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Form 990



Department of the Treasury  
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 01-01-2012, 2012, and ending 12-31-2012

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

Washington Regional Medical Center

Doing Business As

Number and street (or P O box if mail is not delivered to street address)

3215 N NORTH HILLS BLVD Suite

Room/suite

City or town, state or country, and ZIP + 4

FAYETTEVILLE, AR 72703

F Name and address of principal officer

WILLIAM L BRADLEY  
SAME AS ABOVE  
FAYETTEVILLE,AR 72703

H(a) Is this a group return for affiliates?

☐ Yes☒ No

H(b) Are all affiliates included?

☐ Yes☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number

D Employer identification number

71-0664687

E Telephone number

(479) 463-1088

G Gross receipts \$ 239,947,284

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) ( ) ☐ (Insert no ) ☐ 4947(a)(1) or ☐ 527

J Website: WWW.WREGIONAL.COM

K Form of organization

☒ Corporation☐ Trust☐ Association☐ Other

L Year of formation 1988

M State of legal domicile AR

| Part I Summary              |  |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|-----------------------------|--|------------------------|---|--------------------|----|---|------------------------|----|---|------------------------|-----|---|------------------------|----|--|----------------|----|--|------------------------|----|--|------------------------|----|---|----------------------|
| Activities & Governance     | <div><div>1</div><div>Briefly describe the organization's mission or most significant activities</div><div>WASHINGTON REGIONAL IS COMMITTED TO IMPROVING THE HEALTH OF PEOPLE IN COMMUNITIES WE SERVE THROUGH COMPASSIONATE, HIGH QUALITY CARE, PREVENTION AND WELLNESS EDUCATION</div><div></div><div></div><div></div></div>   |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|                             | <div><div>2</div><div>Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets</div></div>   |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|                             | <table><tr><td>3</td><td>Number of voting members of the governing body (Part VI, line 1a)</td><td>9</td></tr><tr><td>4</td><td>Number of independent voting members of the governing body (Part VI, line 1b)</td><td>9</td></tr><tr><td>5</td><td>Total number of individuals employed in calendar year 2012 (Part V, line 2a)</td><td>2,578</td></tr><tr><td>6</td><td>Total number of volunteers (estimate if necessary)</td><td>110</td></tr><tr><td>7a</td><td>Total unrelated business revenue from Part VIII, column (C), line 12</td><td>2,739,363</td></tr><tr><td>7b</td><td>Net unrelated business taxable income from Form 990-T, line 34</td><td></td></tr></table>   | 3                      | Number of voting members of the governing body (Part VI, line 1a) | 9                  | 4  | Number of independent voting members of the governing body (Part VI, line 1b) | 9                      | 5  | Total number of individuals employed in calendar year 2012 (Part V, line 2a)      | 2,578                  | 6   | Total number of volunteers (estimate if necessary)            | 110                    | 7a | Total unrelated business revenue from Part VIII, column (C), line 12     | 2,739,363      | 7b | Net unrelated business taxable income from Form 990-T, line 34                   |                        |    |  |                        |    |   |                      |
| 3                           | Number of voting members of the governing body (Part VI, line 1a)  | 9                      |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 4                           | Number of independent voting members of the governing body (Part VI, line 1b)  | 9                      |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 5                           | Total number of individuals employed in calendar year 2012 (Part V, line 2a)   | 2,578                  |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 6                           | Total number of volunteers (estimate if necessary)   | 110                    |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 7a                          | Total unrelated business revenue from Part VIII, column (C), line 12   | 2,739,363              |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 7b                          | Net unrelated business taxable income from Form 990-T, line 34   |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|                             |  |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|                             |  |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|                             |  |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|                             |  |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|                             |  |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|                             |  |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|                             |  |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| Revenue                     | <table><tr><th></th><th>Prior Year</th><th>Current Year</th></tr><tr><td>8</td><td>Contributions and grants (Part VIII, line 1h)</td><td>270,4081,188,826</td></tr><tr><td>9</td><td>Program service revenue (Part VIII, line 2g)</td><td>202,756,663228,234,992</td></tr><tr><td>10</td><td>Investment income (Part VIII, column (A), lines 3, 4, and 7d)</td><td>-35,34810,168,511</td></tr><tr><td>11</td><td>Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)</td><td>334,725354,955</td></tr><tr><td>12</td><td>Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)</td><td>203,326,448239,947,284</td></tr></table>   |                        | Prior Year  | Current Year       | 8  | Contributions and grants (Part VIII, line 1h)                                 | 270,4081,188,826       | 9  | Program service revenue (Part VIII, line 2g)                                      | 202,756,663228,234,992 | 10  | Investment income (Part VIII, column (A), lines 3, 4, and 7d) | -35,34810,168,511      | 11 | Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 334,725354,955 | 12 | Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 203,326,448239,947,284 |    |  |                        |    |   |                      |
|                             | Prior Year   | Current Year           |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 8                           | Contributions and grants (Part VIII, line 1h)  | 270,4081,188,826       |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 9                           | Program service revenue (Part VIII, line 2g)   | 202,756,663228,234,992 |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 10                          | Investment income (Part VIII, column (A), lines 3, 4, and 7d)  | -35,34810,168,511      |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 11                          | Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)   | 334,725354,955         |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 12                          | Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)   | 203,326,448239,947,284 |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|                             |  |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| Expenses                    | <table><tr><td>13</td><td>Grants and similar amounts paid (Part IX, column (A), lines 1–3)</td><td>4,474,3023,947,795</td></tr><tr><td>14</td><td>Benefits paid to or for members (Part IX, column (A), line 4)</td><td>00</td></tr><tr><td>15</td><td>Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)</td><td>86,430,42693,135,250</td></tr><tr><td>16a</td><td>Professional fundraising fees (Part IX, column (A), line 11e)</td><td>00</td></tr><tr><td>b</td><td>Total fundraising expenses (Part IX, column (D), line 25)</td><td>362,816</td></tr><tr><td>17</td><td>Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)</td><td>99,230,619109,859,097</td></tr><tr><td>18</td><td>Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)</td><td>190,135,347206,942,142</td></tr><tr><td>19</td><td>Revenue less expenses Subtract line 18 from line 12</td><td>13,191,10133,005,142</td></tr></table> | 13                     | Grants and similar amounts paid (Part IX, column (A), lines 1–3)  | 4,474,3023,947,795 | 14 | Benefits paid to or for members (Part IX, column (A), line 4)                 | 00                     | 15 | Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10) | 86,430,42693,135,250   | 16a | Professional fundraising fees (Part IX, column (A), line 11e) | 00                     | b  | Total fundraising expenses (Part IX, column (D), line 25)                | 362,816        | 17 | Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)                     | 99,230,619109,859,097  | 18 | Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25) | 190,135,347206,942,142 | 19 | Revenue less expenses Subtract line 18 from line 12 | 13,191,10133,005,142 |
| 13                          | Grants and similar amounts paid (Part IX, column (A), lines 1–3)   | 4,474,3023,947,795     |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 14                          | Benefits paid to or for members (Part IX, column (A), line 4)  | 00                     |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 15                          | Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)  | 86,430,42693,135,250   |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 16a                         | Professional fundraising fees (Part IX, column (A), line 11e)  | 00                     |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| b                           | Total fundraising expenses (Part IX, column (D), line 25)  | 362,816                |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 17                          | Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)   | 99,230,619109,859,097  |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 18                          | Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)   | 190,135,347206,942,142 |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 19                          | Revenue less expenses Subtract line 18 from line 12  | 13,191,10133,005,142   |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|                             |  |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| Net Assets or Fund Balances | <table><tr><th></th><th>Beginning of Current Year</th><th>End of Year</th></tr><tr><td>20</td><td>Total assets (Part X, line 16)</td><td>294,026,115312,974,369</td></tr><tr><td>21</td><td>Total liabilities (Part X, line 26)</td><td>134,532,498133,415,683</td></tr><tr><td>22</td><td>Net assets or fund balances Subtract line 21 from line 20</td><td>159,493,617179,558,686</td></tr></table>  |                        | Beginning of Current Year   | End of Year        | 20 | Total assets (Part X, line 16)  | 294,026,115312,974,369 | 21 | Total liabilities (Part X, line 26)   | 134,532,498133,415,683 | 22  | Net assets or fund balances Subtract line 21 from line 20     | 159,493,617179,558,686 |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|                             | Beginning of Current Year  | End of Year            |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 20                          | Total assets (Part X, line 16)   | 294,026,115312,974,369 |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 21                          | Total liabilities (Part X, line 26)  | 134,532,498133,415,683 |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
| 22                          | Net assets or fund balances Subtract line 21 from line 20  | 159,493,617179,558,686 |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|                             |  |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|                             |  |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |
|                             |  |                        |   |                    |    |   |                        |    |   |                        |     |   |                        |    |  |                |    |  |                        |    |  |                        |    |   |                      |

Part II Signature Block

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

\*\*\*\*\*

Signature of officer

2013-11-14

Date

DAN ECKELS SR VP & CFO

Type or print name and title

Paid Preparer Use Only

Prnt/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN

Firm's name

Firm's EIN

Firm's address

Phone no

Sign Here

Paid Preparer Use Only

May the IRS discuss this return with the preparer shown above? (see instructions)

☐ Yes☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2012)

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

WASHINGTON REGIONAL IS COMMITTED TO IMPROVING THE HEALTH OF PEOPLE IN COMMUNITIES WE SERVE THROUGH COMPASSIONATE, HIGH QUALITY CARE, PREVENTION AND WELLNESS EDUCATION

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 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 \$ 119,061,050 including grants of \$ ) (Revenue \$ 159,770,098 )

Ancillary Support Services Services offered in 2012 by Washington Regional Medical Center included surgery, recovery, labor and delivery, central supply, IV therapy, laboratory, radiology and special imaging, pharmacy, respiratory therapy, physical therapy, and occupational therapy A number of these services were available as outpatient services Washington Regional Medical Center also offered pulmonary rehabilitation and diabetic education programs, a sleep disorders center, a wound care clinic, and outpatient cardiac rehabilitation Washington Regional's surgery service performed 14,309 inpatient and outpatient surgeries The central services department provided 1,377,995 supply items to patients being treated Laboratory tests performed totaled 675,883 Radiology diagnostic procedures that included items such as x-rays, CT scans, ultrasound, cardiac catheterization, and nuclear images totaled 101,385 procedures Washington Regional also performed 3,754 magnetic resonance imaging scans The pharmacy sold patients 2,335,619 items, and respiratory therapy performed tests and treatments totaling 530,998 relative values The wound care center performed 5,699 treatments Pastoral care, case management, and volunteer services were offered at no cost to patients Our chaplains, who worked closely with local ministers, served as liaisons between patients and their faith groups to provide spiritual and emotional support when needed Case management helped patients and families locate community resources, home care, and financial assistance when needed after leaving the hospital

4b

(Code ) (Expenses \$ 28,148,186 including grants of \$ ) (Revenue \$ 22,963,154 )

General Inpatient Services Washington Regional Medical Center is committed to providing a wide range of services to meet the general healthcare needs of its service population General inpatient services in 2012 included internal medicine, geriatric health, obstetrics and gynecology, pediatrics, cardiology, cardiovascular surgery, intensive care, coronary intensive care, oncology, and orthopedics Also included in general inpatient services are nursing services, nursing education, admissions services, medical records, quality assurance, case coordination, and central scheduling Washington Regional continues to provide "intensivists" - physicians who specialize in caring for critically ill patients in the Medical Center's critical care unit Staffed by physicians from our Pulmonology team, these highly trained and experienced medical specialists coordinate the care provided by nurses, respiratory therapists and others as needed by the patient They provide continuous clinical assessment and are able to address even the most subtle changes in clinical conditions At Washington Regional, hospitalists, physicians who specialize in caring for hospitalized patients, are on site to provide ongoing and immediate care They work as partners with our physicians and nursing staff to provide the highest standard of care during a patient's hospital stay The benefits to patients are numerous Timing is often critical when making decisions about the needs of hospitalized patients Having these physicians available in the hospital enables instant care coordination between the hospitalist and nurses They can modify treatment or follow-up on a test result on the spot, instead of waiting until the next day This hands-on approach not only helps prevent medical complications, but also results in reduced hospital stays and lower costs Patients are ready to go home that afternoon or evening, rather than having to wait to be discharged the next day Additionally, the hospitalists can consult with the patient's family more readily In 2012, WRMC provided 12 hospitalists to our community WRMC has a specialized inpatient program called the Senior Specialty Unit where Geriatricians evaluate our general inpatient population aged 70+, to identify elderly patients who are at risk of "declining" during an inpatient hospital stay A multi-disciplinary team, staffed with geriatricians, geriatric nurse practitioner, nurse, social worker, dietitian, pharmacologist, occupational therapist, case manager and volunteers proactively visit inpatients to identify the level of risk they have for developing issues that would cause them to worsen during their hospital stay As part of its commitment to provide patient-centered care for older adults, Washington Regional has implemented a Geriatric Resource Nurse (GRN) program The GRN program is one component of a NICHE designation NICHE (Nurses Improving Care for Healthsystem Elders) is the only national designation indicating a hospital's commitment to elder care Washington Regional had 12,474 acute admissions in 2012 and provided 49,019 days of inpatient acute care (This included 8,080 intensive care days and cardiac critical care days ) The average length of an inpatient hospital stay in 2012 was 3.92 days There were 1,207 babies born at Washington Regional in 2012, and 3,763 days of nursery care provided Washington Regional participates in the Exclusive Breastfeeding perinatal core measure as defined by the Arkansas Foundation for Medical Care Exclusive breastfeeding - with no additional foods or fluids unless medically indicated - for the first six months of life is a goal of several health organizations, including the U.S. Department of Health, the Centers for Disease Control and the American Academy of Pediatrics Washington Regional received a Medal of Honor from the U.S. Department of Health and Human Services for its success in increasing the number of organs available for lifesaving transplants This is the third time that Washington Regional has been recognized for achieving and sustaining national organ donation goals, including a donation rate of 75 percent or more of eligible donors

4c

(Code ) (Expenses \$ 7,535,387 including grants of \$ ) (Revenue \$ 14,728,748 )

Emergency Services Washington Regional's emergency physicians and staff, backed by the resources of more than 380 physicians on the medical staff, provided medical services to 48,919 patients in 2012 Washington Regional Medical Center's emergency department provided services regardless of patients' ability to pay Washington Regional continued their valuable service to the community in 2012 by partnering with the University of Arkansas for Medical Sciences (UAMS) to provide life-saving emergency care for stroke patients Called Arkansas SAVES (Stroke Assistance through Virtual Emergency Support), the program uses a high-tech video communications system that enables WRMC emergency physicians and stroke neurologists from UAMS to administer life-saving treatments 24 hours a day Physicians and staff also provide a public service by responding to news media requests for community health information such as accident prevention, emergency management and avoiding weather-related illnesses The emergency room is capable of providing care for as many as 70,000 patient visits annually with its 46 treatment rooms Washington Regional Medical Center earned Level 2 Trauma Center designation from the Arkansas Department of Health in March 2012 As the area's only Level 2 Trauma Center, Washington Regional now provides the highest level of emergency care in Northwest Arkansas region, Washington Regional is committed to providing certain specialty services to the region By providing these services, fewer patients from the Northwest Arkansas Region need to travel away from their homes and families for the care they need The Trauma System grants helps to offset a portion of the expenses incurred while remaining in a state of continuous readiness

(Code ) (Expenses \$ 6,650,330 including grants of \$ ) (Revenue \$ 8,582,693 )

HOME HEALTH AND HOSPICE

(Code ) (Expenses \$ 4,689,827 including grants of \$ ) (Revenue \$ 814,627 )

COMMUNITY BENEFITS AND OTHER

4d

Other program services (Describe in Schedule O )





















(Expenses \$ 11,340,157 including grants of \$ ) (Revenue \$ 9,397,320 )

4e

Total program service expenses

166,084,780

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

|     |  |     |     |    |
|-----|--|-----|-----|----|
| 21  | Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .   | 21  | Yes |    |
| 22  | Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .   | 22  |     | No |
| 23  | Did the organization answer "Yes" to Part VII, Section A, line 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 lines 24b through 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, highest 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 employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <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 direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .  | 28c | Yes |    |
| 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, Part II, III, or IV, and Part V, line 1</i> . . . . .  | 34  | Yes |    |
| 35a | Did the organization have a controlled entity within the meaning of section 512(b)(13)?  | 35a | Yes |    |
| b   | If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .   | 35b | Yes |    |
| 36  | <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 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .  | 38  | Yes |    |

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

|     |  | Yes   | No |
|-----|--|-------|----|
| 1a  | Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.  | 57    |    |
| 1b  | Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.   | 0     |    |
| 1c  | Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?   |       |    |
| 2a  | Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.   | 2,578 |    |
| 2b  | If at least one is reported on line 2a, did the organization file all required federal employment tax returns?<br><b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).  | Yes   |    |
| 3a  | Did the organization have unrelated business gross income of \$1,000 or more during the year?  | Yes   |    |
| 3b  | If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.  | Yes   |    |
| 4a  | At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?                                   |       | No |
| b   | If "Yes," enter the name of the foreign country: _____<br>See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.   |       |    |
| 5a  | Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?  |       | No |
| 5b  | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?   |       | No |
| 5c  | If "Yes," to line 5a or 5b, did the organization file Form 8886-T?   |       |    |
| 6a  | Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?  |       | No |
| 6b  | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?  |       |    |
| 7   | <b>Organizations that may receive deductible contributions under section 170(c).</b>   |       |    |
| 7a  | 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?  |       | No |
| 7b  | If "Yes," did the organization notify the donor of the value of the goods or services provided?  |       |    |
| 7c  | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?   |       | No |
| 7d  | If "Yes," indicate the number of Forms 8282 filed during the year.   |       |    |
| 7e  | Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?  |       | No |
| 7f  | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?   |       | No |
| 7g  | If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?   |       |    |
| 7h  | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?   |       |    |
| 8   | <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? |       | No |
| 9   | <b>Sponsoring organizations maintaining donor advised funds.</b>   |       |    |
| 9a  | Did the organization make any taxable distributions under section 4966?  |       | No |
| 9b  | Did the organization make a distribution to a donor, donor advisor, or related person?   |       | No |
| 10  | <b>Section 501(c)(7) organizations.</b> Enter  |       |    |
| 10a | Initiation fees and capital contributions included on Part VIII, line 12.  |       |    |
| 10b | Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.   |       |    |
| 11  | <b>Section 501(c)(12) organizations.</b> Enter   |       |    |
| 11a | Gross income from members or shareholders.   |       |    |
| 11b | Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).   |       |    |
| 12a | <b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?  |       |    |
| 12b | If "Yes," enter the amount of tax-exempt interest received or accrued during the year.   |       |    |
| 13  | <b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>  |       |    |
| 13a | Is the organization licensed to issue qualified health plans in more than one state?<br><b>Note.</b> See the instructions for additional information the organization must report on Schedule O.   |       |    |
| 13b | Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.   |       |    |
| 13c | Enter the amount of reserves on hand.  |       |    |
| 14a | Did the organization receive any payments for indoor tanning services during the tax year?   |       | No |
| 14b | If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.   |       |    |

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 . . . . .   | 9   |     |
| If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O |   |     |     |
| 1b   | Enter the number of voting members included in line 1a, above, who are independent . . . . .  | 9   |     |
| 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   | Yes |
| 7a   | Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? . . . . .  | 7a  | Yes |
| 7b   | Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .   | 7b  | Yes |
| 8  | Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following  |     |     |
| 8a   | The governing body? . . . . .   | 8a  | Yes |
| 8b   | 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  |
| 10b  | If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? . . . . .   | 10b |     |
| 11a  | Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? . . . . .  | 11a | Yes |
| 11b  | Describe in Schedule O the process, if any, used by the organization to review this Form 990 . . . . .   |     |     |
| 12a  | Did the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .  | 12a | Yes |
| 12b  | Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .  | 12b | Yes |
| 12c  | 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?   |     |     |
| 15a  | The organization's CEO, Executive Director, or top management official . . . . .   | 15a | Yes |
| 15b  | 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 |
| 16b  | 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.<br><input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O) |
| 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 during the tax year  |
| 20 | State the name, physical address, and telephone number of the person who possesses the books and records of the organization<br>▶ACCOUNTING DEPARTMENT 3215 N NORTH HILLS BLVD FAYETTEVILLE, AR (479) 463-1088   |

