</u>	<u>-</u>	<u>16,593,639</u>		<u>170,169,643</u>
521,362	6,618,114	-	7,139,476	-	64,702,371
166,508	2,007,891	-	2,174,399	-	21,058,999
388,968	3,786,676	-	4,175,644	-	54,604,680
59,391	754,444	-	813,835	-	16,035,113
69	1,941,012	-	1,941,081	-	9,941,089
26,939	620,019	-	646,958	-	1,920,680
<u>1,163,237</u>	<u>15,728,156</u>	<u>-</u>	<u>16,891,393</u>	<u>-</u>	<u>168,262,932</u>
<u>(63,660)</u>	<u>(234,094)</u>	<u>-</u>	<u>(297,754)</u>	<u>-</u>	<u>1,906,711</u>
-	191,299	-	191,299	-	1,729,712
-	10,547	-	10,547	-	280,512
690,975	(3,545)	-	687,430	-	490,639
<u>690,975</u>	<u>198,301</u>	<u>-</u>	<u>889,276</u>	<u>-</u>	<u>2,500,863</u>
<u>627,315</u>	<u>(35,793)</u>	<u>-</u>	<u>591,522</u>	<u>-</u>	<u>4,407,574</u>
-	-	-	-	-	204,472
-	-	-	-	-	664,564
-	-	-	-	-	-
-	-	-	-	-	869,036
<u>\$ 627,315</u>	<u>\$ (35,793)</u>	<u>\$ -</u>	<u>\$ 591,522</u>	<u>\$ -</u>	<u>\$ 5,276,610</u>

See accompanying independent auditor's report

# WHITE RIVER HEALTH SYSTEM, INC.

## Consolidating Schedule – Statement of Changes in Net Assets Information

Year Ended September 30, 2012

	White River Medical Center	North Arkansas Clinic, Inc.	White River Health System Foundation	Eliminations	White River Medical Center and North Arkansas Clinic, Inc. White River Health System Foundation White River Laboratories
<b>Unrestricted net assets</b>					
Excess (deficiency) of revenues over expenses	\$ 4,549,573	\$ (85,173)	\$ (648,348)	\$ -	\$ 3,816,052
Contributions for acquisition of property and equipment	204,472	-	-	-	204,472
Investment return - change in unrealized gains and losses on other than trading securities	664,564	-	-	-	664,564
Transfer of net asset other entities	3,225,349	-	-	-	3,225,349
<b>Increase (decrease) in unrestricted net assets</b>	<u>8,643,958</u>	<u>(85,173)</u>	<u>(648,348)</u>	<u>-</u>	<u>7,910,437</u>
<b>Temporarily restricted net assets</b>					
Contributions	-	-	773,983	-	773,983
Net assets released from restriction	-	-	(779,518)	-	(779,518)
Net investment gain (loss)	-	-	21,404	-	21,404
<b>Increase in temporarily restricted net assets</b>	<u>-</u>	<u>-</u>	<u>15,869</u>	<u>-</u>	<u>15,869</u>
<b>Change in net assets</b>	8,643,958	(85,173)	(632,479)	-	7,926,306
<b>Net assets (deficit), beginning of year</b>	<u>121,536,865</u>	<u>1,374,946</u>	<u>778,598</u>	<u>(2,293,580)</u>	<u>121,396,829</u>
<b>Net assets (deficit), end of year</b>	<u><u>\$ 130,180,823</u></u>	<u><u>\$ 1,289,773</u></u>	<u><u>\$ 146,119</u></u>	<u><u>\$ (2,293,580)</u></u>	<u><u>\$ 129,323,135</u></u>

See accompanying independent auditor's report

Stone County Entitles Excluding Medical Center	Stone County Medical Center	Stone County Eliminations	Stone County Consolidated	White River Medical Center/ Stone County Eliminations	White River Health System, Inc. Consolidated
\$ 627,315	\$ (35,793)	\$ -	\$ 591,522	\$ -	\$ 4,407,574
-	-	-	-	-	204,472
-	-	-	-	-	664,564
7,612,912	(10,838,261)	-	(3,225,349)	-	-
8,240,227	(10,874,054)	-	(2,633,827)	-	5,276,610
-	-	-	-	-	773,983
-	-	-	-	-	(779,518)
-	-	-	-	-	21,404
-	-	-	-	-	15,869
8,240,227	(10,874,054)	-	(2,633,827)	-	5,292,479
(4,890,688)	4,617,749	-	(272,939)	-	121,123,890
<u>\$ 3,349,539</u>	<u>\$ (6,256,305)</u>	<u>\$ -</u>	<u>\$ (2,906,766)</u>	<u>\$ -</u>	<u>\$ 126,416,369</u>

See accompanying independent auditor's report

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2012**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b><u>Major Programs:</u></b>			
<b>United States Department of Health &amp; Human Services Health Resources and Services Administration</b>			
Health Care and Other Facilities	93 687		\$ 941,490
<b>Total United States Department of Health &amp; Human Services</b>			<u>\$ 941,490</u>
<b><u>Other Federal Assistance:</u></b>			
<b>United States Department of Health &amp; Human Services Health Resources and Services Administration</b>			
Rural Health Care Services Outreach Grant Program	93 912	D04RH12736	\$ 94,623
Small Health Care Provider Quality Improvement Program	93 912	G20RH19267	95,837
Pass-through program from. Arkansas Department of Health			
National Bioterrorism Hospital Preparedness Program	93 889	4600022424	200,643
Small Hospital Improvement Program	93 301	4600020539	<u>8,175</u>
<b>Total United States Department of Health &amp; Human Services</b>			<u>\$ 399,278</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,340,768</u></u>

See accompanying notes to the schedule of expenditures of federal awards

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2012**

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards included the federal grant activity of White River Health System, Inc. under programs of the federal government and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in or used in preparation of the basic financial statements.