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 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 organization compensated any current officer, director, or trustee

| (A)<br>Name and Title                              | (B)<br>Average hours per week (list any hours for related organizations below dotted line) | (C)<br>Position (do not check more than one box, unless person is both an officer and a director/trustee) |                       |         |              |                              |        | (D)<br>Reportable compensation from the organization (W- 2/1099-MISC) | (E)<br>Reportable compensation from related organizations (W- 2/1099-MISC) | (F)<br>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) Dorothy J Hanby<br>Chairman                    |  | X   |                       |         |              |                              |        |   |  |   |
| (2) Timothy T Helder<br>Vice Chairman              |  | X   |                       |         |              |                              |        |   |  |   |
| (3) Daniel E Ferritor PhD<br>Secretary             |  | X   |                       |         |              |                              |        |   |  |   |
| (4) Woodson W Bassett III Esquire<br>Director      |  | X   |                       |         |              |                              |        |   |  |   |
| (5) Ann B Rosso<br>Director                        |  | X   |                       |         |              |                              |        |   |  |   |
| (6) M Gareth Eck MD<br>Director                    |  | X   |                       |         |              |                              |        |   |  |   |
| (7) Anthony N Hui MD<br>Director                   |  | X   |                       |         |              |                              |        |   |  |   |
| (8) Greg W Lee<br>Director                         |  | X   |                       |         |              |                              |        |   |  |   |
| (9) Mark Thomas MD<br>Director                     |  | X   |                       |         |              |                              |        |   |  |   |
| (10) William L Bradley<br>President/CEO            | 40 0   |   |                       | X       |              |                              |        | 626,728   |  | 108,334   |
| (11) Mark A Bever<br>Exec VP/Admin                 | 40 0   |   |                       | X       |              |                              |        | 383,327   |  | 51,975  |
| (12) James L Shackelford<br>SVP, Outreach Services | 40 0   |   |                       | X       |              |                              |        | 328,152   |  | 59,361  |
| (13) Daniel R Eckels<br>SR VP/CFO                  | 40 0   |   |                       | X       |              |                              |        | 340,467   |  | 55,259  |
| (14) David G Ratcliff MD<br>Chief Medical Officer  | 26 0<br>14 0   |   |                       | X       |              |                              |        | 317,998   | 97,236   | 81,879  |
| (15) Thomas J Olmstead<br>SR VP/Gen Counsel        | 40 0   |   |                       | X       |              |                              |        | 372,264   |  | 65,054  |
| (16) Claudia A Williams<br>Chief Nurse Officer     | 40 0   |   |                       |         | X            |                              |        | 218,219   |  | 39,367  |
| (17) Rebecca D Magee<br>SR VP/CIO                  | 40 0   |   |                       |         | X            |                              |        | 314,303   |  | 50,068  |



## Part VII

|           |  |          |           |         |         |
|-----------|--|----------|-----------|---------|---------|
| <b>1b</b> | <b>Sub-Total . . . . .</b>   | <b>▼</b> |           |         |         |
| <b>c</b>  | <b>Total from continuation sheets to Part VII, Section A . . . . .</b> | <b>▼</b> |           |         |         |
| <b>d</b>  | <b>Total (add lines 1b and 1c) . . . . .</b>                           | <b>▼</b> | 3,958,268 | 184,055 | 616,928 |

**2** Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 56

|          |   | Yes      | No  |
|----------|---|----------|-----|
| <b>3</b> | 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> . . . . .  | <b>3</b> | No  |
| <b>4</b> | 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> . . . . . | <b>4</b> | Yes |
| <b>5</b> | 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> . . . . .                       | <b>5</b> | 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)   | (B)                     | (C)          |
|---|-------------------------|--------------|
| Name and business address   | Description of services | Compensation |
| OZARK REGIONAL ANESTHESIA , PO BOX 6340 FAYETTEVILLE AR 72702         | ANESTHESIA SERVICES     | 2,145,306    |
| EXECUTIVE HEALTH RESOURCES , PO BOX 822688 PHILADELPHIA PA 19182      | CASE MANAGEMENT         | 581,215      |
| MEDICAL ASSOCIATES OF NWA , 3383 N MANA COURT FAYETTEVILLE AR 72703   | PHYSICIAN               | 570,750      |
| NW PERFUSION SERVICES , 3276 N NORTH HILLS BLVD FAYETTEVILLE AR 72703 | PERFUSION SERVICES      | 356,824      |
| TGC , PO BOX 130 HIGHLAND MD 20777                                    | LEGAL SERVICES          | 645,972      |

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 ►18

Part VIII

Statement of Revenue

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

|   |  |   |               | (A)<br>Total revenue | (B)<br>Related or<br>exempt<br>function<br>revenue | (C)<br>Unrelated<br>business<br>revenue | (D)<br>Revenue<br>excluded from<br>tax under<br>sections<br>512, 513, or<br>514 |  |
|---|--|---|---------------|----------------------|--|---|---|--|
| Contributions, Gifts, Grants<br>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            |                      |  |   |   |  |
|   | f  | All other contributions, gifts, grants, and<br>similar amounts not included above   | 1f            | 1,188,826            |  |   |   |  |
|   | g  | Noncash contributions included in lines<br>1a-1f \$   |               | 1,515                |  |   |   |  |
|   | h  | Total. Add lines 1a-1f . . . . .  |               |                      | 1,188,826  |   |   |  |
| Program Service Revenue                                   | 2a   | PATIENT SERVICE REVENUE   | Business Code |                      |  |   |   |  |
|   |  |   | 900099        | 218,394,631          | 218,394,631  |   |   |  |
|   | b  | REFERENCE LAB   | 611430        | 1,163,292            |  | 1,163,292                               |   |  |
|   | c  | REGENCY HOSPITAL SERVICES   | 541900        | 1,499,981            |  | 1,499,981                               |   |  |
|   | d  | EXERCISE CENTER   | 713940        | 574,146              | 574,146  |   |   |  |
|   | e  | CAFETERIA SALES   |               | 1,093,589            |  |   | 1,093,589   |  |
|   | f  | All other program service revenue   |               | 5,509,353            | 5,269,827  | 76,090                                  | 163,436   |  |
|   | g  | Total. Add lines 2a-2f . . . . .  |               |                      | 228,234,992  |   |   |  |
| Other Revenue   | 3  | Investment income (including dividends, interest,<br>and other similar amounts) . . . . .   |               | 10,160,993           | 10,160,993   |   |   |  |
|   | 4  | Income from investment of tax-exempt bond proceeds . . .  |               | 0                    |  |   |   |  |
|   | 5  | Royalties . . . . .   |               | 0                    |  |   |   |  |
|   | 6a   | (i) Real  |               | (ii) Personal        |  |   |   |  |
|   |  | 354,955   |               |                      |  |   |   |  |
|   |  |   |               |                      |  |   |   |  |
|   |  | 354,955   |               | 0                    |  |   |   |  |
|   | d  | Net rental income or (loss) . . . . .   |               | 354,955              | 354,955  |   |   |  |
|   | 7a   | (i) Securities  |               | (ii) Other           |  |   |   |  |
|   |  |   |               |                      |  |   |   |  |
|   |  |   |               |                      |  |   |   |  |
|   |  |   |               |                      |  |   |   |  |
|   | d  | Net gain or (loss) . . . . .  |               | 7,518                | 7,518  |   |   |  |
|   | 8a   | Gross income from fundraising<br>events (not including<br>\$ _____<br>of contributions reported on line 1c)<br>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<br>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<br>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   |  |   |               |                      |  |   |   |  |
| b   |  |   |               |                      |  |   |   |  |
| c   |  |   |               |                      |  |   |   |  |
| d   | All other revenue . . . . .                        |   |               |                      |  |   |   |  |
| e   | Total. Add lines 11a-11d . . . . .                 |   |               | 0                    |  |   |   |  |
| 12  | Total revenue. See Instructions . . . . .          |   |               | 239,947,284          | 234,762,070  | 2,739,363                               | 1,257,025   |  |

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).

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)<br>Total expenses | (B)<br>Program service expenses | (C)<br>Management and general expenses | (D)<br>Fundraising expenses |
|--|--|-----------------------|---------------------------------|--|-----------------------------|
| 1  | Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.   | 3,947,795             | 3,947,795                       |  |                             |
| 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.  | 3,570,759             |                                 | 3,570,759                              |                             |
| 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.  | 73,148,506            | 61,526,294                      | 11,397,576                             | 224,636                     |
| 8  | Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).  | 2,156,321             | 1,730,389                       | 419,634                                | 6,298                       |
| 9  | Other employee benefits.   | 8,864,175             | 7,108,165                       | 1,730,134                              | 25,876                      |
| 10   | Payroll taxes.   | 5,395,489             | 4,456,746                       | 922,293                                | 16,450                      |
| 11   | Fees for services (non-employees):   |                       |                                 |  |                             |
| a  | Management.  | 19,929                | 168                             | 19,761                                 |                             |
| b  | Legal.   | 1,058,696             | 2,896                           | 1,055,800                              |                             |
| c  | Accounting.  | 383,763               |                                 | 383,763                                |                             |
| d  | Lobbying.  | 0                     |                                 |  |                             |
| e  | Professional fundraising services. See Part IV, line 17.   | 0                     |                                 |  |                             |
| f  | Investment management fees.  | 207,518               |                                 | 207,518                                |                             |
| g  | Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).  | 6,453,859             | 4,526,717                       | 1,927,142                              |                             |
| 12   | Advertising and promotion.   | 665,660               | 56,517                          | 598,089                                | 11,054                      |
| 13   | Office expenses.   | 2,743,231             | 828,369                         | 1,903,222                              | 11,640                      |
| 14   | Information technology.  | 4,828,254             | 4,430,759                       | 397,495                                |                             |
| 15   | Royalties.   | 0                     |                                 |  |                             |
| 16   | Occupancy.   | 2,831,257             | 2,616,287                       | 212,882                                | 2,088                       |
| 17   | Travel.  | 475,309               | 356,525                         | 114,076                                | 4,708                       |
| 18   | Payments of travel or entertainment expenses for any federal, state, or local public officials.  | 0                     |                                 |  |                             |
| 19   | Conferences, conventions, and meetings.  | 174,029               | 55,974                          | 116,274                                | 1,781                       |
| 20   | Interest.  | 5,103,461             |                                 | 5,103,461                              |                             |
| 21   | Payments to affiliates.  | 0                     |                                 |  |                             |
| 22   | Depreciation, depletion, and amortization.   | 14,758,141            | 10,912,075                      | 3,844,627                              | 1,439                       |
| 23   | Insurance.   | 1,071,714             | 10,911                          | 1,060,803                              |                             |
| 24   | Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):  |                       |                                 |  |                             |
| a  | MEDICAL SUPPLIES   | 51,076,684            | 50,921,401                      | 155,144                                | 139                         |
| b  | PURCHASED SERVICES   | 8,178,167             | 5,111,704                       | 3,024,637                              | 41,826                      |
| c  | REPAIRS AND MAINTENANCE  | 3,579,968             | 2,404,735                       | 1,175,233                              |                             |
| d  | NON CAPITAL EQUIPMENT  | 1,723,916             | 1,591,876                       | 126,925                                | 5,115                       |
| e  | All other expenses   | 4,525,541             | 3,488,477                       | 1,027,298                              | 9,766                       |
| 25   | <b>Total functional expenses.</b> Add lines 1 through 24e.   | 206,942,142           | 166,084,780                     | 40,494,546                             | 362,816                     |
| 26   | <b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720). |                       |                                 |  |                             |

Part X

Balance Sheet

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

☐

|                             |   |  |                | (A)               |     | (B)         |
|-----------------------------|---|--|----------------|-------------------|-----|-------------|
|                             |   |  |                | Beginning of year |     | End of year |
| Assets                      | 1   | Cash—non-interest-bearing  |                | 32,351            | 1   | 59,954      |
|                             | 2   | Savings and temporary cash investments   |                | 16,366,343        | 2   | 17,896,791  |
|                             | 3   | Pledges and grants receivable, net   |                | 0                 | 3   | 0           |
|                             | 4   | Accounts receivable, net   |                | 29,173,910        | 4   | 35,692,951  |
|                             | 5   | Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L   |                | 0                 | 5   | 0           |
|                             | 6   | Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L |                | 0                 | 6   | 0           |
|                             | 7   | Notes and loans receivable, net  |                | 0                 | 7   | 0           |
|                             | 8   | Inventories for sale or use  |                | 2,795,448         | 8   | 3,010,330   |
|                             | 9   | Prepaid expenses and deferred charges  |                | 2,050,688         | 9   | 2,050,664   |
|                             | 10a   | Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D  | 10a255,858,793 |                   |     |             |
|                             | b   | Less accumulated depreciation  | 10b119,042,682 | 141,318,783       | 10c | 136,816,111 |
|                             | 11  | Investments—publicly traded securities   |                | 80,471,901        | 11  | 90,813,667  |
|                             | 12  | Investments—other securities See Part IV, line 11  |                | 284               | 12  | 284         |
|                             | 13  | Investments—program-related See Part IV, line 11   |                | 1,500,000         | 13  | 0           |
|                             | 14  | Intangible assets  |                | 0                 | 14  | 0           |
|                             | 15  | Other assets See Part IV, line 11  |                | 20,316,407        | 15  | 26,633,617  |
|                             | 16  | Total assets. Add lines 1 through 15 (must equal line 34)  |                | 294,026,115       | 16  | 312,974,369 |
| Liabilities                 | 17  | Accounts payable and accrued expenses  |                | 24,365,529        | 17  | 24,691,910  |
|                             | 18  | Grants payable   |                | 0                 | 18  | 0           |
|                             | 19  | Deferred revenue   |                | 0                 | 19  | 0           |
|                             | 20  | Tax-exempt bond liabilities  |                | 104,172,702       | 20  | 101,525,212 |
|                             | 21  | Escrow or custodial account liability Complete Part IV of Schedule D   |                | 0                 | 21  | 0           |
|                             | 22  | Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L  |                | 0                 | 22  | 0           |
|                             | 23  | Secured mortgages and notes payable to unrelated third parties   |                | 960,744           | 23  | 2,163,820   |
|                             | 24  | Unsecured notes and loans payable to unrelated third parties   |                | 0                 | 24  | 0           |
|                             | 25  | Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D   |                | 5,033,523         | 25  | 5,034,741   |
|                             | 26  | Total liabilities. Add lines 17 through 25   |                | 134,532,498       | 26  | 133,415,683 |
| Net Assets or Fund Balances | Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34. |  |                |                   |     |             |
|                             | 27  | Unrestricted net assets  |                | 158,157,464       | 27  | 178,566,534 |
|                             | 28  | Temporarily restricted net assets  |                | 1,336,153         | 28  | 992,152     |
|                             | 29  | Permanently restricted net assets  |                | 0                 | 29  | 0           |
|                             | Organizations that do not follow SFAS 117 (ASC 958), 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  |                | 159,493,617       | 33  | 179,558,686 |
|                             | 34  | Total liabilities and net assets/fund balances   |                | 294,026,115       | 34  | 312,974,369 |

Part XI Reconciliation of Net Assets

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

|    |   |    |             |
|----|---|----|-------------|
| 1  | Total revenue (must equal Part VIII, column (A), line 12) . . . . .   | 1  | 239,947,284 |
| 2  | Total expenses (must equal Part IX, column (A), line 25) . . . . .  | 2  | 206,942,142 |
| 3  | Revenue less expenses Subtract line 2 from line 1 . . . . .   | 3  | 33,005,142  |
| 4  | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .           | 4  | 159,493,617 |
| 5  | Net unrealized gains (losses) on investments . . . . .  | 5  |             |
| 6  | Donated services and use of facilities . . . . .  | 6  |             |
| 7  | Investment expenses . . . . .   | 7  |             |
| 8  | Prior period adjustments . . . . .  | 8  |             |
| 9  | Other changes in net assets or fund balances (explain in Schedule O) . . . . .                                | 9  | -12,940,073 |
| 10 | Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B)) | 10 | 179,558,686 |

Part XII Financial Statements and Reporting

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

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

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

|  |  |
|--|--|
| Name of the organization<br>Washington Regional Medical Center | Employer identification number<br>71-0664687 |
|--|--|

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 described in **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<sup>1</sup>/<sub>3</sub>% 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<sup>1</sup>/<sub>3</sub>% 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 - Non-functionally integrated
- 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 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 monetary support |
|------------------------------------|----------|--|--|----|---|----|--|----|----------------------------------|
|                                    |          |  | Yes  | No | Yes   | No | Yes  | No |                                  |
|                                    |          |  |  |    |   |    |  |    |                                  |
|                                    |          |  |  |    |   |    |  |    |                                  |
| Total                              |          |  |  |    |   |    |  |    |                                  |

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)  
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

| Section A. Public Support   |          |          |          |          |          |           |
|---|----------|----------|----------|----------|----------|-----------|
| Calendar year (or fiscal year beginning in) ▶   | (a) 2008 | (b) 2009 | (c) 2010 | (d) 2011 | (e) 2012 | (f) Total |
| 1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")   |          |          |          |          |          |           |
| 2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf   |          |          |          |          |          |           |
| 3 The value of services or facilities furnished by a governmental unit to the organization without charge   |          |          |          |          |          |           |
| 4 Total. Add lines 1 through 3  |          |          |          |          |          |           |
| 5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f) |          |          |          |          |          |           |
| 6 Public support. Subtract line 5 from line 4   |          |          |          |          |          |           |

| Section B. Total Support   |          |          |          |          |          |           |
|--|----------|----------|----------|----------|----------|-----------|
| Calendar year (or fiscal year beginning in) ▶  | (a) 2008 | (b) 2009 | (c) 2010 | (d) 2011 | (e) 2012 | (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 Do not include gain or loss from the sale of capital assets (Explain in Part IV )  |          |          |          |          |          |           |
| 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 2012 (line 6, column (f) divided by line 11, column (f))   |  | 14 |  |  |  |   |
| 15 Public support percentage for 2011 Schedule A, Part II, line 14  |  | 15 |  |  |  |   |
| 16a 33 1/3% support test—2012. 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—2011. If the organization did not check a 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—2012. 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—2011. 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 IIISupport Schedule for Organizations Described in Section 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) 2008 | (b) 2009 | (c) 2010 | (d) 2011 | (e) 2012 | (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) 2008 | (b) 2009 | (c) 2010 | (d) 2011 | (e) 2012 | (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 2012 (line 8, column (f) divided by line 13, column (f)) | 15 |  |  |
| 16 Public support percentage from 2011 Schedule A, Part III, line 15                      | 16 |  |  |

| Section D. Computation of Investment Income Percentage   |    |  |  |
|--|----|--|--|
| 17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))   | 17 |  |  |
| 18 Investment income percentage from 2011 Schedule A, Part III, line 17  | 18 |  |  |
| 19a 33 1/3% support tests—2012. 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—2011. 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and 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

2012

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, Part V, line 35c (Proxy Tax), then

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

|  |  |
|--|--|
| Name of the organization<br>Washington Regional Medical Center | Employer identification number<br>71-0664687 |
|--|--|

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 in Part IV |      |
| 2 | Political expenditures   | ▶ \$ |
| 3 | Volunteer hours  |      |

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

|    |   |  |
|----|---|--|
| 1  | Enter the amount of any excise tax incurred by the organization under section 4955      | ▶ \$   |
| 2  | Enter the amount of any excise tax incurred by organization managers under section 4955 | ▶ \$   |
| 3  | If the organization incurred a section 4955 tax, did it file Form 4720 for this year?   | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 4a | Was a correction made?  | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| b  | If “Yes,” describe in Part IV   |  |

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

|   |   |  |
|---|---|--|
| 1 | Enter the amount directly expended by the filing organization for section 527 exempt function activities  | ▶ \$   |
| 2 | Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function 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<br>(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) 2009 | (b) 2010 | (c) 2011 | (d) 2012 | (e) Total |
| 2a Lobbying nontaxable amount                                |          |          |          |          |           |
| b Lobbying ceiling amount<br>(150% of line 2a, column(e))    |          |          |          |          |           |
| c Total lobbying expenditures                                |          |          |          |          |           |
| d Grassroots nontaxable amount                               |          |          |          |          |           |
| e Grassroots ceiling amount<br>(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)).

| For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity. |  | (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?  | Yes |    | 11,227 |
| j   | Total. Add lines 1c through 1i.  |     |    | 11,227 |
| 2a  | Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?  |     | No |        |
| b   | If "Yes," enter the amount of any tax incurred under section 4912  |     |    |        |
| c   | If "Yes," enter the amount of any tax incurred by organization managers under section 4912   |     |    |        |
| d   | If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?   |     |    |        |

Part III-A

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

|   |   | Yes | No |
|---|---|-----|----|
| 1 | Were substantially all (90% or more) dues received nondeductible by members?                      | 1   |    |
| 2 | Did the organization make only in-house lobbying expenditures of \$2,000 or less?                 | 2   |    |
| 3 | Did the organization agree to carry over 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) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."

|   |  |    |  |
|---|--|----|--|
| 1 | Dues, assessments and similar amounts from members   | 1  |  |
| 2 | Section 162(e) nondeductible 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, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

| Identifier        | Return Reference | Explanation  |
|-------------------|------------------|--|
| Lobbying activity | Sch C Part IV    | The organization is a member of, and pays dues to the American Hospital Association and the Arkansas Hospital Association. For the year ended 2012, the dues were \$31,402 and \$66,039 respectively. Approximately 17% of the Arkansas Hospital Association dues were attributable to lobbying activities performed by these organizations. |

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
Washington Regional Medical Center

Employer identification number  
71-0664687

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

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

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

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

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax 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, and not on a historic structure listed in the National Register

|    | Held at the End of the Year |
|----|-----------------------------|
| 2a |                             |
| 2b |                             |
| 2c |                             |
| 2d |                             |

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) 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 acquisition, 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

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

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 XIII 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 XIII Check here if the explanation has been provided in Part XIII

☐

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

|  | (a)Current year | (b)Prior year | b (c)Two years back | (d)Three years back | (e)Four years back |
|--|-----------------|---------------|---------------------|---------------------|--------------------|
| 1a Beginning of year balance                     | 1,296,403       | 1,023,587     | 1,028,937           | 865,169             | 807,942            |
| b Contributions                                  | 298,119         | 406,720       | 89,907              | 262,021             | 181,309            |
| c Net investment earnings, gains, and losses     | 11,843          | 13,919        | 17,744              | 21,196              | 27,812             |
| d Grants or scholarships                         |                 |               |                     | 7,750               | 8,510              |
| e Other expenditures for facilities and programs | 203,922         | 147,823       | 113,001             | 111,699             | 143,384            |
| f Administrative expenses                        |                 |               |                     |                     |                    |
| g End of year balance                            | 1,402,443       | 1,296,403     | 1,023,587           | 1,028,937           | 865,169            |

2

Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

50 000 %

b

Permanent endowment

45 000 %

c

Temporarily restricted endowment

5 000 %

The percentages in lines 2a, 2b, and 2c should equal 100%

3a

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

(i) unrelated organizations

3a(i)

☐ Yes

☒ No

(ii) related organizations

3a(ii)

☒ Yes

☐

b

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

3b

☒ Yes

☐

4

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

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

| Description of property  | (a) Cost or other basis (investment) | (b)Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--|--------------------------------------|--------------------------------|------------------------------|----------------|
| 1a Land  |                                      | 1,235,385                      |                              | 1,235,385      |
| b Buildings  |                                      | 129,832,612                    | 35,648,180                   | 94,184,432     |
| c Leasehold improvements   |                                      | 3,357,753                      | 2,514,799                    | 842,954        |
| d Equipment  |                                      | 112,952,385                    | 77,517,526                   | 35,434,859     |
| e Other  |                                      | 8,480,659                      | 3,362,178                    | 5,118,481      |
| Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) |                                      |                                |                              | 136,816,111    |



**Part XI    Reconciliation of Revenue per Audited Financial Statements With Revenue per Return**

|          |   |           |             |
|----------|---|-----------|-------------|
| <b>1</b> | Total revenue, gains, and other support per audited financial statements . . . . .                      | <b>1</b>  | 239,939,766 |
| <b>2</b> | Amounts included on line 1 but not on Form 990, Part VIII, line 12                                      |           |             |
| <b>a</b> | Net unrealized gains on investments . . . . .   | <b>2a</b> |             |
| <b>b</b> | Donated services and use of facilities . . . . .  | <b>2b</b> |             |
| <b>c</b> | Recoveries of prior year grants . . . . .   | <b>2c</b> |             |
| <b>d</b> | Other (Describe in Part XIII ) . . . . .  | <b>2d</b> | -7,518      |
| <b>e</b> | Add lines <b>2a</b> through <b>2d</b> . . . . .   | <b>2e</b> | -7,518      |
| <b>3</b> | Subtract line <b>2e</b> from line <b>1</b> . . . . .  | <b>3</b>  | 239,947,284 |
| <b>4</b> | Amounts included on Form 990, Part VIII, line 12, but not on line <b>1</b>                              |           |             |
| <b>a</b> | Investment expenses not included on Form 990, Part VIII, line 7b . . . . .                              | <b>4a</b> |             |
| <b>b</b> | Other (Describe in Part XIII ) . . . . .  | <b>4b</b> |             |
| <b>c</b> | Add lines <b>4a</b> and <b>4b</b> . . . . .   | <b>4c</b> |             |
| <b>5</b> | Total revenue Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 12 ) . . . . . | <b>5</b>  | 239,947,284 |

**Part XII    Reconciliation of Expenses per Audited Financial Statements With Expenses per Return**

|          |  |           |             |
|----------|--|-----------|-------------|
| <b>1</b> | Total expenses and losses per audited financial statements . . . . .                                     | <b>1</b>  | 206,934,624 |
| <b>2</b> | Amounts included on line 1 but not on Form 990, Part IX, line 25   |           |             |
| <b>a</b> | Donated services and use of facilities . . . . .   | <b>2a</b> |             |
| <b>b</b> | Prior year adjustments . . . . .   | <b>2b</b> |             |
| <b>c</b> | Other losses . . . . .   | <b>2c</b> |             |
| <b>d</b> | Other (Describe in Part XIII ) . . . . .   | <b>2d</b> | -7,518      |
| <b>e</b> | Add lines <b>2a</b> through <b>2d</b> . . . . .  | <b>2e</b> | -7,518      |
| <b>3</b> | Subtract line <b>2e</b> from line <b>1</b> . . . . .   | <b>3</b>  | 206,942,142 |
| <b>4</b> | Amounts included on Form 990, Part IX, line 25, but not on line <b>1</b> :                               |           |             |
| <b>a</b> | Investment expenses not included on Form 990, Part VIII, line 7b . . . . .                               | <b>4a</b> |             |
| <b>b</b> | Other (Describe in Part XIII ) . . . . .   | <b>4b</b> |             |
| <b>c</b> | Add lines <b>4a</b> and <b>4b</b> . . . . .  | <b>4c</b> |             |
| <b>5</b> | Total expenses Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 18 ) . . . . . | <b>5</b>  | 206,942,142 |

**Part XIII    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, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

| Identifier                           | Return Reference           | Explanation   |
|--------------------------------------|----------------------------|---|
| PART XI LINE 2D AND PART XII LINE 2D | GAIN ON DISPOSAL OF ASSETS | RECLASSIFICATION OF GAAP REPORTING FOR GAINS AND LOSSES ON DISPOSAL OF ASSETS TO FORM 990 CORE FORM STATEMENT OF REVENUE PART VIII LINE 7 |



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

2012

Open to Public Inspection

**Name of the organization**  
Washington Regional Medical Center

**Employer identification number**  
71-0664687

Part I

Financial Assistance and Certain Other Community Benefits at Cost

|    |  |     |     |    |
|----|--|-----|-----|----|
|    |  | Yes | No  |    |
| 1a | Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .  | 1a  | Yes |    |
| b  | If "Yes," was it a written policy? . . . . .   | 1b  | Yes |    |
| 2  | If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year<br><br><input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities<br><input type="checkbox"/> Generally tailored to individual hospital facilities  |     |     |    |
| 3  | Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year<br><br><b>a</b> Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care<br><br><input checked="" type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ % | 3a  | Yes |    |
| b  | Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care . . . . .<br><br><input type="checkbox"/> 200% <input checked="" type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %   | 3b  | Yes |    |
| c  | If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care   |     |     |    |
| 4  | Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for 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 financial assistance 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 |    |
| b  | 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

Financial Assistance and Certain Other Community Benefits at Cost

| Financial Assistance 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 Financial Assistance at cost (from Worksheet 1) . . . . .   | 1   | 2,693                         | 3,886,350                           |                               | 3,886,350                         |                              |
| b Medicaid (from Worksheet 3, column a) . . . . .   | 1   | 9,351                         | 22,253,775                          | 13,878,822                    | 8,374,953                         |                              |
| c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .              |   |                               |                                     |                               |                                   |                              |
| d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .                    | 2   | 12,044                        | 26,140,125                          | 13,878,822                    | 12,261,303                        |                              |
| <b>Other Benefits</b>   |   |                               |                                     |                               |                                   |                              |
| e Community health improvement services and community benefit operations (from Worksheet 4) . . . . . | 6   |                               | 633,435                             | 10,319                        | 623,116                           |                              |
| f Health professions education (from Worksheet 5) . . . . .   | 1   |                               | 150,000                             |                               | 150,000                           |                              |
| g Subsidized health services (from Worksheet 6) . . . . .   | 1   |                               | 2,892,000                           |                               | 2,892,000                         |                              |
| h Research (from Worksheet 7) . . . . .   | 1   |                               | 103,928                             | 43,574                        | 60,354                            |                              |
| i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .                   |   |                               | 168,431                             |                               | 168,431                           |                              |
| j <b>Total.</b> Other Benefits . . . . .  | 9   |                               | 3,947,794                           | 53,893                        | 3,893,901                         |                              |
| k <b>Total.</b> Add lines 7d and 7j . . . . .   | 11  | 12,044                        | 30,087,919                          | 13,932,715                    | 16,155,204                        |                              |

Part II

Community Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

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

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

Yes

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

5,285,372

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

528,137

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

71,208,478

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

73,620,575

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-2,412,097

8

Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.  
☒ Cost accounting system      ☐ Cost to charge ratio      ☐ Other

Section C. Collection Practices

9a

Did the organization have a written debt collection policy during the tax year?

9a

b

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

9b

Part IV

Management Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

| (a) Name of entity     | (b) Description of primary activity of entity | (c) Organization's profit % or stock ownership % | (d) Officers, directors, trustees, or key employees' profit % or stock ownership % | (e) Physicians' profit % or stock ownership % |
|------------------------|---|--|--|---|
| 1 North Hills Surgery  | Ambulatory surgery center                     | 51.000 %   |  | 49.000 %                                      |
| 2 Dialysis Center of N | Dialysis services                             | 60.000 %   |  | 20.000 %                                      |
| 3                      |   |  |  |   |
| 4                      |   |  |  |   |
| 5                      |   |  |  |   |
| 6                      |   |  |  |   |
| 7                      |   |  |  |   |
| 8                      |   |  |  |   |
| 9                      |   |  |  |   |
| 10                     |   |  |  |   |
| 11                     |   |  |  |   |
| 12                     |   |  |  |   |
| 13                     |   |  |  |   |

## Section A. Hospital Facilities

Name, address, and primary website address

**Schedule H (Form 990) 2012**

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

WASHINGTON REGIONAL MEDICAL CENTER

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

|  | Yes | No |
|--|-----|----|
| Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)  |     |    |
| 1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . .<br>If "Yes," indicate what the CHNA report describes (check all that apply)  | 1   |    |
| 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 the community health 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)   |     |    |
| 2 Indicate the tax year the hospital facility last conducted a CHNA 20 ____  |     |    |
| 3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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 CHNA 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 CHNA report widely available to the public? . . . . .<br>If "Yes," indicate how the CHNA report was made widely available (check all that apply)  | 5   |    |
| 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)   |     |    |
| 6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)   |     |    |
| a <input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA  |     |    |
| b <input type="checkbox"/> Execution of the implementation strategy  |     |    |
| c <input type="checkbox"/> Participation in the development of a community-wide plan   |     |    |
| d <input type="checkbox"/> Participation in the execution of a community-wide 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 its 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .  | 7   |    |
| 8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .   | 8a  |    |
| b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .  | 8b  |    |
| c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____  |     |    |

Part V

Facility Information (continued)

| Financial Assistance Policy  |  | Yes       | No  |           |    |
|--|--|-----------|-----|-----------|----|
| <b>9</b> Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?   |  | <b>9</b>  | Yes |           |    |
| <b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . .<br>If "Yes," indicate the FPG family income limit for eligibility for free care <u>100</u> %<br>If "No," explain in Part VI the criteria the hospital facility used |  | <b>10</b> | Yes |           |    |
| <b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . .<br>If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>250</u> %<br>If "No," explain in Part VI the criteria the hospital facility used                  |  | <b>11</b> | Yes |           |    |
| <b>12</b> Explained the basis for calculating amounts charged to patients? . . . . .<br>If "Yes," indicate the factors used in determining such amounts (check all that apply)   |  | <b>12</b> | Yes |           |    |
| <b>a</b> <input checked="" type="checkbox"/> Income level  |  |           |     |           |    |
| <b>b</b> <input type="checkbox"/> Asset level  |  |           |     |           |    |
| <b>c</b> <input type="checkbox"/> Medical indigency  |  |           |     |           |    |
| <b>d</b> <input type="checkbox"/> Insurance status   |  |           |     |           |    |
| <b>e</b> <input type="checkbox"/> Uninsured discount   |  |           |     |           |    |
| <b>f</b> <input type="checkbox"/> Medicaid/Medicare  |  |           |     |           |    |
| <b>g</b> <input type="checkbox"/> State regulation   |  |           |     |           |    |
| <b>h</b> <input checked="" type="checkbox"/> Other (describe in Part VI)   |  |           |     |           |    |
| <b>13</b> Explained the method for applying for financial assistance? . . . . .  |  | <b>13</b> | Yes |           |    |
| <b>14</b> Included measures to publicize the policy within the community served by the hospital facility? . . . . .<br>If "Yes," indicate how the hospital facility publicized the policy (check all that apply)   |  | <b>14</b> | Yes |           |    |
| <b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website  |  |           |     |           |    |
| <b>b</b> <input type="checkbox"/> The policy was attached to billing invoices  |  |           |     |           |    |
| <b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms   |  |           |     |           |    |
| <b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices   |  |           |     |           |    |
| <b>e</b> <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility   |  |           |     |           |    |
| <b>f</b> <input checked="" type="checkbox"/> The policy was available upon request   |  |           |     |           |    |
| <b>g</b> <input checked="" type="checkbox"/> Other (describe in Part VI)   |  |           |     |           |    |
| Billing and Collections  |  |           |     |           |    |
| <b>15</b> 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? . . . . .                                      |  | <b>15</b> | Yes |           |    |
| <b>16</b> Check all of the following 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                                     |  |           |     |           |    |
| <b>a</b> <input type="checkbox"/> Reporting to credit agency   |  |           |     |           |    |
| <b>b</b> <input type="checkbox"/> Lawsuits   |  |           |     |           |    |
| <b>c</b> <input type="checkbox"/> Liens on residences  |  |           |     |           |    |
| <b>d</b> <input type="checkbox"/> Body attachments   |  |           |     |           |    |
| <b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)  |  |           |     |           |    |
| <b>17</b> 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? . . . . .  |  |           |     | <b>17</b> | No |
| If "Yes," check all actions in which the hospital facility or a third party engaged  |  |           |     |           |    |
| <b>a</b> <input type="checkbox"/> Reporting to credit agency   |  |           |     |           |    |
| <b>b</b> <input type="checkbox"/> Lawsuits   |  |           |     |           |    |
| <b>c</b> <input type="checkbox"/> Liens on residences  |  |           |     |           |    |
| <b>d</b> <input type="checkbox"/> Body attachments   |  |           |     |           |    |
| <b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)  |  |           |     |           |    |

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☐

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

|    |  | Yes | No |
|----|--|-----|----|
| 19 | 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? . . . . .<br>If "No," indicate why |     |    |
| 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)   |     |    |

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

|    |  |  |    |
|----|--|--|----|
| 20 | Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care  |  |    |
| a  | <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged   |  |    |
| b  | <input type="checkbox"/> The hospital facility used the average of its 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 checked="" type="checkbox"/> Other (describe in Part VI)  |  |    |
| 21 | During the tax year, did the hospital facility charge any FAP-eligible individuals 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? . . . . .<br>If "Yes," explain in Part VI |  | No |
| 22 | During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? . . . . .<br>If "Yes," explain in Part VI  |  | No |

Part V

Facility Information (continued)

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?

6

| Name and address |  | Type of Facility (describe)                                  |
|------------------|--|--|
| 1                | Washington Regional Medical Center<br>3017 N Bob Younkin Ste 102<br>Fayetteville, AR 72703 | Wound Clinic, Hyperbaric Clini Infusion Clinic, Diabetic Edu |
| 2                | Washington Regional Medical Center<br>1125 N College<br>Fayetteville, AR 72703             | Sleep Lab  |
| 3                | Washington Regional Hospice<br>34 Colt Square<br>Fayetteville, AR 72703                    | Hospice  |
| 4                | Washington Regional Home Health<br>88 Colt Square<br>Fayetteville, AR 72703                | Home Health Services   |
| 5                | Washington Regional Center for Health<br>813 Founders Park Drive<br>Springdale, AR 72762   | Radiology Services Physical Therapy Services                 |
| 6                | Willard Walker Hospice Home<br>325 E Longview Street<br>Fayetteville, AR 72703             | Inpatient hospice facility                                   |
| 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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

| Identifier      | ReturnReference  | Explanation  |
|-----------------|--|--|
| PART I, LINE 6A | Does the organization prepare a community benefit report | The organization prepares a community benefit report annually and presents the report to the Washington County, Arkansas Quorum Court The report is also posted on the organization's website  |
| PART I, LINE 7G | Subsidized Health Services                               | The organization reports subsidized health services for certain clinics The subsidy reported is equal to the amount of operating loss less the provision for uncollectible accounts The clinics for which the organization subsidizes meet certain criteria as set forth by the IRS including services for seniors, neonatal services, women's services and psychiatric services |



| Identifier       | ReturnReference                 | Explanation   |
|------------------|---------------------------------|---|
| PART III, LINE 4 | Description of Bad Debt Expense | On the basis of historical experience, a significant portion of the organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the organization records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient revenue. The cost of bad debt is estimated using a cost to charge ratio. The amount of bad debt attributable to patients eligible for charity is estimated to be 10%, or a relatively small number. Patients have many chances to learn about financial assistance, and the assumption is made that qualifying patients will act upon the receipt of such information. The organization follows the VHA/Catholic Health Association's guide for planning and reporting community benefits. As such, the organization does not report bad debt from the treatment of patients as a community benefit. |
| PART III, LINE 8 |                                 | The organization uses a cost accounting system to determine the cost of services provided to Medicare patients. The organization follows the VHA/Catholic Health Association's guide for planning and reporting community benefits. As such, the organization does not report shortfalls from the treatment of Medicare patients as a community benefit.  |

| Identifier                  | ReturnReference  | Explanation   |
|-----------------------------|--|---|
| PART III, LINE 9B           | Collection Practice for Patients Known to Qualify for Financial Assistance | The organization's bad debt policy specifically addresses that collection agencies are required to analyze the patient's ability to pay. In the event that charity is identified, collection efforts are suspended and the account is written off to charity on a timely basis. |
| PART V, SECTION B, LINE 12H |  | When determining discounted care, the organization considers multiple factors such as gross income, family size, and net pay in relation to reported expenses.  |

| Identifier                  | ReturnReference   | Explanation   |
|-----------------------------|---|---|
| PART V, SECTION B, LINE 14G | Other measures to publicize financial assistance policy | The organization's business office sends multiple billing letters to patients prior to turning accounts to collection. These letters ask the patient to contact the business office if they feel they may qualify for financial assistance.   |
| PART V, SECTION B, LINE 20D |   | On a gross basis, all patients are charged the same amount based on the organization's charge master. If a patient is uninsured, the organization discounts the gross charges by 45% before financial assistance eligibility is determined. If the patient is eligible for financial assistance, further reductions ranging from 60-100% could apply. |

| Identifier      | ReturnReference                                 | Explanation   |
|-----------------|---|---|
| PART VI, LINE 2 | NEEDS ASSESSMENT                                | <p>The organization assesses needs in a variety of ways. With respect to practitioner recruitment for development of new health care services, the organization may perform internal assessments of the need for such providers and/or services or engage external consultants to assess those needs.</p> <p>Additionally, the organization is advised of community needs by its community-based board of directors, medical staff, local government and local nonprofit organizations. The organization also identifies the need for new services or shortcomings in existing community health resources by analyzing utilization patterns in its service offerings, I.e. patients presenting to the emergency room for services no longer provided elsewhere. The Pat Walker Center for Seniors is an example where the organization has responded to the needs of the aging patient population. This patient population became underserved when other local providers elected to discontinue or limit services to patients with Medicare.</p>  |
| PART VI, LINE 3 | PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE | <p>During pre-registration and registration, staff identify patient financial needs during discussions of source of payment. When a patient states an inability to pay, organization personnel screen for financial assistance eligibility by asking for income and family size. Patients that staff believe may qualify for financial assistance are referred to financial counselors to discuss financial assistance available, information needed and the decision process. During the accounts receivable pre-collection process, correspondence letters from the organization clearly state that patients who believe that they may qualify for the financial assistance program should call for this specific help. Phone discussions during the A/R pre-collection phase and the bad debt collection phase screen for those who may qualify for benefits under the financial assistance policy. These efforts are evidenced by instances of financial assistance provided to accounts that were either in the pre-collection or bad debt collections phases when the financial assistance determination was made. The organization also attempts to identify health care coverage under federal and state programs and facilitates patients' enrollment in such programs. Funding of these efforts cost \$287,000 in 2012.</p> |

| Identifier      | ReturnReference               | Explanation  |
|-----------------|-------------------------------|--|
| PART VI, LINE 4 | COMMUNITY INFORMATION         | <p>The organization serves as a regional referral center for northwest Arkansas, western Oklahoma and southwest Missouri. WRMC's primary and secondary service areas include Washington, Benton, Madison, Carroll and Boone counties. In 2012, the estimated population according to the US Census Bureau for each of these five counties was as follows: Washington, 211,411, Benton, 232,268, Madison, 15,645, Carroll, 27,610, and Boone, 37,327. The median household income in 2012 for each of these counties was as follows: Washington, \$41,474, Benton, \$52,159, Madison, \$35,579, Carroll, \$36,031 and Boone, \$37,703. The percentage of persons below the poverty level range from 11.8% in Benton County to 20.8% in Madison County. In 2012, white persons made up the greatest percentage of the population for each of the counties. Persons of Hispanic or Latino origin were the second highest ranging from 2.2% in Boone County to 16.1% in Washington County. Over 76% of our inpatient admissions were from Washington and Benton counties. Inpatient admissions from other counties in our secondary service area totaled 14%, with the remaining percentage coming from neighboring Oklahoma and Missouri as well as other counties in Arkansas and across the nation. Washington and Benton county residents represented 84% of our outpatient cases. Of the total admissions in 2012, approximately 18% were uninsured or Medicaid recipients. There are two other medical systems in northwest Arkansas that own five hospitals in the primary and secondary service areas of Washington Regional Medical Center.</p> |
| PART VI, LINE 5 | PROMOTION OF COMMUNITY HEALTH | <p>The organization provides community support through being a major participant in disaster readiness, public health emergency activities and community disease surveillance. From an environmental perspective, the organization segregates and properly disposes of hazardous clinical waste in order to safeguard community natural resources. Part of the organization's mission is to improve the health of the citizens in the communities we serve. The organization added walking trails around the campus, connected these trails to the city's walking trails and contributed land to the city to add to its walking trails. The organization continually assesses the need for various types of physicians and recruits as appropriate. In 2012, Washington Regional welcomed 33 new physicians to the medical staff. With skills and expertise that complement existing practices and serve a demonstrated need in the community, these new physicians represent a wide range of medical specialties: Allergy &amp; Immunology, Anesthesiology, Cardiovascular Surgery, Electrophysiology, Emergency Medicine, Family Practice, General Surgery, Gynecology, Hospice &amp; Palliative Care, Hospitalist, Internal Medicine, Nephrology, Ophthalmology, Physical Medicine &amp; Rehab, Pathology, Radiology, Teleradiology, Telestroke and Urology. Included in the 2012 community benefit totals are amounts for which the organization provided financial support to local nursing education programs. Total support for these programs in 2012 was \$150,000.</p>   |

| Identifier      | ReturnReference                        | Explanation |
|-----------------|--|-------------|
| PART VI, LINE 6 | AFFILIATED HEALTH CARE<br>SYSTEM ROLES |             |