**Note 2 – Summary of Significant Accounting Policies**

- 1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are not limited as to reimbursement.
- 2) Pass-through identifying numbers are presented when available.

**Note 3 – Subrecipients**

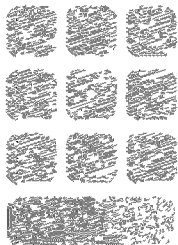
Of the federal expenditures presented in the schedule, White River Health Systems, Inc. provided federal awards to subrecipients as follows.

<b><u>Program Name</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Amount Provided to Subrecipients</u></b>
National Bioterrorism Hospital Preparedness Program	93 889	\$102,944

**OTHER  
REQUIRED  
REPORTS**

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## HUGHES, WELCH & MILLIGAN, LTD.

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

To the Board of Directors of  
White River Health System, Inc.  
Batesville, Arkansas

We have audited the financial statements of White River Health System, Inc. (a nonprofit organization) as of and for the year ended September 30, 2012, and have issued our report thereon dated February 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

Management of White River Health System, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered White River Health System, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of White River Health System, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

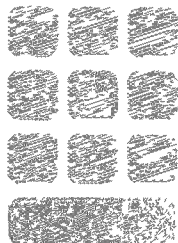
As part of obtaining reasonable assurance about whether White River Health System, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

We noted certain other matters that we reported to management of White River Health System, Inc. in a separate letter dated February 18, 2013

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hughes, Welch & Milligan, Ltd.*  
Certified Public Accountants

Batesville, Arkansas  
February 18, 2013



## HUGHES, WELCH & MILLIGAN, LTD.

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of  
White River Health System, Inc.  
Batesville, Arkansas

#### Compliance

We have audited White River Health System, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of White River Health System, Inc.'s major federal programs for the year ended September 30, 2012. White River Health System, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of White River Health System, Inc.'s management. Our responsibility is to express an opinion on White River Health System, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about White River Health System, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of White River Health System, Inc.'s compliance with those requirements.

In our opinion, White River Health System, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

#### Internal Control Over Compliance

Management of White River Health System, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered White River Health System, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of White River Health System, Inc.'s internal control over compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hughes, Welch & Milligan, Ltd.*  
Certified Public Accountants

Batesville, Arkansas  
February 18, 2013

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended September 30, 2012**

**SECTION I – SUMMARY OF AUDIT RESULTS**

***Financial Statements***

Type of Auditors' Report	Unqualified
Internal Control Over Financial Reporting	
Material Weakness Identified	None Reported
Significant Deficiencies Identified that are not considered to be Material Weaknesses	Yes
Non-Compliance material to Financial Statements noted	None Reported

***Federal Awards***

Internal Control over Major Programs	
Material Weakness Identified	None Reported
Significant Deficiencies Identified that are not considered to be Material Weaknesses	No
Type of Auditor's Report issued on Compliance for Major Programs.	Unqualified
Findings required to be reported in accordance with Section 510(a) of Circular A-133	No
Identification of Major Programs	

***CFDA***

***Number***

93 687                      *Health Care and Other Facilities*

Dollar Threshold for Type A Programs.	\$300,000
Auditee Qualified as Low Risk Auditee	No

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Schedule of Findings and Questioned Costs (Cont.)**  
**For The Year Ended September 30, 2012**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

***Significant Deficiencies***

No matters reportable

***Material Weaknesses***

No matters reportable.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

***Significant Deficiencies***

No matters reportable

***Material Weaknesses***

No matters reportable

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Prior Year Schedule of Findings and Questioned Costs**  
**For The Year Ended September 30, 2012**

**SECTION I – SUMMARY OF AUDIT RESULTS**

***Financial Statements***

Type of Auditors' Report	Unqualified
Internal Control Over Financial Reporting	
Material Weakness Identified	None Reported
Significant Deficiencies Identified that are not considered to be Material Weaknesses	Yes
Non-Compliance material to Financial Statements noted	None Reported

***Federal Awards***

Internal Control over Major Programs	
Material Weakness Identified	None Reported
Significant Deficiencies Identified that are not considered to be Material Weaknesses	No
Type of Auditor's Report issued on Compliance for Major Programs:	Unqualified
Findings required to be reported in accordance with Section 510(a) of Circular A-133	No
Identification of Major Programs	

***CFDA  
Number***

11 307      *Public Works & Economic Development Cluster  
Economic Adjustment Assistance*

Dollar Threshold for Type A Programs.	\$300,000
Auditee Qualified as Low Risk Auditee	No

**WHITE RIVER HEALTH SYSTEM, INC.**  
**Prior Year Schedule of Findings and Questioned Costs**  
**For The Year Ended September 30, 2012**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

***Significant Deficiencies***

**11-01 Deferred Grant Revenue**

**Condition:** The Health System recorded grant income of \$540,000 on a conditional non federal grant before earned resulting in a significant audit entry

**Criteria:** Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, shall be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

**Effect** The actual revenue earned from the grant as of year end was overstated causing a significant audit adjustment to contribution revenue.

**Cause:** The Foundation did not provide all supporting information to the accounting staff at the Health System in order to facilitate proper recording of transactions

**Recommendation:** We recommend the Foundation submit adequate documentation to the accounting department at the Health System to facilitate proper recording of grant income

**Status:** Management implemented procedures to ensure proper recognition of grant income

***Material Weaknesses***

No matters reportable.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

***Significant Deficiencies***

No matters reportable

***Material Weaknesses***

No matters reportable