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Schedule I  
(Form 990)

Department of the Treasury  
Internal Revenue Service

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

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

DLN: 93493319063393

OMB No 1545-0047

2012

Open to Public  
Inspection

Name of the organization  
Washington Regional Medical Center

Employer identification number  
71-0664687

Part I

General Information on Grants and Assistance

- 1

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

Yes

No
- 2

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

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

| (a) Name and address of organization or government                                   | (b) EIN    | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV, appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|--|------------|------------------------------------|--------------------------|-----------------------------------|---|--|------------------------------------|
| (1) NWA Free Health Center<br>10 South College<br>Fayetteville, AR 72701             | 58-1691790 | 501(c)(3)                          | 25,000                   | 11,382                            | Cost  | Medical Supp                           | Community Needs                    |
| (2) Washington County HIV clinic<br>3270 N Wimberly Dr<br>Fayetteville, AR 72703     | 71-6003197 |                                    | 78,500                   |                                   | COST  |  | Community Needs                    |
| (3) Arkansas Department of Health<br>4815 W Markham Slot 57<br>Little Rock, AR 72703 | 71-6007358 |                                    | 62,471                   |                                   | Cost  |  | Community Needs                    |
| (4) Arkansas Dept of Human Services<br>PO Box 1437<br>Little Rock, AR 72203          | 71-0847443 |                                    | 22,371                   |                                   | Cost  |  | Community Needs                    |
| (5) NWA Community College Foundation<br>1 College Drive<br>Bentonville, AR 72712     | 71-0697377 | 501(c)(3)                          | 50,000                   |                                   | Cost  |  | Nursing School Donation            |
| (6) WRM System<br>3215 N North Hills blvd<br>Fayetteville, AR 72703                  | 71-0664686 | 501(c)(3)                          | 2,892,000                |                                   | Cost  |  | Community Needs                    |
| (7) Fayetteville City Hospital<br>221 S School<br>Fayetteville, AR 72701             | 71-0707450 | 501(c)(3)                          | 53,105                   |                                   | Cost  |  | Community Needs                    |
| (8) University of Arkansas<br>300 UNIVERSITY HOUSE<br>FAYETTEVILLE, AR 72701         | 71-6003252 | 170(b)(1)(A)(v)                    | 100,000                  |                                   | Cost  |  | Nursing School Donation            |
|  |            |                                    |                          |                                   |   |  |                                    |
|  |            |                                    |                          |                                   |   |  |                                    |
|  |            |                                    |                          |                                   |   |  |                                    |
|  |            |                                    |                          |                                   |   |  |                                    |

2

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

4

3

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

8



**Part III**

**Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22.  
Part III can be duplicated if additional space is needed.

| (a)Type of grant or assistance | (b)Number of recipients | (c)Amount of cash grant | (d)Amount of non-cash assistance | (e)Method of valuation (book, FMV, appraisal, other) | (f)Description of non-cash assistance |
|--------------------------------|-------------------------|-------------------------|----------------------------------|--|---------------------------------------|
|                                |                         |                         |                                  |  |                                       |
|                                |                         |                         |                                  |  |                                       |
|                                |                         |                         |                                  |  |                                       |
|                                |                         |                         |                                  |  |                                       |
|                                |                         |                         |                                  |  |                                       |
|                                |                         |                         |                                  |  |                                       |

| Part IV Supplemental Information.  |                  |             |
|--|------------------|-------------|
| Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information |                  |             |
| Identifier   | Return Reference | Explanation |

Software ID:

Software Version:

EIN: 71-0664687

Name: Washington Regional Medical Center

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

| (a) Name and address of organization or government                    | (b) EIN    | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV, appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|---|------------|------------------------------------|--------------------------|-----------------------------------|---|--|------------------------------------|
| NWA Free Health Center10 South College Fayetteville, AR 72701         | 58-1691790 | 501(c)(3)                          | 25,000                   | 11,382                            | Cost  | Medical Supp                           | Community Needs                    |
| Washington County HIV clinic3270 N Wimberly Dr Fayetteville, AR 72703 | 71-6003197 |                                    | 78,500                   |                                   | COST  |  | Community Needs                    |

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

| (a) Name and address of organization or government                           | (b) EIN    | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV, appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|--|------------|------------------------------------|--------------------------|-----------------------------------|---|--|------------------------------------|
| Arkansas Department of Health4815 W Markham Slot 57<br>Little Rock, AR 72703 | 71-6007358 |                                    | 62,471                   |                                   | Cost  |  | Community Needs                    |
| Arkansas Dept of Human ServicesPO Box 1437<br>Little Rock, AR 72203          | 71-0847443 |                                    | 22,371                   |                                   | Cost  |  | Community Needs                    |

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

| (a) Name and address of organization or government                   | (b) EIN    | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV , appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|--|------------|------------------------------------|--------------------------|-----------------------------------|--|--|------------------------------------|
| NWA Community College Foundation1 College Drive Bentonville,AR 72712 | 71-0697377 | 501(c)(3)                          | 50,000                   |                                   | Cost   |  | Nursing School Donation            |
| WRM System3215 N North Hills blvd Fayetteville,AR 72703              | 71-0664686 | 501(c)(3)                          | 2,892,000                |                                   | Cost   |  | Community Needs                    |

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

| (a) Name and address of organization or government                | (b) EIN    | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV, appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|---|------------|------------------------------------|--------------------------|-----------------------------------|---|--|------------------------------------|
| Fayetteville City Hospital221 S School Fayetteville, AR 72701     | 71-0707450 | 501(c)(3)                          | 53,105                   |                                   | Cost  |  | Community Needs                    |
| University of Arkansas300 UNIVERSITY HOUSE FAYETTEVILLE, AR 72701 | 71-6003252 | 170(b)(1)(A)(v)                    | 100,000                  |                                   | Cost  |  | Nursing School Donation            |

Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
Washington Regional Medical Center

Employer identification number  
71-0664687

| Part I | Questions Regarding Compensation   |   | Yes | No |
|--------|--|---|-----|----|
| 1a     | Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items  |   |     |    |
|        | <div><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><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> |     |    |
| b      | If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain   | 1b  |     |    |
| 2      | Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?   | 2   |     |    |
| 3      | Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III |   |     |    |
|        | <div><input checked="" type="checkbox"/> Compensation committee</div> <div><input checked="" type="checkbox"/> Independent compensation consultant</div> <div><input type="checkbox"/> Form 990 of other organizations</div>   | <div><input checked="" type="checkbox"/> Written employment contract</div> <div><input checked="" type="checkbox"/> Compensation survey or study</div> <div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div>   |     |    |
| 4      | During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization   |   |     |    |
| a      | Receive a severance payment or change-of-control payment?  | 4a  |     | No |
| b      | Participate in, or receive payment from, a supplemental nonqualified retirement plan?  | 4b  | Yes |    |
| c      | Participate in, or receive payment from, an equity-based compensation arrangement?   | 4c  |     | No |
|        | If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III   |   |     |    |
|        | Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.   |   |     |    |
| 5      | For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of  |   |     |    |
| a      | The organization?  | 5a  |     | No |
| b      | Any related organization?  | 5b  |     | No |
|        | If "Yes," to line 5a or 5b, describe in Part III   |   |     |    |
| 6      | For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of  |   |     |    |
| a      | The organization?  | 6a  |     | No |
| b      | Any related organization?  | 6b  |     | No |
|        | If "Yes," to line 6a or 6b, describe in Part III   |   |     |    |
| 7      | For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III   | 7   |     | No |
| 8      | Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III  | 8   |     | No |
| 9      | If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?   | 9   |     |    |

**Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is 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, applicable column (D) and (E) amounts for that individual

| (A) Name and Title        |  | (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 as deferred in prior Form 990 |
|---------------------------|--|--|-------------------------------------|-------------------------------------|--|-------------------------|---------------------------------|---|
|                           |  | (i) Base compensation                              | (ii) Bonus & incentive compensation | (iii) Other reportable compensation |  |                         |                                 |   |
| See Additional Data Table |  |  |                                     |                                     |  |                         |                                 |   |

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

| Identifier                 | Return Reference   | Explanation   |
|----------------------------|--|---|
| SCHEDULE J, PART I, LINE 3 | METHODS USED TO ESTABLISH COMPENSATION OF TOP OFFICIAL                   | The Board of Directors of a Related Organization (Washington Regional Medical System) has a standing Compensation Committee comprised of independent members of the Board of Directors of the Related Organization that regularly review the performance of the members of senior management of the Organization, engage independent compensation consultant, tax and legal advisors to ascertain and opine as to the reasonableness of total compensation paid to members of senior management, as determined on the basis of compensation surveys prepared by such advisors, and who determine the total compensation paid members of senior management of the Organization in conformance with the rebuttable presumption requirements of Section 4958 of the Internal Revenue Code. |
| SCHEDULE J, PART I, 4B     | PARTICIPATE IN, OR RECEIVE PMTS FROM SUPPLEMENTAL NON-QUALIFIED RET PLAN | WILLIAM L BRADLEY RECEIVED 70267 FROM PARTICIPATION IN A 457(F) PLAN. MARK A BEVER RECEIVED 38399 FROM PARTICIPATION IN A 457(F) PLAN. DANIEL R ECKELS RECEIVED 34712 FROM PARTICIPATION IN A 457(F) PLAN. THOMAS J OLMSTEAD RECEIVED 43762 FROM PARTICIPATION IN A 457(F) PLAN. JAMES L SHACKELFORD RECEIVED 25371 FROM PARTICIPATION IN A 457(F) PLAN. DAVID G RATCLIFF RECEIVED 52139 FROM PARTICIPATION IN A 457(F) PLAN. REBECCA D MAGEE RECEIVED 23904 FROM PARTICIPATION IN A 457(F) PLAN. CLAUDIA A WILLIAMS RECEIVED 20262 FROM PARTICIPATION IN A 457(F) PLAN. WILLIAM C ROGERS RECEIVED 16886 FROM PARTICIPATION IN A 457(F) PLAN.   |



Software ID:  
Software Version:  
EIN: 71-0664687  
Name: Washington Regional Medical Center

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

| (A) Name             |             | (B) Breakdown of W-2 and/or 1099-MISC compensation |                                     |                          | (C) 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 compensation |                           |                         |                                 |  |
| William L Bradley    | (i)<br>(ii) | 411,559  | 142,141                             | 73,028                   | 84,384                    | 23,950                  | 735,062                         | 70,214   |
| Mark A Bever         | (i)<br>(ii) | 261,650  | 80,597                              | 41,080                   | 42,497                    | 9,478                   | 435,302                         | 33,319   |
| James L Shackelford  | (i)<br>(ii) | 231,537  | 71,321                              | 25,294                   | 45,918                    | 13,443                  | 387,513                         | 25,170   |
| Claudia A Williams   | (i)<br>(ii) | 153,842  | 47,389                              | 16,988                   | 27,548                    | 11,819                  | 257,586                         | 20,247   |
| Daniel R Eckels      | (i)<br>(ii) | 233,657  | 71,974                              | 34,836                   | 45,590                    | 9,669                   | 395,726                         | 34,686   |
| Rebecca D Magee      | (i)<br>(ii) | 223,526  | 68,993                              | 21,784                   | 31,470                    | 18,598                  | 364,371                         | 21,221   |
| William C Rogers     | (i)<br>(ii) | 137,385  | 42,319                              | 12,104                   | 19,168                    | 11,991                  | 222,967                         | 13,950   |
| David G Ratcliff MD  | (i)<br>(ii) | 180,581<br>97,236                                  | 85,432                              | 51,985                   | 57,619<br>4,375           | 15,878<br>4,007         | 391,495<br>105,618              | 36,968<br>9,329  |
| Thomas J Olmstead    | (i)<br>(ii) | 249,581  | 76,880                              | 45,803                   | 55,036                    | 10,018                  | 437,318                         | 43,729   |
| Eileen C Kradel      | (i)<br>(ii) | 126,080  | 28,625                              | 1,200                    | 6,304                     | 4,179                   | 166,388                         |  |
| Stanley C Bradley MD | (i)<br>(ii) | 200,000  | 5,000                               | 12,682                   | 10,000                    | 10,970                  | 238,652                         |  |
| James A Newton MD    | (i)<br>(ii) | 122,729<br>81,819                                  | 5,000                               | 423                      |                           | 6,361<br>4,241          | 129,513<br>91,060               |  |
| Mike W Horn          | (i)<br>(ii) | 185,908  | 130                                 |                          | 6,728                     | 9,102                   | 201,868                         |  |
| Ramona McLean        | (i)<br>(ii) | 166,988  | 15,237                              |                          | 6,379                     | 10,208                  | 198,812                         |  |

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 Part VI.  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
Washington Regional Medical Center

Employer identification number  
71-0664687

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 | WASHINGTON COUNTY ARKANSAS SERIES 2005A | 71-6003197     |             | 08-17-2005      | 24,770,750      | NEW HOSPITAL CONSTRUCTION      |              | X  |                         | X  |                    | X  |
| B | WASHINGTON COUNTY ARKANSAS SERIES 2005B | 71-6003197     |             | 08-17-2005      | 85,282,996      | REFUNDED BONDS ISSUED 4/5/2000 |              | X  |                         | X  |                    | X  |

Part II

Proceeds

|    |  | A          |    | B          |    | C   |    | D   |    |
|----|--|------------|----|------------|----|-----|----|-----|----|
| 1  | Amount of bonds retired  | 0          |    | 0          |    |     |    |     |    |
| 2  | Amount of bonds legally defeased   | 0          |    | 0          |    |     |    |     |    |
| 3  | Total proceeds of issue  | 24,826,306 |    | 85,466,596 |    |     |    |     |    |
| 4  | Gross proceeds in reserve funds  | 0          |    | 5,959,848  |    |     |    |     |    |
| 5  | Capitalized interest from proceeds   | 0          |    | 0          |    |     |    |     |    |
| 6  | Proceeds in refunding escrows  | 0          |    | 84,056,889 |    |     |    |     |    |
| 7  | Issuance costs from proceeds   | 218,340    |    | 739,654    |    |     |    |     |    |
| 8  | Credit enhancement from proceeds   | 0          |    | 0          |    |     |    |     |    |
| 9  | Working capital expenditures from proceeds   | 0          |    | 0          |    |     |    |     |    |
| 10 | Capital expenditures from proceeds   | 24,552,410 |    | 0          |    |     |    |     |    |
| 11 | Other spent proceeds   | 0          |    | 0          |    |     |    |     |    |
| 12 | Other unspent proceeds   | 0          |    | 0          |    |     |    |     |    |
| 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  |     |    |     |    |
| 15 | Were the bonds issued as part of an advance refunding issue?   |            | X  | X          |    |     |    |     |    |
| 16 | Has the final allocation of proceeds been made?  | X          |    | X          |    |     |    |     |    |
| 17 | Does the organization maintain adequate books and records to support the final allocation of proceeds? | X          |    | X          |    |     |    |     |    |

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

|    |  | A   |    | B   |    | C   |    | D   |    |
|----|--|-----|----|-----|----|-----|----|-----|----|
|    |  | Yes | No | Yes | No | Yes | No | Yes | No |
| 3a | Are there any management or service contracts that may result in private business use of bond-financed property?   |     | X  |     | X  |     |    |     |    |
| b  | If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?   |     |    |     |    |     |    |     |    |
| c  | Are there any research agreements that may result in private business use of bond-financed property?   |     | X  |     | X  |     |    |     |    |
| d  | If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?   |     |    |     |    |     |    |     |    |
| 4  | Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government  | 0 % |    | 0 % |    | %   |    | %   |    |
| 5  | Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government | %   |    | %   |    | %   |    | %   |    |
| 6  | Total of lines 4 and 5   | %   |    | %   |    | %   |    | %   |    |
| 7  | Does the bond issue meet the private security or payment test?   |     | X  |     | X  |     |    |     |    |
| 8a | Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?   |     | X  |     | X  |     |    |     |    |
| b  | If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of  | %   |    | %   |    | %   |    | %   |    |
| c  | If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?  |     | X  |     | X  |     |    |     |    |
| 9  | Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?                           |     | X  |     | X  |     |    |     |    |

Part IV

Arbitrage

|    |  | A   |    | B   |    | C   |    | D   |    |
|----|--|-----|----|-----|----|-----|----|-----|----|
|    |  | Yes | No | Yes | No | Yes | No | Yes | No |
| 1  | Has the issuer filed Form 8038-T?  |     | X  |     | X  |     |    |     |    |
| 2  | If "No" to line 1, did the following apply?  |     |    |     |    |     |    |     |    |
| a  | Rebate not due yet?  |     | X  |     | X  |     |    |     |    |
| b  | Exception to rebate?   |     | X  |     | X  |     |    |     |    |
| c  | No rebate due?   | X   |    | X   |    |     |    |     |    |
|    | If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed    |     |    |     |    |     |    |     |    |
| 3  | Is the bond issue a variable rate issue?   |     | X  |     | X  |     |    |     |    |
| 4a | Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue? |     | X  |     | X  |     |    |     |    |
| b  | Name of provider   | 0   |    | 0   |    |     |    |     |    |
| c  | Term of hedge  |     |    |     |    |     |    |     |    |
| d  | Was the hedge superintegrated?   |     |    |     |    |     |    |     |    |
| e  | Was a hedge terminated?  |     |    |     |    |     |    |     |    |

Part IV

Arbitrage (Continued)

|    |   | A   |    | B   |    | C   |    | D   |    |
|----|---|-----|----|-----|----|-----|----|-----|----|
|    |   | Yes | No | Yes | No | Yes | No | Yes | No |
| 5a | Were gross proceeds invested in a guaranteed investment contract (GIC)?                         |     | X  |     | X  |     |    |     |    |
| b  | Name of provider  | 0   |    | 0   |    |     |    |     |    |
| c  | Term of GIC   |     |    |     |    |     |    |     |    |
| d  | Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?     |     |    |     |    |     |    |     |    |
| 6  | Were any gross proceeds invested beyond an available temporary period?                          |     | X  |     | X  |     |    |     |    |
| 7  | Has the organization established written procedures to monitor the requirements of section 148? | X   |    | X   |    |     |    |     |    |

Part V

Procedures To Undertake Corrective Action

|   |  | A   |    | B   |    | C   |    | D   |    |
|---|--|-----|----|-----|----|-----|----|-----|----|
|   |  | Yes | No | Yes | No | Yes | No | Yes | No |
| 1 | Has 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? | X   |    | X   |    |     |    |     |    |

Part VI

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

| Identifier  | Return Reference | Explanation |
|---|------------------|-------------|
| Part IV, Line 1c Arbitrage Rebate Calculation 5/31/13 | 0                |             |

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, line 38a or 40b.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

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2012

Open to Public Inspection

|  |  |
|--|--|
| Name of the organization<br>Washington Regional Medical Center | Employer identification number<br><br>71-0664687 |
|--|--|

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) Relationship between disqualified person and organization | (c) Description of transaction | (d) Corrected? |    |
|---|---------------------------------|---|--------------------------------|----------------|----|
|   |                                 |   |                                | Yes            | No |
|   |                                 |   |                                |                |    |
|   |                                 |   |                                |                |    |
|   |                                 |   |                                |                |    |
|   |                                 |   |                                |                |    |
|   |                                 |   |                                |                |    |
|   |                                 |   |                                |                |    |
|   |                                 |   |                                |                |    |

2 Enter the amount of tax incurred by 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-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

| (a) Name of interested person | (b) Relationship with organization | (c) Purpose of loan | (d) Loan to or from the organization? |      | (e) Original principal amount | (f) Balance due | (g) In default? |    | (h) Approved by board or committee? | (i) Written agreement? |    |
|-------------------------------|------------------------------------|---------------------|---------------------------------------|------|-------------------------------|-----------------|-----------------|----|-------------------------------------|------------------------|----|
|                               |                                    |                     | To                                    | From |                               |                 | 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 assistance | (d) Type of assistance | (e) Purpose of assistance |
|-------------------------------|---|--------------------------|------------------------|---------------------------|
|                               |   |                          |                        |                           |
|                               |   |                          |                        |                           |
|                               |   |                          |                        |                           |
|                               |   |                          |                        |                           |
|                               |   |                          |                        |                           |

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

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

| (a) Name of interested person | (b) Relationship between interested person and the organization | (c) Amount of transaction | (d) Description of transaction | (e) Sharing of organization's revenues? |    |
|-------------------------------|---|---------------------------|--------------------------------|---|----|
|                               |   |                           |                                | Yes                                     | No |
| (1) Anthony N Hui MD          | Director  | 365,100                   | Pathology Services             |   | No |
| (2) William L Bradley         | President & CEO   | 159,959                   | Bank Fees,Investment Interest  |   | No |
|                               |   |                           |                                |   |    |
|                               |   |                           |                                |   |    |
|                               |   |                           |                                |   |    |
|                               |   |                           |                                |   |    |

**Part V Supplemental Information**

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

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

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

2012

Open to Public Inspection

Name of the organization  
Washington Regional Medical Center

Employer identification number  
71-0664687

| Identifier                                | Return Reference   | Explanation  |
|---|--|--|
| PART VI, SECTION B, LINE 11B              | COPY OF FORM 990 PROVIDED TO GOVERNING BODY PRIOR TO FILING                | At a duly called meeting of the Organization's Audit and Finance Committee, which is comprised of the Organization's board of directors, held in November 2013, copies of the proposed Form 990 filing prepared on behalf of the Organization were presented and review ed with the board membership by the Organization's Chief Financial Officer and General Counsel   |
| PART VI, SECTION B, LINE 12 C             | MONITOR AND ENFORCE COMPLIANCE WITH CONFLICT OF INTEREST POLICY            | The terms of the Conflict of Interest Policy are incorporated within the Bylaws of the Organization, and are reviewed annually with the Board of Directors All Directors are required to sign an acknow ledgment that they have review ed the policy and are aw are of its terms The policy is review ed in detail at the time of new board member orientation As potential conflicts arise, those conflicts are addressed pursuant to the policy  |
| PART VI, SECTION B, LINE 15B              | PROCESS FOR DETERMINING COMPENSATION                                       | The Board of Directors of a Related Organization (Washington Regional Medical System) has a standing Compensation Committee comprised of independent members of the Board of Directors of the Related Organization that regularly reviews the performance of the members of senior management of the Organization, engages independent compensation consultants, tax and legal advisors to ascertain and opine as to the reasonableness of total compensation paid to members of senior management, as determined on the basis of compensation surveys prepared by such advisors, and who determine the total compensation paid members of senior management of the Organization in conformance w ith the rebuttable presumption requirements of Section 4958 of the Internal Revenue Code |
| PART VI, SECTION C, LINE 19               | HOW THE ORGANIZATION MAKES CERTAIN DOCUMENTS AVAILABLE TO THE PUBLIC       | The Organization's Form 990 filing, governing documents, conflict of interest policy, and certain financial statements are available to the public upon written request  |
| PART VI, SECTION A, LINE 2, SCH L Part IV | OFFICER OR DIRECTOR BUSINESS RELATIONSHIPS                                 | Ann Rosso and Woody Bassett serve as Directors for both the Organization and The Bank of Fayetteville The Organization maintains bank accounts at The Bank of Fayetteville Bill Bradley, CEO, serves as a director of Arvest Bank The organization also maintains bank accounts at Arvest Anthony Hui is a Director of the Organization and serves as the President of NorthWest Arkansas Pathology Associates, P A The Organization purchases pathology services from NorthWest Arkansas Pathology Associates, P A  |
| PART VI, SECTION A, LINE 7A               | DOES THE ORGANIZATION HAVE MEMBERS WHO MAY ELECT MEMBERS OF GOVERNING BODY | THE ORGANIZATION HAS A MEMBER WHO IS AUTHORIZED TO ELECT ONE OR MORE MEMBERS OF THE ORGANIZATION'S GOVERNING BODY AS PERMITTED UNDER THE ARKANSAS NONPROFIT CORPORATION ACT OF 1993  |
| PART VI, SECTION A, LINE 6                | DOES THE ORGANIZATION HAVE MEMBERS OR STOCKHOLDERS                         | THE ORGANIZATION HAS A MEMBER AS PERMITTED UNDER THE ARKANSAS NONPROFIT CORPORATION ACT OF 1993  |
| PART VI, SECTION A, LINE 7B               | ARE ANY DECISIONS OF THE GOVERNING BODY SUBJECT TO APPROVAL BY MEMBER?     | THE MEMBER OF THE ORGANIZATION HAS THE RIGHT TO APPROVE CERTAIN ACTIONS OF THE ORGANIZATION'S GOVERNING BODY AS ARE RESERVED TO THE MEMBER UNDER THE ARKANSAS NONPROFIT CORPORATION ACT OF 1993  |
| PART XI, LINE 9                           | Other changes in net assets or fund balance                                | Issuance of member units 2,566,867 Distributions to noncontrolling interest -699,368 Contributions from WRM Foundation for acquisition of property 1,872,946 Change in beneficial interest in net asset of WRM foundation for property acquisitions -786,517 Transfers to affiliates -15,550,000 Change in beneficial interest in net asset of WRM Foundation for property acquisition -344,001  |
| PART VII, SECTION A, COLUMN B             | HOURS FOR RELATED ORGANIZATIONS  | DAVID RATCLIFF, MD SPENDS APPROXIMAT ELY 14 HOURS A WEEK WORKING FOR RELATED ORGANIZATION WASHINGTON REGIONAL MEDICAL SYSTEM AT THE PAT WALKER SENIOR CENTER SEEING MEDICARE PATIENTS JAMES WARDEIN ALLOCATES 26 4 HOURS PER WEEK TO RELATED ORGANIZATION HEALTH PARTNERS PHO AS ITS EXECUTIVE DIRECTOR  |

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

2012

Open to Public Inspection

Name of the organization  
Washington Regional Medical Center

Employer identification number  
71-0664687

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

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

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

| (a)<br>Name, address, and EIN of related organization   | (b)<br>Primary activity | (c)<br>Legal domicile (state or foreign country) | (d)<br>Exempt Code section | (e)<br>Public charity status (if section 501(c)(3)) | (f)<br>Direct controlling entity | (g)<br>Section 512(b)(13) controlled entity? |    |
|---|-------------------------|--|----------------------------|---|----------------------------------|--|----|
|   |                         |  |                            |   |                                  | Yes  | No |
| (1) WASHINGTON REGIONAL MEDICAL SYSTEM<br><br>3215 N NORTHHILS BLVD<br><br>FAYETTEVILLE, AR 72703<br>71-0664686     | PHYS CLINIC             | AR   | 501(C)3                    | 11  | WRMC                             | Yes  |    |
| (2) WASHINGTON REGIONAL MEDICAL SERVICES<br><br>3215 N NORTHHILLS BLVD<br><br>FAYETTEVILLE, AR 72703<br>71-0664683  | MEDICAL R/E             | AR   | 501(C)3                    | 11  | WRMC                             | Yes  |    |
| (3) WASHINGTON REGIONAL MEDICORP<br><br>3215 N NORTHHILLS BLVD<br><br>FAYETTEVILLE, AR 72703<br>71-0707450          | LTC/SNF/AL              | AR   | 501(C)3                    | 3   | WRMC                             | Yes  |    |
| (4) WASHINGTON REGIONAL FOUNDATION<br><br>3215 N NORTHHILLS<br><br>FAYETTEVILLE, AR 72703<br>71-0664685             | FUNDRAISING             | AR   | 501(C)3                    | 11  | WRMC                             | Yes  |    |
| (5) WASHINGTON REGIONAL OUTREACH SERVICES<br><br>3215 N NORTHHILLS BLVD<br><br>FAYETTEVILLE, AR 72703<br>58-1913581 | MEDICAL R/E             | AR   | 501(C)3                    | 11  | WRMC                             | Yes  |    |
| (6) EUREKA REGIONAL HEALTH<br><br>3215 N NORTHHILLS BLVD<br><br>FAYETTEVILLE, AR 72703<br>71-0769450                | MEDICAL R/E             | AR   | 501(C)3                    | 11  | WRMC                             | Yes  |    |
|   |                         |  |                            |   |                                  |  |    |



Part III

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

| (a)<br>Name, address, and EIN of<br>related organization   | (b)<br>Primary activity | (c)<br>Legal<br>domicile<br>(state or<br>foreign<br>country) | (d)<br>Direct<br>controlling<br>entity | (e)<br>Predominant<br>income(related,<br>unrelated,<br>excluded from<br>tax under<br>sections 512-<br>514) | (f)<br>Share of total<br>income | (g)<br>Share of end-<br>of-year<br>assets | (h)<br>Dispropportionate<br>allocations? |    | (i)<br>Code V—UBI<br>amount in<br>box 20 of<br>Schedule K-1<br>(Form 1065) | (j)<br>General or<br>managing<br>partner? |    | (k)<br>Percentage<br>ownership |
|--|-------------------------|--|--|--|---------------------------------|---|--|----|--|---|----|--------------------------------|
|  |                         |  |  |  |                                 |   | Yes                                      | No |  | Yes                                       | No |                                |
| (1) DIALYSIS CENTER OF NORTHWEST<br>ARKANSAS<br><br>107 E MONTE PAINTER DR<br>FAYETTEVILLE, AR 72703<br>43-2074310 | RENAL DIALYSI           | AR   | Wash Reg<br>Med Ct                     | RELATED  | 1,128,033                       | 1,584,450                                 |  | No |  | Yes                                       |    | 60 000 %                       |
| (2) WR REHABILITATION SERVICES<br><br>3215 N NORTHHILLS BLVD<br>FAYETTEVILLE, AR 72703<br>26-1611632               | PARTNER IN RE           | AR   | Wash Reg<br>Med Ct                     | RELATED  | 1,369,028                       | 11,806,217                                |  | No |  | Yes                                       |    | 100 000 %                      |
| (3) NORTH HILLS SURGERY CENTER<br><br>1125 N COLLEGE<br>FAYETTEVILLE, AR 72703<br>71-0807771                       | AMB SURG CTR            | AR   | Wash Reg<br>Med Ct                     | RELATED  | 372,938                         | 227,936                                   |  | No |  | Yes                                       |    | 51 000 %                       |
| (4) WASHINGTON REG OCCUPATIONAL<br>HLTH<br><br>3215 N NORTHHILLS BLVD<br>FAYETTEVILLE, AR 72703<br>45-4435675      | OCC HLTH                | AR   | WASH REG<br>MED CT                     | RELATED  |                                 |   |  | No |  | Yes                                       |    | 100 000 %                      |
|  |                         |  |  |  |                                 |   |  |    |  |   |    |                                |
|  |                         |  |  |  |                                 |   |  |    |  |   |    |                                |
|  |                         |  |  |  |                                 |   |  |    |  |   |    |                                |

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" to 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)<br>Name, address, and EIN of<br>related organization                            | (b)<br>Primary activity | (c)<br>Legal<br>domicile<br>(state or foreign<br>country) | (d)<br>Direct controlling<br>entity | (e)<br>Type of entity<br>(C corp, S corp,<br>or trust) | (f)<br>Share of total<br>income | (g)<br>Share of end-of-<br>year<br>assets | (h)<br>Percentage<br>ownership | (i)<br>Section 512<br>(b)(13)<br>controlled<br>entity? |    |
|---|-------------------------|---|-------------------------------------|--|---------------------------------|---|--------------------------------|--|----|
|   |                         |   |                                     |  |                                 |   |                                | Yes  | No |
| (1) HEALTH PARTNERS<br><br>180 W APPLEBY RD<br>FAYETTEVILLE, AR 72703<br>71-0764667 | PHO                     | AR  | NA                                  | C  | -1,172                          | 235,636                                   | 50 000 %                       |  |    |
|   |                         |   |                                     |  |                                 |   |                                |  |    |
|   |                         |   |                                     |  |                                 |   |                                |  |    |
|   |                         |   |                                     |  |                                 |   |                                |  |    |
|   |                         |   |                                     |  |                                 |   |                                |  |    |
|   |                         |   |                                     |  |                                 |   |                                |  |    |
|   |                         |   |                                     |  |                                 |   |                                |  |    |
|   |                         |   |                                     |  |                                 |   |                                |  |    |

Part V

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

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

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 or (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 Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a Yes

1b Yes

1c Yes

1d

1e

1f

1g

1h

1i

1j Yes

1k

1l Yes

1m

1n

1o

1p Yes

1q

1r Yes

1s

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)<br>Name of other organization | (b)<br>Transaction<br>type (a-s) | (c)<br>Amount involved | (d)<br>Method of determining amount involved |
|-----------------------------------|----------------------------------|------------------------|--|
| See Additional Data Table         |                                  |                        |  |
|                                   |                                  |                        |  |
|                                   |                                  |                        |  |
|                                   |                                  |                        |  |
|                                   |                                  |                        |  |
|                                   |                                  |                        |  |

Schedule R (Form 990) 2012

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]

Software ID:  
Software Version:  
EIN: 71-0664687  
Name: Washington Regional Medical Center

Part VII Supplemental Information

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

| Identifier   | Return Reference                | Explanation            |   |
|--|---------------------------------|------------------------|---|
| --> Form 990, Schedule R, Part V - Transactions With Related Organizations |                                 |                        |   |
| (a)<br>Name of other organization  | (b)<br>Transaction<br>type(a-s) | (c)<br>Amount Involved | (d)<br>Method of determining<br>amount involved |
| Washington Regional Medical System   | L                               | 300,679                | COST  |
| Washington Regional Mediacorp  | L                               | 108,846                | COST  |
| Washington Regional Medical System   | J                               | 334,512                | FMV   |
| Washington Regional Medical System   | B                               | 15,150,000             | COST  |
| Washington Regional Medical Services                                       | A                               | 86,748                 | FMV   |
| Washington Regional Medical Mediacorp                                      | C                               | 400,000                | COST  |
| Washington Regional Medical Foundation                                     | C                               | 1,870,825              | COST  |
| Washington Regional Medical System   | P                               | 3,304,733              | COST  |

# **Washington Regional Medical Center**

## **Independent Auditor's Reports and Consolidated Financial Statements**

December 31, 2012 and 2011



# Washington Regional Medical Center

## December 31, 2012 and 2011

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## Independent Auditor's Report

Board of Directors  
Washington Regional Medical Center  
Fayetteville, Arkansas

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Washington Regional Medical Center and its subsidiaries (the Medical Center), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Washington Regional Medical Center and its subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary consolidating information and the Schedule of State Assistance are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The supplementary consolidating information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it. The supplementary Schedule of State Assistance information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of State Assistance information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2013, on our consideration of the Medical Center's internal control over financial reporting and 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 the 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.

BKD, LLP

Little Rock, Arkansas  
April 10, 2013



**Washington Regional Medical Center**  
**Consolidated Balance Sheets**  
**December 31, 2012 and 2011**

**Assets**

|  | <b>2012</b>                  | <b>2011</b>                  |
|--|------------------------------|------------------------------|
| <b>Current Assets</b>  |                              |                              |
| Cash and cash equivalents  | \$ 13,413,601                | \$ 9,869,843                 |
| Short-term investments   | 4,543,144                    | 6,000,000                    |
| Assets limited as to use – current   | 4,599,087                    | 4,533,064                    |
| Patient accounts receivable, net of allowance,<br>2012 – \$14,904,628, 2011 – \$12,047,650 | 33,854,157                   | 28,484,895                   |
| Other accounts receivable  | 1,584,029                    | 446,752                      |
| Supplies   | 3,010,330                    | 2,795,448                    |
| Prepaid expenses and other   | 2,050,664                    | 2,050,688                    |
| Estimated amounts due from third-party payers  | 372,315                      | 832,758                      |
|  | <u>63,427,327</u>            | <u>55,013,448</u>            |
| <b>Assets Limited as to Use</b>  |                              |                              |
| Internally designated  | 91,176,351                   | 82,255,842                   |
| Held by trustee  | 12,287,651                   | 12,221,506                   |
|  | <u>103,464,002</u>           | <u>94,477,348</u>            |
| Less amount required to meet current obligations   | 4,599,087                    | 4,533,064                    |
|  | <u>98,864,915</u>            | <u>89,944,284</u>            |
| <b>Investments</b>   |                              |                              |
| Investments in and advances to equity investees  | 10,596,574                   | 3,079,436                    |
| Long-term investments  | -                            | 528,851                      |
|  | <u>10,596,574</u>            | <u>3,608,287</u>             |
| <b>Beneficial Interest in Net Assets of<br/>Washington Regional Medical Foundation</b>     | <u>689,529</u>               | <u>1,820,047</u>             |
| <b>Property and Equipment, Net</b>   | <u>136,816,111</u>           | <u>141,318,783</u>           |
| <b>Other Assets</b>  |                              |                              |
| Deferred financing costs   | 547,863                      | 597,285                      |
| Other  | 2,032,050                    | 1,723,981                    |
|  | <u>2,579,913</u>             | <u>2,321,266</u>             |
| <b>Total assets</b>  | <u><u>\$ 312,974,369</u></u> | <u><u>\$ 294,026,115</u></u> |

## Liabilities and Net Assets

|   | 2012            | 2011            |
|---|-----------------|-----------------|
| <b>Current Liabilities</b>                  |                 |                 |
| Current maturities of long-term debt        | \$ 3,347,305    | \$ 3,281,634    |
| Accounts payable                            | 7,687,463       | 9,206,139       |
| Accrued expenses                            | 17,004,447      | 15,159,390      |
| Estimated amounts due to third-party payers | 5,034,741       | 5,033,523       |
| Total current liabilities                   | 33,073,956      | 32,680,686      |
| <br><b>Long-term Debt</b>                   | <br>100,341,727 | <br>101,851,812 |
| Total liabilities                           | 133,415,683     | 134,532,498     |
| <br><b>Net Assets</b>                       |                 |                 |
| Unrestricted                                |                 |                 |
| Washington Regional Medical Center          | 176,591,710     | 156,752,682     |
| Noncontrolling interest                     | 1,974,824       | 1,404,782       |
| Total unrestricted net assets               | 178,566,534     | 158,157,464     |
| Temporarily restricted                      | 992,152         | 1,336,153       |
| Total net assets                            | 179,558,686     | 159,493,617     |
| Total liabilities and net assets            | \$ 312,974,369  | \$ 294,026,115  |

**Washington Regional Medical Center**  
**Consolidated Statements of Operations**  
**Years Ended December 31, 2012 and 2011**

|   | <b>2012</b>                 | <b>2011</b>                |
|---|-----------------------------|----------------------------|
| <b>Unrestricted Revenues, Gains and Other Support</b>   |                             |                            |
| Patient service revenue (net of contractual allowances and discounts)   | \$ 245,566.662              | \$ 217,872.244             |
| Provision for uncollectible accounts  | (24,508.757)                | (21,321.854)               |
| Net patient service revenue less provision for uncollectible accounts   | 221,057.905                 | 196,550.390                |
| Other   | 6,265.300                   | 5,477.846                  |
| Total unrestricted revenues, gains and other support  | <u>227,323.205</u>          | <u>202,028.236</u>         |
| <b>Expenses</b>   |                             |                            |
| Salaries and wages  | 76,915.994                  | 72,377.444                 |
| Employee benefits   | 16,322.512                  | 14,054.758                 |
| Supplies and other  | 90,862.596                  | 81,072.246                 |
| Depreciation and amortization   | 14,765.072                  | 14,800.761                 |
| Interest  | 5,096.529                   | 5,224.998                  |
| Provider assessment tax   | 2,979.439                   | 2,605.140                  |
| Gain from disposal of property and equipment  | (7,518)                     | (12,139)                   |
| Total expenses  | <u>206,934.624</u>          | <u>190,123.208</u>         |
| <b>Operating Income</b>   | <u>20,388.581</u>           | <u>11,905.028</u>          |
| <b>Other Income (Expense)</b>   |                             |                            |
| Investment return   | 10,160.993                  | (47,486)                   |
| Contributions   | 1,515                       | 240,309                    |
| Gain on investments in equity investees   | 2,320.418                   | 1,093,250                  |
| Other   | 133.635                     | -                          |
| Total other income  | <u>12,616.561</u>           | <u>1,286.073</u>           |
| <b>Excess of Revenues Over Expenses</b>   | 33,005.142                  | 13,191.101                 |
| Sale (acquisition) of member units  | 2,566.867                   | (3,176.879)                |
| Distributions to noncontrolling interests   | (699.368)                   | (975.116)                  |
| Contributions from Washington Regional Medical Foundation of and for property acquisitions                      | 1,872.946                   | 1,799.118                  |
| Change in beneficial interest in net assets of Washington Regional Medical Foundation for property acquisitions | (786.517)                   | 457.309                    |
| Transfers to affiliates   | (15,550.000)                | (8,450.000)                |
| <b>Increase in Unrestricted Net Assets</b>  | <u><u>\$ 20,409.070</u></u> | <u><u>\$ 2,845.533</u></u> |

**Washington Regional Medical Center**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended December 31, 2012 and 2011**

|   | <b>2012</b>                  | <b>2011</b>                  |
|---|------------------------------|------------------------------|
| <b>Unrestricted Net Assets</b>  |                              |                              |
| Excess of revenues over expenses  | \$ 33,005,142                | \$ 13,191,101                |
| Sale (acquisition) of member units  | 2,566,867                    | (3,176,879)                  |
| Distributions to noncontrolling interest  | (699,368)                    | (975,116)                    |
| Contributions from Washington Regional Medical Foundation of and for property acquisitions                      | 1,872,946                    | 1,799,118                    |
| Change in beneficial interest in net assets of Washington Regional Medical Foundation for property acquisitions | (786,517)                    | 457,309                      |
| Transfers to affiliates   | (15,550,000)                 | (8,450,000)                  |
|   | <u>20,409,070</u>            | <u>2,845,533</u>             |
| <b>Temporarily Restricted Net Assets</b>  |                              |                              |
| Change in beneficial interest in net assets of Washington Regional Medical Foundation for property acquisitions | (344,001)                    | (1,237,244)                  |
|   | <u>(344,001)</u>             | <u>(1,237,244)</u>           |
| <b>Change in Net Assets</b>   | 20,065,069                   | 1,608,289                    |
| <b>Net Assets, Beginning of Year</b>  | <u>159,493,617</u>           | <u>157,885,328</u>           |
| <b>Net Assets, End of Year</b>  | <u><u>\$ 179,558,686</u></u> | <u><u>\$ 159,493,617</u></u> |

**Washington Regional Medical Center**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2012 and 2011**

|   | <b>2012</b>        | <b>2011</b>      |
|---|--------------------|------------------|
| <b>Operating Activities</b>   |                    |                  |
| Change in net assets  | \$ 20,065,069      | \$ 1,608,289     |
| Items not requiring (providing) cash  |                    |                  |
| Depreciation and amortization   | 14,765,072         | 14,800,761       |
| Gain on disposal of property and equipment  | (7,518)            | (12,139)         |
| Gain on investments in equity investees   | (2,320,418)        | (1,093,250)      |
| Net gain on investments   | (6,984,112)        | 2,616,517        |
| Contributions from Washington Regional Medical Foundation for property acquisitions   | (1,872,946)        | (1,799,118)      |
| Transfers to affiliates   | 15,550,000         | 8,450,000        |
| Change in beneficial interest in net assets of Washington Regional Medical Foundation | 1,130,518          | 779,935          |
| Change in   |                    |                  |
| Patient accounts receivable, net  | (5,369,262)        | 964,149          |
| Other current assets  | (331,928)          | (1,695,065)      |
| Accounts payable and accrued expenses   | (2,210,380)        | 3,851,535        |
| Estimated amounts due from and to third-party payers                                  | 461,661            | (1,085,588)      |
| Acquisition (sale) of member units  | (2,566,867)        | 3,834,847        |
| Purchase of trading securities  | (192,511,761)      | (92,171,885)     |
| Proceeds from disposition of trading securities                                       | 190,320,003        | 65,408,553       |
|   | <u>28,117,131</u>  | <u>4,457,541</u> |
| Net cash provided by operating activities   |                    |                  |
| <b>Investing Activities</b>   |                    |                  |
| Purchase of investments   | (11,767,157)       | (9,490,172)      |
| Proceeds from disposition of investments  | 13,686,719         | 30,622,886       |
| Investments in equity investees   | (7,500,000)        | (3,834,847)      |
| Proceeds from disposition of investments in equity investees                          | 2,566,867          | -                |
| Distributions received from equity investees  | 1,283,073          | 894,822          |
| Purchase of property and equipment  | (7,730,688)        | (14,042,314)     |
| Proceeds from sale of property and equipment  | 19,500             | 38,299           |
| Other investing activities  | 21,632             | (31,779)         |
|   | <u>(9,420,054)</u> | <u>4,156,895</u> |
| Net cash provided by (used in) investing activities                                   |                    |                  |

**Washington Regional Medical Center**  
**Consolidated Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2012 and 2011**

|   | <u>2012</u>                     | <u>2011</u>                    |
|---|---------------------------------|--------------------------------|
| <b>Financing Activities</b>   |                                 |                                |
| Transfers to affiliates, net  | \$ (15,550,000)                 | \$ (8,450,000)                 |
| Contributions from Washington Regional Medical Foundation for property acquisitions | 1,872,946                       | 1,799,118                      |
| Change in intercompany receivables and payables                                     | (74,340)                        | (3,600)                        |
| Net payments on revolving credit agreements   | (190,660)                       | (642,891)                      |
| Proceeds from issuance of long-term debt  | 2,231,704                       | -                              |
| Principal payments on long-term debt  | <u>(3,442,969)</u>              | <u>(3,010,589)</u>             |
| Net cash used in financing activities   | <u>(15,153,319)</u>             | <u>(10,307,962)</u>            |
| <br><b>Increase (Decrease) in Cash and Cash Equivalents</b>                         | <br>3,543,758                   | <br>(1,693,526)                |
| <br><b>Cash and Cash Equivalents, Beginning of Year</b>                             | <br><u>9,869,843</u>            | <br><u>11,563,369</u>          |
| <br><b>Cash and Cash Equivalents, End of Year</b>                                   | <br><u><u>\$ 13,413,601</u></u> | <br><u><u>\$ 9,869,843</u></u> |
| <br><b>Supplemental Cash Flows Information</b>                                      |                                 |                                |
| Interest paid   | \$ 5,159,926                    | \$ 5,275,454                   |
| Capital additions included in accounts payable and accrued expenses                 | \$ 239,619                      | \$ 2,776,380                   |

# Washington Regional Medical Center

## Notes to Consolidated Financial Statements

### December 31, 2012 and 2011

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

##### ***Nature of Operations and Principles of Consolidation***

Washington Regional Medical Center primarily earns revenues by providing a wide range of health care services to patients in Washington County, Arkansas, and surrounding areas. The consolidated financial statements include accounts of the following entities, which are hereafter collectively referred to as "the Medical Center."

| <b>Organization</b>  | <b>Primary Business Activity</b>   | <b>Tax Status</b>                   |
|--|--|-------------------------------------|
| Washington Regional Medical Center (the Hospital)                                    | Acute care medical center  | Not-for-profit 501(c)(3)            |
| North Hills Surgery Center, LLC (the Surgery Center)                                 | Outpatient surgery center  | Taxable LLC, 51% owned by Hospital  |
| Dialysis Centers of Northwest Arkansas, LLC (the Dialysis Centers)                   | End-stage renal dialysis outpatient services   | Taxable LLC, 60% owned by Hospital  |
| Washington Regional Rehabilitation Services, LLC (Rehabilitation Services)           | 50% partnership interest in an inpatient rehabilitation hospital   | Taxable LLC, 100% owned by Hospital |
| Washington Regional Occupational Health Services, LLC (Occupational Health Services) | 51% equity interest in planned joint venture for developing and marketing wellness and prevention programs to area employers | Taxable LLC, 100% owned by Hospital |

All significant intercompany accounts and transactions have been eliminated in consolidation.

Washington Regional Medical System (the Medical System) is the parent and sole member of the Hospital and primarily earns revenue by providing physician clinical and hospital services. The Medical System is also the sole member of Washington Regional MediCorp (Medicorp), Washington Regional Medical Services (Medical Services), Washington Regional Medical Foundation (the Foundation), Diversified Credit Services, Inc. and Eureka Regional Health. WR – NWAHV, LLC is a subsidiary of Medical Services. These additional related parties have been excluded from these financial statements.

# Washington Regional Medical Center

## Notes to Consolidated Financial Statements

### December 31, 2012 and 2011

#### ***Noncontrolling Interest***

Noncontrolling interest represents the 49% member interest in the Surgery Center and the 40% member interest in the Dialysis Centers owned by outside investors. During 2012, the Medical Center sold 20 of its member units in the Dialysis Centers reducing its interest from 80% to 60% and recorded the transaction as an increase in its unrestricted net assets. Noncontrolling interest is presented as a component of unrestricted net assets and the changes in net assets attributable to the noncontrolling interest are included in the consolidated changes in net assets. Losses attributable to the noncontrolling interest are allocated to the noncontrolling interest even if the carrying amount of the noncontrolling interest is reduced below zero. Any changes in ownership that do not result in a loss of control are prospectively accounted for as net asset transactions.

Changes in consolidated net assets attributable to the controlling financial interest of the Medical Center and the noncontrolling interest are:

|   | <u>Total</u>                 | <u>Controlling<br/>Interest</u> | <u>Noncontrolling<br/>Interest</u> |
|---|------------------------------|---------------------------------|------------------------------------|
| <b>Balance January 1, 2011</b>  | \$ 157,885,328               | \$ 156,899,113                  | \$ 986,215                         |
| Excess of revenues over expenses  | 13,191,101                   | 12,199,508                      | 991,593                            |
| Sale (acquisition) of member units  | (3,176,879)                  | (3,578,969)                     | 402,090                            |
| Distributions to noncontrolling interests   | (975,116)                    | -                               | (975,116)                          |
| Contributions from Washington Regional Medical Foundation for property acquisitions   | 1,799,118                    | 1,799,118                       | -                                  |
| Change in beneficial interest in net assets of Washington Regional Medical Foundation | 457,309                      | 457,309                         | -                                  |
| Transfers to affiliates   | (8,450,000)                  | (8,450,000)                     | -                                  |
| Change in temporarily restricted net assets   | (1,237,244)                  | (1,237,244)                     | -                                  |
| Change in net assets  | <u>1,608,289</u>             | <u>1,189,722</u>                | <u>418,567</u>                     |
| <b>Balance December 31, 2011</b>  | <u>159,493,617</u>           | <u>158,088,835</u>              | <u>1,404,782</u>                   |
| Excess of revenues over expenses  | 33,005,142                   | 31,983,623                      | 1,021,519                          |
| Sale of member units  | 2,566,867                    | 2,321,096                       | 245,771                            |
| Distributions to noncontrolling interests   | (699,368)                    | -                               | (699,368)                          |
| Contributions from Washington Regional Medical Foundation for property acquisitions   | 1,872,946                    | 1,870,826                       | 2,120                              |
| Change in beneficial interest in net assets of Washington Regional Medical Foundation | (786,517)                    | (786,517)                       | -                                  |
| Transfers to affiliates   | (15,550,000)                 | (15,550,000)                    | -                                  |
| Change in temporarily restricted net assets   | (344,001)                    | (344,001)                       | -                                  |
| Change in net assets  | <u>20,065,069</u>            | <u>19,495,027</u>               | <u>570,042</u>                     |
| <b>Balance December 31, 2012</b>  | <u><u>\$ 179,558,686</u></u> | <u><u>\$ 177,583,862</u></u>    | <u><u>\$ 1,974,824</u></u>         |



# **Washington Regional Medical Center**

## **Notes to Consolidated Financial Statements**

### **December 31, 2012 and 2011**

#### ***Use of Estimates***

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

#### ***Cash and Cash Equivalents***

The Medical Center considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At December 31, 2012 and 2011, cash equivalents consisted primarily of money market accounts with brokers.

At December 31, 2012, the Medical Center's cash accounts exceeded federally insured limits by approximately \$3,793,000.

Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts beginning December 31, 2010, through December 31, 2012, at all FDIC-insured institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the \$250,000 limit on FDIC insurance per covered institution.

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. The investment in equity investees is reported on the equity method of accounting. Other investments are valued at the lower of cost (fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

#### ***Assets Limited as to Use***

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

# Washington Regional Medical Center

## Notes to Consolidated Financial Statements

### December 31, 2012 and 2011

#### ***Patient Accounts Receivable***

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

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

#### ***Supplies***

The Medical Center states supply inventories at the lower of cost, determined using the first-in, first-out method, or market.

#### ***Property and Equipment***

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

|                            |             |
|----------------------------|-------------|
| Buildings and improvements | 10–40 years |
| Leasehold improvements     | 10–40 years |
| Equipment                  | 3–20 years  |

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

# **Washington Regional Medical Center**

## **Notes to Consolidated Financial Statements**

### **December 31, 2012 and 2011**

#### ***Interest in Net Assets of Washington Regional Medical Foundation***

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

#### ***Deferred Financing Costs***

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the effective interest method.

#### ***Temporarily Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose.

#### ***Net Patient Service Revenue***

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

#### ***Charity Care***

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

#### ***Contributions***

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

# **Washington Regional Medical Center**

## **Notes to Consolidated Financial Statements**

### **December 31, 2012 and 2011**

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

#### ***Self-insured Employee Health Insurance Program***

The Medical Center has elected to self-insure certain costs related to employee health. Costs resulting from noninsured losses are charged to income when incurred. The Medical Center has purchased insurance that limits its exposure for individual and aggregate claims. Total expense for claims for the years ended December 31, 2012 and 2011, was \$7,007,729 and \$5,049,544, respectively.

As part of the distinct employee welfare benefit plan (the Plan), a health insurance trust fund exists to satisfy self-insured employee health claim obligations. The trust, along with any excess coverage acquired, constitutes the sole source of funds that may be used to pay the medical benefits under the Plan. No part of the principal or income of the trust can be paid to or reinvested in the Medical Center or be used for any purpose other than the exclusive benefit of employees and their dependents. Contributions for the Plan expenses are provided by the Medical Center and its covered employees. The Medical Center evaluates the costs of the Plan based on projected Plan expenses and determines the amount to be contributed by the Medical Center and the covered employees. At December 31, 2012 and 2011, the irrevocable balances on deposit in the trust fund were \$1,044,416 and \$1,510,021, respectively. These balances are not reflected in the Medical Center's financial statements.

#### ***Professional Liability Claims***

The Medical Center recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 7*.

#### ***Income Taxes***

The Hospital and Medical System have been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. As such, they are required to file IRS Form 990 on an annual basis. However, they are subject to federal income tax on any unrelated business taxable income. The Surgery Center, the Dialysis Centers, Rehabilitation Services and Occupational Health Services are organized as Arkansas Limited Liability Companies and treated as partnerships for income tax purposes.

# **Washington Regional Medical Center**

## **Notes to Consolidated Financial Statements**

### **December 31, 2012 and 2011**

Taxable income or loss is reported to the individual members for inclusion in their respective tax returns. Therefore, no provision for federal and state income taxes is included in these statements. The Hospital is no longer subject to U.S. federal income tax examinations by tax authorities for income tax returns filed for years before 2009.

#### ***Excess of Revenues over Expenses***

The statements of operations include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, 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 and acquisition and sale of member units).

#### ***Transfers Between Fair Value Hierarchy Levels***

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

#### ***Electronic Health Records Incentive Program***

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

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

In 2012 and 2011, the Medical Center completed the second and first-year requirements under both the Medicare and Medicaid programs and has recorded revenue of approximately \$1.7 million and \$2.2 million, respectively, which is included in other revenue, within operating revenues, in the statements of operations.

# **Washington Regional Medical Center**

## **Notes to Consolidated Financial Statements**

### **December 31, 2012 and 2011**

#### ***State of Arkansas Trauma System Grants***

The State of Arkansas provides start-up and sustaining grants to hospitals that meet certain requirements to be considered trauma centers. The amount of the grants is based on which of four trauma center levels the hospital attains and is intended to reimburse the hospital for both operating and capital expenditures.

The Medical Center recognizes grant revenue in the period during which the related expense was recognized. For capital-related grants, deferred revenue is recognized and amortized over a period equal to the life of the related asset.

During 2012, the Medical Center was designated a Level II trauma center and, as such, was the recipient of \$1,336,901 and \$498,270 in sustaining and start-up grants, respectively, which reimbursed \$1,098,510 and \$736,661 in operating and capital expenditures, respectively. At December 31, 2012, deferred revenue of \$654,613 was recorded in accrued expenses.

#### ***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.

#### ***Subsequent Events***

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

#### **Note 2: Net Patient Service Revenue**

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

# Washington Regional Medical Center

## Notes to Consolidated Financial Statements

### December 31, 2012 and 2011

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

*Medicare*—Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge and procedure, respectively. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Defined medical education costs are paid based on a blend of prospectively-determined rates per discharge and a cost reimbursement methodology. The Hospital and the Dialysis Centers are reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and the Dialysis Centers and audits thereof by the Medicare administrative contractor.

*Medicaid*—Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, subject to certain cost limitations. Outpatient services rendered to Medicaid beneficiaries are paid based on fee schedules. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid administrative contractor.

In addition, the Hospital receives supplemental Medicaid funds under the Arkansas Medicaid program's Upper Payment Limit (UPL) provisions. The Hospital is considered a "private hospital" under the UPL provisions and receives UPL payments based on a pro rata share of a statewide pool based on Medicaid discharges. Total revenues recognized under the UPL provision were approximately \$725,000 and \$722,000 for 2012 and 2011, respectively.

In December 2009, the Secretary of the U.S. Department of Health and Human Services approved the inpatient and outpatient sections of an amendment to the Arkansas State Medicaid Plan that establishes a provider assessment program retroactive to July 1, 2009. This program assesses a fee, initially of no more than 1% on the net patient service revenue of private hospitals and allocates the proceeds to supplement Medicaid payments. In February 2011, the program was amended to allow the assessed fee to be no more than 5.5% of net patient service revenue. The federal government matches the assessment amount at a rate of approximately 3 to 1, and these amounts are allocated to private hospitals in Arkansas based on each hospital's share of the total of the private hospitals' Medicaid discharges and outpatient Medicaid payments. Based on its status as a private hospital, the Hospital participates in this program and records the assessed fees and the supplemental payments as expenses and revenues in the period incurred or earned, respectively. Amounts recorded for provider assessment tax expense under this program for the years ended December 31, 2012 and 2011, were approximately \$2.9 million and \$2.6 million, respectively. Amounts recorded for provider assessment receipts under this program were approximately \$5.8 million and \$5.4 million for the years ended December 31, 2012 and 2011, respectively.

# Washington Regional Medical Center

## Notes to Consolidated Financial Statements

### December 31, 2012 and 2011

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

The Medical Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, established fee schedules and percentages thereof, discounts from established charges and prospectively determined daily rates.

The Medical Center provides discounts on all charges to uninsured patients. At December 31, 2012 and 2011, this discount was 45%. Accordingly, the Medical Center records these discounts as a reduction to net patient service revenue.

Patient service revenue, net of contractual allowance and discounts (but before the provision for uncollectible accounts), recognized in the year ended December 31, 2012 and 2011, was

|                          | <u>2012</u>                  | <u>2011</u>                  |
|--------------------------|------------------------------|------------------------------|
| Medicare                 | \$ 85,594,349                | \$ 74,560,171                |
| Medicaid                 | 16,415,587                   | 16,017,836                   |
| Other third-party payers | 113,367,191                  | 104,022,412                  |
| Self-pay                 | <u>30,189,535</u>            | <u>23,271,825</u>            |
| Total                    | <u><u>\$ 245,566,662</u></u> | <u><u>\$ 217,872,244</u></u> |

In 2012, the Medical Center received approximately \$1,900,000 net of \$600,000 in legal fees as part of a settlement with the U.S. Department of Health and Human Services. The settlement related to incorrect payment adjustments during the period of 1999–2011 and was recognized as net patient service revenue in 2012.

In 2012 and 2011, the Medical Center received additional Medicare reimbursement of approximately \$1,500,000 and \$900,000, respectively, under a special payment provision for providers in low cost counties that expired in 2012.



**Washington Regional Medical Center**  
**Notes to Consolidated Financial Statements**  
**December 31, 2012 and 2011**

**Note 3: Concentration of Credit Risk**

The Medical Center grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at December 31, 2012 and 2011, was

|                          | <u>2012</u>  | <u>2011</u>  |
|--------------------------|--------------|--------------|
| Medicare                 | 35 %         | 27 %         |
| Medicaid                 | 2            | 2            |
| Other third-party payers | 51           | 57           |
| Patients                 | <u>12</u>    | <u>14</u>    |
|                          | <u>100 %</u> | <u>100 %</u> |

**Note 4: Investments and Investment Return**

Investments are presented in the consolidated balance sheets in the following captions and consist of the following

|  | <u>2012</u>       | <u>2011</u>       |
|--|-------------------|-------------------|
| Assets limited as to use                   |                   |                   |
| Internally designated                      |                   |                   |
| Cash                                       | \$ 285            | \$ 284            |
| Money market funds                         | 1,083,457         | 756,307           |
| Certificates of deposit                    | -                 | 1,500,000         |
| U S Treasury obligations                   | 3,587,838         | 3,140,695         |
| Mortgage-backed securities                 | -                 | 11,509,527        |
| Corporate debt securities                  | 20,069,732        | 15,576,882        |
| Equity securities                          | 5,019,021         | 4,764,410         |
| Equity mutual funds                        | 25,510,222        | 29,809,168        |
| Fixed income mutual funds                  | 35,229,999        | 14,388,772        |
| Interest receivable                        | 362,399           | 283,657           |
| Other                                      | <u>313,398</u>    | <u>526,140</u>    |
|  | <u>91,176,351</u> | <u>82,255,842</u> |
| Held by trustee under indenture agreements |                   |                   |
| Money market funds                         | <u>12,287,651</u> | <u>12,221,506</u> |

**Washington Regional Medical Center**  
**Notes to Consolidated Financial Statements**  
**December 31, 2012 and 2011**

|                            | <u>2012</u>                  | <u>2011</u>                  |
|----------------------------|------------------------------|------------------------------|
| Other investments          |                              |                              |
| Certificates of deposit    | \$ 4,543,144                 | \$ 6,528,851                 |
| Less long-term investments | <u>-</u>                     | <u>528,851</u>               |
| Short-term investments     | <u>4,543,144</u>             | <u>6,000,000</u>             |
| Total investments          | <u><u>\$ 108,007,146</u></u> | <u><u>\$ 101,006,199</u></u> |

Total investment return is reflected in the statements of operations and changes in net assets in other nonoperating income and is comprised of the following

|   | <u>2012</u>                 | <u>2011</u>               |
|---|-----------------------------|---------------------------|
| Interest and dividend income                    | \$ 3,176,881                | \$ 2,569,031              |
| Realized gains on other-than-trading securities | 2,289,780                   | 447,092                   |
| Unrealized gains (losses) on trading securities | <u>4,694,332</u>            | <u>(3,063,609)</u>        |
|   | <u><u>\$ 10,160,993</u></u> | <u><u>\$ (47,486)</u></u> |

**Washington Regional Medical Center**  
**Notes to Consolidated Financial Statements**  
**December 31, 2012 and 2011**

**Note 5: Investments in and Advances to Equity Investees**

The investments in and advances to equity investees relate to various ownership interests. Financial position and results of operations of the investees are summarized below.

|  | <b>2012</b>                 | <b>2011</b>                |
|--|-----------------------------|----------------------------|
| Current assets                           | \$ 4,956,246                | \$ 3,245,161               |
| Property and other long-term assets, net | <u>15,636,007</u>           | <u>359,014</u>             |
| Total assets                             | <u>20,592,253</u>           | <u>3,604,175</u>           |
| Current liabilities                      | <u>2,890,561</u>            | <u>936,760</u>             |
| Net equity                               | <u><u>\$ 17,701,692</u></u> | <u><u>\$ 2,667,415</u></u> |
| Revenues                                 | \$ 18,304,455               | \$ 15,418,861              |
| Excess of revenues over expenses         | \$ 4,640,838                | \$ 2,172,215               |

The related ownership interests consist of the following:

|  | <b>2012</b> | <b>2011</b> |
|--|-------------|-------------|
| Health Partners, PHO                         | 50%         | 50%         |
| Northwest Arkansas Rehabilitation Associates | 50%         | 50%         |

**Note 6: Beneficial Interest in Net Assets of Washington Regional Medical Foundation**

Washington Regional Medical Foundation, whose parent and sole member is the Medical System, was established to benefit the general public and the Medical Center. The Foundation's Board of Directors determines the amount, timing and purpose of distributions of Foundation funds. The Medical Center's interest in the net assets of the Foundation is accounted for in a manner similar to the equity method. Changes in the interest are included in changes in net assets. As of December 31, 2012 and 2011, \$689,529 and \$1,820,047, respectively, is recognized as the Medical Center's interest in the assets of the Foundation, which includes contributions received and pledges receivable by the Foundation that are donor restricted to be used for the Medical Center's purposes.

# Washington Regional Medical Center

## Notes to Consolidated Financial Statements

### December 31, 2012 and 2011

#### Note 7: Professional Liability Claims

The Medical Center purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered. The Medical Center also purchases excess umbrella liability coverage, which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy.

Based upon the Hospital's claims experience, an accrual had been made for the Medical Center's estimated medical malpractice costs, including costs associated with litigating or settling claims, under its malpractice insurance policy, amounting to approximately \$312,000 and \$371,000 as of December 31, 2012 and 2011, respectively. It is reasonably possible that this estimate could change materially in the near term.

#### Note 8: Property and Equipment

Property and equipment at December 31 consists of

|                               | 2012                         | 2011                         |
|-------------------------------|------------------------------|------------------------------|
| Land and improvements         | \$ 9,698,113                 | \$ 9,560,131                 |
| Buildings                     | 133,678,614                  | 132,168,001                  |
| Equipment                     | 112,464,135                  | 110,462,039                  |
| Construction in progress      | 17,932                       | 112,845                      |
|                               | <u>255,858,794</u>           | <u>252,303,016</u>           |
| Less accumulated depreciation | <u>119,042,683</u>           | <u>110,984,233</u>           |
|                               | <u><u>\$ 136,816,111</u></u> | <u><u>\$ 141,318,783</u></u> |

#### **Washington County Lease Agreement**

Under the terms of the Assignment and Lease Agreement (Lease Agreement) dated May 24, 1988, the Hospital leased from Washington County, Arkansas (the County), all then-existing property and equipment for a nominal amount for an initial term of 25 years, with two 25-year renewal options at the same terms. On November 24, 1999, the Hospital exercised the first option for an additional 25-year term, expiring May 31, 2038.

The Hospital completed construction of a new facility (North Hills) in August of 2002. The Hospital released its leasehold interest in the original facility on March 1, 2009, so the County could lease the facility to the University of Arkansas for Medical Sciences for use as a local campus of the state medical school. In addition, North Hills was substituted for the original facility in the Lease Agreement. This action was taken with the consent of the County and in no way affects the terms of the May 24, 1988, Assignment and Lease Agreement between the Hospital and the County other than as noted here.

**Washington Regional Medical Center**  
**Notes to Consolidated Financial Statements**  
**December 31, 2012 and 2011**

**Note 9: Line of Credit**

During 2012, the Dialysis Centers opened a \$1 million revolving bank line of credit that expires on November 6, 2013, and bears interest at 3.25%. At December 31, 2012, no amounts were borrowed against this line. The Medical Center provided a limited guaranty of up to 60% of outstanding amounts.

**Note 10: Long-term Debt**

|                                | <b>2012</b>                  | <b>2011</b>                  |
|--------------------------------|------------------------------|------------------------------|
| Hospital revenue bonds (A)     | \$ 25,000,000                | \$ 25,000,000                |
| Hospital revenue bonds (B)     | 76,190,000                   | 78,795,000                   |
| Note payable (C)               | 1,348,006                    | -                            |
| Note payable (D)               | 289,467                      | -                            |
| Note payable (E)               | 242,236                      | -                            |
| Note payable (F)               | 211,714                      | 697,687                      |
| Note payable (G)               | 72,396                       | 139,842                      |
| Revolving credit agreement (H) | -                            | 123,215                      |
| Unamortized bond premium, net  | 335,213                      | 377,702                      |
|                                | <u>103,689,032</u>           | <u>105,133,446</u>           |
| Less current maturities        | <u>3,347,305</u>             | <u>3,281,634</u>             |
|                                | <u><u>\$ 100,341,727</u></u> | <u><u>\$ 101,851,812</u></u> |

- (A) Tax-exempt revenue construction bonds (the Construction Bonds) consist of hospital revenue construction bonds in the original amount of \$25,000,000 dated August 1, 2005, which bear interest at 5.0%. The Construction Bonds are payable in sinking fund requirements from February 1, 2031 through February 1, 2035. All of the Construction Bonds still outstanding may be redeemed at the Hospital's option on or after February 1, 2015. The redemption price is equal to the outstanding principal amount thereof, plus accrued interest to the date fixed for redemption.

Washington County, Arkansas, issued the Construction Bonds on behalf of the Hospital. The Construction Bonds are secured by a first mortgage on the North Hills facility, the gross receipts of the Hospital and the assets restricted under the bond indenture agreement. The Construction Bonds have not been guaranteed by the County.

**Washington Regional Medical Center**  
**Notes to Consolidated Financial Statements**  
**December 31, 2012 and 2011**

The indenture agreement requires that certain funds be established with the trustee. Accordingly, these funds are included as assets limited as to use held by trustee in the financial statements. The indenture agreement also requires the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a maximum annual debt-service coverage ratio of at least 1.2 to 1.0 and restrictions on incurrence of additional debt.

- (B) Tax-exempt revenue refunding bonds (the Refunding Bonds) consist of hospital revenue refunding bonds in the original amount of \$84,380,000 dated August 1, 2005, which bear interest at 3.375% to 5.000%. The Refunding Bonds are payable in annual installments through February 1, 2030. All of the Refunding Bonds still outstanding may be redeemed at the Hospital's option on or after February 1, 2015. The redemption price is equal to the outstanding principal amount thereof, plus accrued interest to the date fixed for redemption.

Washington County, Arkansas, issued the Refunding Bonds on behalf of the Hospital. The Bonds are secured by a first mortgage on the North Hills facility, the gross receipts of the Hospital and the assets restricted under the bond indenture agreement. The Refunding Bonds have not been guaranteed by the County.

Certain indenture requirements of the Refunding Bonds are shared with the Original Bonds. See discussion of those requirements in section (A).

- (C) Tax-exempt loan due February 20, 2017, to Banc of America Public Capital Corp. payable in monthly payments of \$28,737, bearing interest at 2.11%. The proceeds were used for the purchase of certain specified capital equipment that is required to serve as collateral.
- (D) Due January 28, 2017, payable in monthly payments of approximately \$6,300, bearing interest at 2.99%, by the Dialysis Centers, secured by certain equipment.
- (E) Due October 15, 2016, payable in monthly payments of approximately \$5,500, bearing interest at 4.25%, by the Surgery Center, secured by certain equipment.
- (F) Tax-exempt loan due in varying maturities through January 18, 2015, to Banc of America Public Capital Corp. and assigned to BB&T Equipment Finance Corporation effective July 1, 2012, payable in monthly payments of approximately \$42,000 through January 18, 2013, and approximately \$7,000 thereafter, bearing interest at 3.82% to 3.93%. The proceeds were used for the purchase of certain specified capital equipment that is required to serve as collateral.
- (G) Due December 7, 2013, payable \$6,266 monthly, including interest at 6.97%, by the Surgery Center, secured by certain property.
- (H) Included a term loan in the original principal amount of \$1,150,000 due August 1, 2012, by the Dialysis Centers and a revolving line of credit of up to \$1,000,000 until the due date of June 30, 2012, by the Dialysis Centers. The term loan and revolving line of credit bore interest at BBA Daily LIBOR floating rate plus 1.75% and 2.75%, respectively, secured by equipment, inventory and receivables. The Dialysis Centers paid off the balance of the loan and closed the revolving line of credit in 2012.

**Washington Regional Medical Center**  
**Notes to Consolidated Financial Statements**  
**December 31, 2012 and 2011**

Aggregate annual maturities and sinking fund requirements of long-term debt at December 31, 2012, are

|                               |                              |
|-------------------------------|------------------------------|
| 2013                          | \$ 3,347,305                 |
| 2014                          | 3,409,076                    |
| 2015                          | 3,489,760                    |
| 2016                          | 3,619,090                    |
| 2017                          | 3,363,588                    |
| Thereafter                    | <u>86,125,000</u>            |
|                               | 103,353,819                  |
| Plus unamortized bond premium | <u>335,213</u>               |
|                               | <u><u>\$ 103,689,032</u></u> |

**Note 11: Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the Hospice Home Campaign and the Capital Campaign for the North Hills Campus in the amounts of \$992,152 and \$1,336,153 at December 31, 2012 and 2011, respectively

**Note 12: Charity Care and Community Benefit**

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

In addition to uncompensated charges, the Medical Center also commits significant time and resources to endeavors and critical services that meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable.

**Washington Regional Medical Center**  
**Notes to Consolidated Financial Statements**  
**December 31, 2012 and 2011**

A summary of the costs incurred for charity care and community benefit programs net of any associated revenue is as follows

|   | <b>2012</b>                 | <b>2011</b>                 |
|---|-----------------------------|-----------------------------|
| <b>Benefits for Low-income/No-income Patients</b> |                             |                             |
| Traditional charity care                          | \$ 3,886,350                | \$ 3,333,734                |
| Unpaid costs of Medicaid services                 | 8,374,953                   | 5,651,095                   |
| Community health services                         | <u>406,295</u>              | <u>420,919</u>              |
|   | <u>12,667,598</u>           | <u>9,405,748</u>            |
| <b>Benefits for Broader Community</b>             |                             |                             |
| Community health services                         | 216,821                     | 141,639                     |
| Health professions education                      | 150,000                     | 50,000                      |
| Subsidized health services ( <i>Note 15</i> )     | 2,892,000                   | 3,645,000                   |
| Research  | 60,354                      | 66,976                      |
| Donations   | <u>168,431</u>              | <u>97,446</u>               |
|   | <u>3,487,606</u>            | <u>4,001,061</u>            |
| Total   | <u><u>\$ 16,155,204</u></u> | <u><u>\$ 13,406,809</u></u> |

**Note 13: Functional Expenses**

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

|                            | <b>2012</b>                  | <b>2011</b>                  |
|----------------------------|------------------------------|------------------------------|
| Health care services       | \$ 145,560,312               | \$ 132,038,389               |
| General and administrative | <u>61,374,312</u>            | <u>58,084,819</u>            |
|                            | <u><u>\$ 206,934,624</u></u> | <u><u>\$ 190,123,208</u></u> |



**Washington Regional Medical Center**  
**Notes to Consolidated Financial Statements**  
**December 31, 2012 and 2011**

**Note 14: Pension Plan**

The Medical Center has a defined contribution pension plan covering substantially all employees. The Board of Directors determines the amount, if any, of the Medical Center's contribution to the plan. Pension expense was \$2,178,364 and \$2,269,265 for the years ended December 31, 2012 and 2011, respectively.

**Note 15: Related Party Transactions**

***Washington Regional Medical System***

The Medical Center charges the Medical System for rent and various services. The Medical Center's revenues for such rent and services aggregated \$638,287 and \$453,209 in 2012 and 2011, respectively. Transfers to the Medical System of \$15,150,000 and \$12,500,000 were made during 2012 and 2011, respectively. In addition, the Medical Center has included in its financial statements accounts receivable of \$42,674 and \$17,383 as of December 31, 2012 and 2011, respectively, for amounts due from the Medical System. During 2011, the Medical Center determined that certain payments to the System, for subsidizing the losses at various clinics, meet recently issued IRS criteria for community benefits and began recording an operating expense for subsidy equal to the amount of the operating loss less the provision for uncollectible accounts at those clinics. Prior to this determination, these payments were accounted for as transfers to affiliates. For the years ended December 31, 2012 and 2011, the subsidy expense recorded was \$2,892,000 and \$3,645,000, respectively.

In 2012, trauma physician support to the System from the Medical Center was \$412,733.

***Washington Regional Medical Foundation***

Washington Regional Medical Foundation was established to raise funds to support the operations of the Medical Center and other nonprofit health care entities. The Medical Center currently is assuming responsibility for a portion of the operating expenses of the Foundation. For the years ended December 31, 2012 and 2011, such amounts aggregated \$481,882 and \$503,982, respectively, and are included in operating expenses. The Medical Center charges the Foundation for various administrative services. The Medical Center's revenues for such services aggregated \$54,211 and \$48,461 in 2012 and 2011, respectively. Transfers from the Foundation of \$1,872,946 and \$1,799,118 were received by the Medical Center in 2012 and 2011, respectively. In addition, the Medical Center has included in its financial statements accounts receivable of \$1,656 and \$9,433 as of December 31, 2012 and 2011, respectively.

# **Washington Regional Medical Center**

## **Notes to Consolidated Financial Statements**

### **December 31, 2012 and 2011**

#### ***Washington Regional Medical Services***

During 2011, the Medical Center advanced funds to Washington Regional Medical Services. Interest charged to Medical Services amounted to \$86,748 and \$97,335 for the years ended December 31, 2012 and 2011, respectively. The Medical Center leases a building from Medical Services, for which rental payments totaled \$380,739 and \$360,443 for the years ended December 31, 2012 and 2011, respectively. The Medical Center has included in its financial statements accounts receivable of \$9,414 and accounts payable of \$8,924 as of December 31, 2012 and 2011, respectively, for amounts due to/from Medical Services.

#### ***Washington Regional MediCorp.***

The Medical Center provides various services for Washington Regional MediCorp. The Medical Center's revenues for such services aggregated \$108,846 and \$150,000 in 2012 and 2011, respectively. In addition, the Medical Center has included accounts receivable of \$12,109 and \$60,335 in its financial statements as of December 31, 2012 and 2011, respectively, for amounts due from MediCorp. The Medical Center provided support to MediCorp for uninsured patients in the amount of \$67,902 in 2012. The related party transactions between the Medical Center and the MediCorp mentioned above involved Fayetteville City Hospital (FCH), a component of MediCorp. The operations of FCH were discontinued on August 31, 2012, leaving BrookStone Assisted Living as the remaining operating component of MediCorp.

#### ***Diversified Credit Services, Inc.***

Diversified Credit Services, Inc. provides collection services for the Medical Center for accounts turned over before February 17, 2008. Subsequent to that date, the Medical Center performs collection activities on all new accounts. The Medical Center's expenses for such services amounted to \$10,170 and \$4,293 in 2012 and 2011, respectively. The Medical Center has included in its financial statements accounts receivable of \$134,955 and \$99,646 as of December 31, 2012 and 2011, respectively, for amounts due from Diversified Credit Services, Inc.

# Washington Regional Medical Center

## Notes to Consolidated Financial Statements

### December 31, 2012 and 2011

#### Note 16: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

#### *Recurring Measurements*

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2012 and 2011.

|                           |                | Fair Value Measurements Using |  |   |   |
|---------------------------|----------------|-------------------------------|--|---|---|
|                           |                | Fair Value                    | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <b>December 31, 2012</b>  |                |                               |  |   |   |
| Corporate debt securities | \$ 20,069,732  | \$ -                          | \$ 20,069,732  | \$ -  | -   |
| Equity securities         | 5,019,021      | 5,019,021                     | -  | -   | -   |
| Equity mutual funds       | 25,510,222     | 25,510,222                    | -  | -   | -   |
| Fixed income mutual funds | 35,229,999     | 35,229,999                    | -  | -   | -   |
| Money market funds        | 13,371,108     | 12,287,651                    | 1,083,457  | -   | -   |
| U.S. Treasury obligations | 3,587,838      | 3,587,838                     | -  | -   | -   |
| Other investments         | 313,398        | -                             | 313,398  | -   | -   |
|                           |                |                               |  |   |   |
| Total                     | \$ 103,101,318 | \$ 81,634,731                 | \$ 21,466,587  | \$ -  | 0   |

**Washington Regional Medical Center**  
**Notes to Consolidated Financial Statements**  
**December 31, 2012 and 2011**

|                            |                      | <b>Fair Value Measurements Using</b>  |  |  |
|----------------------------|----------------------|---|--|--|
|                            | <b>Fair Value</b>    | <b>Quoted Prices in<br/>Active Markets<br/>for Identical<br/>Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
| <b>December 31, 2011</b>   |                      |   |  |  |
| Corporate debt securities  | \$ 15,576,882        | \$ -  | \$ 15,576,882  | \$ -   |
| Equity securities          | 4,764,410            | 4,764,410   | -  | -  |
| Equity mutual funds        | 29,809,168           | 29,809,168  | -  | -  |
| Fixed income mutual funds  | 14,388,772           | 14,388,772  | -  | -  |
| Mortgage-backed securities | 11,509,527           | -   | 11,509,527   | -  |
| Money market funds         | 12,977,813           | 12,221,506  | 756,307  | -  |
| U S Treasury obligations   | 3,140,695            | 3,140,695   | -  | -  |
| Other investments          | 526,140              | 309,864   | 216,276  | -  |
| Total                      | <u>\$ 92,693,407</u> | <u>\$ 64,634,415</u>  | <u>\$ 28,058,992</u>   | <u>\$ 0</u>  |

The Medical Center did not have significant concentration in its mutual funds in 2012 or 2011

The following is a reconciliation of investments carried at fair value and the Medical Center's total investments

|   | <b>2012</b>           | <b>2011</b>          |
|---|-----------------------|----------------------|
| Financial instruments carried at fair value     | \$ 103,101,318        | \$ 92,693,407        |
| Financial instruments not carried at fair value |                       |                      |
| Cash  | 285                   | 284                  |
| Certificates of deposit                         | 4,543,144             | 8,028,851            |
| Interest receivable                             | 362,399               | 283,657              |
| Total investments                               | <u>\$ 108,007,146</u> | <u>\$101,006,199</u> |

# Washington Regional Medical Center

## Notes to Consolidated Financial Statements

### December 31, 2012 and 2011

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2012.

#### **Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy, however, the Medical Center did not hold any Level 3 securities at December 31, 2012 or 2011.

#### **Fair Value of Financial Instruments**

The following tables present estimated fair values of the System's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2012 and 2011.

|   |               | Fair Value Measurements Using   |   |  |
|---|---------------|---|---|--|
|   |               | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|   |               | Carrying<br>Amount  |   |  |
| <b>December 31, 2012</b>                  |               |   |   |  |
| Financial assets                          |               |   |   |  |
| Cash                                      | \$ 13,413,886 | \$ 13,413,886   | \$ -  | \$ -   |
| Money market funds                        | 13,371,108    | 12,287,651  | 1,083,457   | -  |
| Certificates of deposit                   | 4,543,144     | -   | 4,543,144   | -  |
| U.S. Treasury obligations                 | 3,587,838     | 3,587,838   | -   | -  |
| Corporate debt securities                 | 20,069,732    | -   | 20,069,732  | -  |
| Equity securities                         | 5,019,021     | 5,019,021   | -   | -  |
| Equity mutual funds                       | 25,510,222    | 25,510,222  | -   | -  |
| Fixed income mutual funds                 | 35,229,999    | 35,229,999  | -   | -  |
| Interest receivable                       | 362,399       | 362,399   | -   | -  |
| Other                                     | 313,398       | -   | 313,398   | -  |
| Beneficial interest in net assets of      |               |   |   |  |
| Washington Regional Medical<br>Foundation | 689,529       | -   | -   | 689,529  |
| Financial liabilities                     |               |   |   |  |
| Long-term debt                            | 103,689,032   | -   | 106,162,375   | -  |

**Washington Regional Medical Center**  
**Notes to Consolidated Financial Statements**  
**December 31, 2012 and 2011**

|   |              | Fair Value Measurements Using   |   |  |
|---|--------------|---|---|--|
|   |              | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| December 31, 2011   |              | Carrying<br>Amount  |   |  |
| Financial assets  |              |   |   |  |
| Cash  | \$ 9,870,127 | \$ 9,870,127  | \$ -  | \$ -   |
| Money market funds  | 12,977,813   | 12,221,506  | 756,307   | -  |
| Certificates of deposit   | 8,028,851    | -   | 8,028,851   | -  |
| U S Treasury obligations  | 3,140,695    | 3,140,695   | -   | -  |
| Mortgage-backed securities  | 11,509,527   | -   | 11,509,527  | -  |
| Corporate debt securities   | 15,576,882   | -   | 15,576,882  | -  |
| Equity securities   | 4,764,410    | 4,764,410   | -   | -  |
| Equity mutual funds   | 29,809,168   | 29,809,168  | -   | -  |
| Fixed income mutual funds   | 14,388,772   | 14,388,772  | -   | -  |
| Interest receivable   | 283,657      | 283,657   | -   | -  |
| Other   | 526,140      | 309,864   | 216,276   | -  |
| Beneficial interest in net assets of<br>Washington Regional Medical<br>Foundation | 1,820,047    | -   | -   | 1,820,047  |
| Financial liabilities   |              |   |   |  |
| Long-term debt  | 105,133,446  | -   | 104,913,521   | -  |

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

***Cash and Cash Equivalents and Certificates of Deposit***

The carrying amount approximates fair value

***Interest in Net Assets of Washington Regional Medical Foundation***

The carrying amount approximates fair value

***Notes Payable and Long-term Debt***

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

**Washington Regional Medical Center**  
**Notes to Consolidated Financial Statements**  
**December 31, 2012 and 2011**

**Note 17: Significant Estimates and Concentrations**

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

***Allowance for Net Patient Service Revenue Adjustments***

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

***Malpractice Claims***

Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *7*.

***Employee Health Insurance***

Estimates related to the accrual for employee health insurance claims are described in *Note 1*.

***Litigation***

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

## **Supplementary Information**



**Washington Regional Medical Center**  
**Consolidating Schedule – Balance Sheet Information**  
**December 31, 2012**

**Assets**

|  | <b>Washington<br/>Regional<br/>Medical<br/>Center</b> | <b>North Hills<br/>Surgery<br/>Center, LLC</b> |
|--|---|--|
| <b>Current Assets</b>  |   |  |
| Cash and cash equivalents  | \$ 12,087,692   | \$ 316,281                                     |
| Short-term investments   | 4,543,144   | -  |
| Assets limited as to use – current   | 4,599,087   | -  |
| Patient accounts receivable, net of allowance  | 31,332,608  | 1,366,236                                      |
| Other accounts receivable  | 415,221   | -  |
| Supplies   | 2,982,030   | -  |
| Prepaid expenses and other   | 2,022,789   | -  |
| Estimated amounts due from third-party payers  | 372,315   | -  |
|  | <hr/>   | <hr/>  |
| Total current assets   | 58,354,886  | 1,682,517                                      |
|  | <hr/>   | <hr/>  |
| <b>Assets Limited as to Use</b>  |   |  |
| Internally designated  | 91,176,351  | -  |
| Held by trustee  | 12,287,651  | -  |
|  | <hr/>   | <hr/>  |
|  | 103,464,002   | 0  |
| Less amount required to meet current obligations                                       | 4,599,087   | -  |
|  | <hr/>   | <hr/>  |
|  | 98,864,915  | 0  |
|  | <hr/>   | <hr/>  |
| <b>Investments</b>   |   |  |
| Investments in and advances to equity investees  | 14,191,008  | -  |
|  | <hr/>   | <hr/>  |
|  | 14,191,008  | 0  |
|  | <hr/>   | <hr/>  |
| <b>Beneficial Interest in Net Assets of<br/>Washington Regional Medical Foundation</b> | 689,529   | -  |
|  | <hr/>   | <hr/>  |
| <b>Property and Equipment, Net</b>   | 134,964,820   | 1,346,927                                      |
|  | <hr/>   | <hr/>  |
| <b>Other Assets</b>  |   |  |
| Deferred financing costs   | 547,863   | -  |
| Other  | 2,425,662   | -  |
|  | <hr/>   | <hr/>  |
|  | 2,973,525   | 0  |
|  | <hr/>   | <hr/>  |
| Total assets   | <u><u>\$ 310,038,683</u></u>                          | <u><u>\$ 3,029,444</u></u>                     |

| <b>Dialysis Centers<br/>of Northwest<br/>Arkansas, LLC</b> | <b>Washington<br/>Regional<br/>Rehabilitation<br/>Services, LLC</b> | <b>Washington<br/>Regional<br/>Occupational<br/>Services, LLC</b> | <b>Eliminations</b>    | <b>Consolidated</b>   |
|--|---|---|------------------------|-----------------------|
| \$ 908,495   | \$ 91,143   | \$ 9,990  | \$ -                   | \$ 13,413,601         |
| -  | -   | -   | -                      | 4,543,144             |
| -  | -   | -   | -                      | 4,599,087             |
| 1,155,313  | -   | -   | -                      | 33,854,157            |
| 148,601  | 1,020,207   | -   | -                      | 1,584,029             |
| 28,300   | -   | -   | -                      | 3,010,330             |
| 27,875   | -   | -   | -                      | 2,050,664             |
| -  | -   | -   | -                      | 372,315               |
| <u>2,268,584</u>   | <u>1,111,350</u>  | <u>9,990</u>  | <u>0</u>               | <u>63,427,327</u>     |
| -  | -   | -   | -                      | 91,176,351            |
| -  | -   | -   | -                      | 12,287,651            |
| <u>0</u>   | <u>0</u>  | <u>0</u>  | <u>0</u>               | <u>103,464,002</u>    |
| -  | -   | -   | -                      | 4,599,087             |
| <u>0</u>   | <u>0</u>  | <u>0</u>  | <u>0</u>               | <u>98,864,915</u>     |
| -  | 10,376,938  | -   | (13,971,372)           | 10,596,574            |
| <u>0</u>   | <u>10,376,938</u>   | <u>0</u>  | <u>(13,971,372)</u>    | <u>10,596,574</u>     |
| -  | -   | -   | -                      | 689,529               |
| <u>504,364</u>   | <u>0</u>  | <u>0</u>  | <u>0</u>               | <u>136,816,111</u>    |
| -  | -   | -   | -                      | 547,863               |
| <u>66,988</u>  | <u>-</u>  | <u>-</u>  | <u>(460,600)</u>       | <u>2,032,050</u>      |
| <u>66,988</u>  | <u>0</u>  | <u>0</u>  | <u>(460,600)</u>       | <u>2,579,913</u>      |
| <u>\$ 2,839,936</u>  | <u>\$ 11,488,288</u>  | <u>\$ 9,990</u>   | <u>\$ (14,431,972)</u> | <u>\$ 312,974,369</u> |

**Washington Regional Medical Center**  
**Consolidating Schedule – Balance Sheet Information (Continued)**  
**December 31, 2012**

**Liabilities and Net Assets**

|   | <b>Washington<br/>Regional<br/>Medical<br/>Center</b> | <b>North Hills<br/>Surgery<br/>Center, LLC</b> |
|---|---|--|
| <b>Current Liabilities</b>                  |   |  |
| Current maturities of long-term debt        | \$ 3,149,173  | \$ 130,471                                     |
| Accounts payable                            | 7,624,298   | -  |
| Accrued expenses                            | 16,748,306  | 24,643   |
| Estimated amounts due to third-party payers | 5,034,741   | -  |
|   | <hr/>   | <hr/>  |
| Total current liabilities                   | 32,556,518  | 155,114  |
|   |   |  |
| <b>Long-term Debt</b>                       | <hr/>   | <hr/>  |
|   | 99,935,760  | 184,161  |
|   |   |  |
| Total liabilities                           | <hr/>   | <hr/>  |
|   | 132,492,278   | 339,275  |
|   |   |  |
| <b>Net Assets</b>                           |   |  |
| Unrestricted                                |   |  |
| Washington Regional Medical Center          | 176,554,253   | 1,371,985                                      |
| Noncontrolling interest                     | -   | 1,318,184                                      |
|   | <hr/>   | <hr/>  |
| Total unrestricted net assets               | 176,554,253   | 2,690,169                                      |
|   |   |  |
| Temporarily restricted                      | <hr/>   | <hr/>  |
|   | 992,152   | -  |
|   |   |  |
| Total net assets                            | <hr/>   | <hr/>  |
|   | 177,546,405   | 2,690,169                                      |
|   |   |  |
| Total liabilities and net assets            | <hr/> <hr/>   | <hr/> <hr/>                                    |
|   | \$ 310,038,683  | \$ 3,029,444                                   |

| <b>Dialysis Centers<br/>of Northwest<br/>Arkansas, LLC</b> | <b>Washington<br/>Regional<br/>Rehabilitation<br/>Services, LLC</b> | <b>Washington<br/>Regional<br/>Occupational<br/>Services, LLC</b> | <b>Eliminations</b>    | <b>Consolidated</b>   |
|--|---|---|------------------------|-----------------------|
| \$ 67,661  | \$ -  | \$ -  | \$ -                   | \$ 3,347,305          |
| 523,765  | -   | -   | (460,600)              | 7,687,463             |
| 231,498  | -   | -   | -                      | 17,004,447            |
| -  | -   | -   | -                      | 5,034,741             |
| 822,924  | 0   | 0   | (460,600)              | 33,073,956            |
| 221,806  | -   | -   | -                      | 100,341,727           |
| 1,044,730  | 0   | 0   | (460,600)              | 133,415,683           |
| 1,138,566  | 11,488,288  | 9,990   | (13,971,372)           | 176,591,710           |
| 656,640  | -   | -   | -                      | 1,974,824             |
| 1,795,206  | 11,488,288  | 9,990   | (13,971,372)           | 178,566,534           |
| -  | -   | -   | -                      | 992,152               |
| 1,795,206  | 11,488,288  | 9,990   | (13,971,372)           | 179,558,686           |
| <u>\$ 2,839,936</u>  | <u>\$ 11,488,288</u>  | <u>\$ 9,990</u>   | <u>\$ (14,431,972)</u> | <u>\$ 312,974,369</u> |

**Washington Regional Medical Center**  
**Consolidating Schedule – Statement of Operations Information**  
**Year Ended December 31, 2012**

|   | <b>Washington<br/>Regional<br/>Medical<br/>Center</b> | <b>North Hills<br/>Surgery<br/>Center, LLC</b> |
|---|---|--|
| <b>Unrestricted Revenues, Gains and Other Support</b>   |   |  |
| Patient service revenue (net of contractual allowances and discounts)   | \$ 229,187,748  | \$ 7,541,921                                   |
| Provision for uncollectible accounts  | (24,185,538)  | (11,717)                                       |
| Net patient service revenue less provision for uncollectible accounts   | 205,002,210   | 7,530,204                                      |
| Other   | 6,878,071   | 13,066   |
| Total unrestricted revenues, gains and other support  | 211,880,281   | 7,543,270                                      |
| <b>Expenses and Losses</b>  |   |  |
| Salaries and wages  | 72,157,312  | 1,936,609                                      |
| Employee benefits   | 15,373,619  | 377,303  |
| Supplies and other  | 84,386,641  | 3,821,884                                      |
| Depreciation and amortization   | 14,301,512  | 268,595  |
| Interest  | 5,072,499   | 8,622  |
| Provider assessment tax   | 2,979,439   | -  |
| Loss (gain) from disposal of property and equipment   | (10,656)  | 3,138  |
| Total expenses and losses   | 194,260,366   | 6,416,151                                      |
| <b>Operating Income</b>   | 17,619,915  | 1,127,119                                      |
| <b>Other Income (Expense)</b>   |   |  |
| Investment return   | 10,158,826  | -  |
| Contributions   | 1,515   | -  |
| Gain on investments in equity investees   | 4,203,374   | -  |
| Other   | -   | -  |
| Total other income (expense)  | 14,363,715  | 0  |
| <b>Excess of Revenues Over Expenses</b>   | 31,983,630  | 1,127,119                                      |
| Sale of member units  | 2,321,096   | -  |
| Distributions to noncontrolling interest  | -   | (423,368)                                      |
| Distributions to Washington Regional Medical Center   | -   | (440,649)                                      |
| Contributions from Washington Regional Medical Foundation of and for property acquisitions                      | 1,870,826   | -  |
| Change in beneficial interest in net assets of Washington Regional Medical Foundation for property acquisitions | (786,517)   | -  |
| Transfers to affiliates   | (15,550,000)  | -  |
| <b>Increase (Decrease) in Unrestricted Net Assets</b>   | \$ 19,839,035   | \$ 263,102                                     |

| Dialysis Centers<br>of Northwest<br>Arkansas, LLC                | Washington<br>Regional<br>Rehabilitation<br>Services, LLC | Washington<br>Regional<br>Occupational<br>Services, LLC | Eliminations                              | Consolidated  |
|--|---|---|---|---|
| \$ 9,286,074<br>(311,502)  | \$ -<br>-   | \$ -<br>-   | \$ (449,081)<br>-                         | \$ 245,566,662<br>(24,508,757)  |
| 8,974,572<br>203   | 0<br>-  | 0<br>-  | (449,081)<br>(626,040)                    | 221,057,905<br>6,265,300  |
| 8,974,775  | 0   | 0   | (1,075,121)                               | 227,323,205   |
| 2,822,073<br>571,590<br>3,729,021<br>194,965<br>15,408<br>-<br>- | -<br>-<br>161<br>-<br>-<br>-<br>-                         | -<br>-<br>10<br>-<br>-<br>-<br>-                        | -<br>-<br>(1,075,121)<br>-<br>-<br>-<br>- | 76,915,994<br>16,322,512<br>90,862,596<br>14,765,072<br>5,096,529<br>2,979,439<br>(7,518) |
| 7,333,057  | 161   | 10  | (1,075,121)                               | 206,934,624   |
| 1,641,718  | (161)   | (10)  | 0   | 20,388,581  |
| 594<br>-<br>-<br>-   | 1,573<br>-<br>2,321,590<br>133,635                        | -<br>-<br>-<br>-  | -<br>-<br>(4,204,546)<br>-                | 10,160,993<br>1,515<br>2,320,418<br>133,635   |
| 594  | 2,456,798   | 0   | (4,204,546)                               | 12,616,561  |
| 1,642,312  | 2,456,637   | (10)  | (4,204,546)                               | 33,005,142  |
| -<br>(276,000)<br>(654,000)                                      | -<br>-<br>(1,399,824)                                     | 10,000<br>-<br>-  | 235,771<br>-<br>2,494,473                 | 2,566,867<br>(699,368)<br>0   |
| 5,300  | -   | -   | (3,180)                                   | 1,872,946   |
| -<br>-   | -<br>7,500,000  | -<br>-  | -<br>(7,500,000)                          | (786,517)<br>(15,550,000)   |
| \$ 717,612   | \$ 8,556,813  | \$ 9,990  | \$ (8,977,482)                            | \$ 20,409,070   |

**Washington Regional Medical Center**  
**Consolidating Schedule – Statement of Changes in Net Assets Information**  
**Year Ended December 31, 2012**

|   | <b>Washington<br/>Regional<br/>Medical<br/>Center</b> | <b>North Hills<br/>Surgery<br/>Center, LLC</b> |
|---|---|--|
| <b>Unrestricted Net Assets</b>  |   |  |
| Excess of revenues over expenses  | \$ 31,983,630   | \$ 1,127,119                                   |
| Sale of member units  | 2,321,096   | -  |
| Distributions to noncontrolling interest  | -   | (423,368)                                      |
| Distributions to Washington Regional Medical Center   | -   | (440,649)                                      |
| Contributions from Washington Regional Medical Foundation of and for property acquisitions                      | 1,870,826   | -  |
| Change in beneficial interest in net assets of Washington Regional Medical Foundation for property acquisitions | (786,517)   | -  |
| Transfers to affiliates   | (15,550,000)  | -  |
|   | <u>19,839,035</u>                                     | <u>263,102</u>                                 |
| <b>Temporarily Restricted Net Assets</b>  |   |  |
| Change in beneficial interest in net assets of Washington Regional Medical Foundation for property acquisitions | (344,001)   | -  |
|   | <u>(344,001)</u>                                      | <u>0</u>                                       |
| <b>Change in Net Assets</b>   | 19,495,034  | 263,102  |
| <b>Net Assets, Beginning of Year</b>  | <u>158,051,371</u>                                    | <u>2,427,067</u>                               |
| <b>Net Assets, End of Year</b>  | <u><u>\$ 177,546,405</u></u>                          | <u><u>\$ 2,690,169</u></u>                     |

| <b>Dialysis Centers<br/>of Northwest<br/>Arkansas, LLC</b> | <b>Washington<br/>Regional<br/>Rehabilitation<br/>Services, LLC</b> | <b>Washington<br/>Regional<br/>Occupational<br/>Services, LLC</b> | <b>Eliminations</b>    | <b>Consolidated</b>   |
|--|---|---|------------------------|-----------------------|
| \$ 1,642,312   | \$ 2,456,637  | \$ (10)   | \$ (4,204,546)         | \$ 33,005,142         |
| -  | -   | 10,000  | 235,771                | 2,566,867             |
| (276,000)  | -   | -   | -                      | (699,368)             |
| (654,000)  | (1,399,824)   | -   | 2,494,473              | 0                     |
| 5,300  | -   | -   | (3,180)                | 1,872,946             |
| -  | -   | -   | -                      | (786,517)             |
| -  | 7,500,000   | -   | (7,500,000)            | (15,550,000)          |
| <u>717,612</u>   | <u>8,556,813</u>  | <u>9,990</u>  | <u>(8,977,482)</u>     | <u>20,409,070</u>     |
| -  | -   | -   | -                      | (344,001)             |
| <u>0</u>   | <u>0</u>  | <u>0</u>  | <u>0</u>               | <u>(344,001)</u>      |
| 717,612  | 8,556,813   | 9,990   | (8,977,482)            | 20,065,069            |
| <u>1,077,594</u>   | <u>2,931,475</u>  | <u>-</u>  | <u>(4,993,890)</u>     | <u>159,493,617</u>    |
| <u>\$ 1,795,206</u>  | <u>\$ 11,488,288</u>  | <u>\$ 9,990</u>   | <u>\$ (13,971,372)</u> | <u>\$ 179,558,686</u> |



# Washington Regional Medical Center

## Schedule of State Assistance

For the Year Ended December 31, 2012

| <b>Program Grantor/<br/>Program Title</b> | <b>Contract<br/>Number</b> | <b>State<br/>Revenues</b> | <b>State<br/>Expenditures</b> |
|---|----------------------------|---------------------------|-------------------------------|
| <u>Arkansas Department of Health</u>      |                            |                           |                               |
| Trauma Hospital Start-up Grant            | 4600019179                 | \$ 498,270                | \$ 498,270                    |
| Trauma Hospital Sustaining Sub Grant      | 4600023656                 | 722,320                   | 722,320                       |
| Trauma Hospital Sustaining Sub Grant      | 4600027037                 | <u>614,581</u>            | <u>614,581</u>                |
| Total State                               |                            | <u>\$ 1,835,171</u>       | <u>\$ 1,835,171</u>           |

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Directors  
Washington Regional Medical Center  
Fayetteville, Arkansas

We have audited, 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, the financial statements of Washington Regional Medical Center and its subsidiaries (the Medical Center) which comprise the balance sheet as of December 31, 2012, and the related statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 10, 2013.

***Internal Control over Financial Reporting***

Management of the Medical Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Medical Center's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control.

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 Medical Center's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified. We identified a deficiency in internal control described in the accompanying schedule of findings and responses as item 12-01, that we consider to be a significant deficiency in internal control.

### ***Compliance***

As part of obtaining reasonable assurance about whether the Medical Center'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*.

### ***Washington Regional Medical Center's Response to Finding***

The Medical Center's response to the finding identified in our audit is described with the accompanying schedule of findings and responses. The Medical Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Other Matters***

We noted certain matters that we reported to the Medical Center's management in a separate letter dated April 10, 2013.

The purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BKD, LLP*

Little Rock, Arkansas  
April 10, 2013

**Washington Regional Medical Center**  
**Schedule of Audit Findings and Questioned Costs**  
**Year Ended December 31, 2012**

***Summary of Auditor's Results***

- 1 The opinion expressed in the independent accountants' report was  
☒ Unmodified      ☐ Modified      ☐ Adverse      ☐ Disclaimed
- 2 The independent accountants' report on internal control over financial reporting described  
Significant deficiency(ies)? ☒ Yes      ☐ No  
Material weakness(es)? ☐ Yes      ☒ No
- 3 Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes      ☒ No

**Washington Regional Medical Center**  
**Schedule of Audit Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2012**

**Findings Required to be Reported by *Government Auditing Standards***

| <b>Reference<br/>Number</b> | <b>Findings</b>  |
|-----------------------------|--|
| 12-01                       | <p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting</p> <p>Condition – The accrual for self-insured employee health claims was in excess of a reasonable estimate of incurred but not reported claims at December 31, 2012</p> <p>Context – The balance in the self-insured trust account, which exists to satisfy these claims, has been decreasing in recent years and management established the accrual to reflect expected future contributions</p> <p>Cause – Management’s intent to reflect the expected future funding as a current liability</p> <p>Effect – Current liabilities are overstated</p> <p>Recommendation – Management should record a liability for self-insured health claims only to the extent the estimated incurred but not paid amount exceeds the trust balance</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs with findings and recommendation</p> |