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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)	OMB No 1545-0047 2012 Open to Public Inspection
	▶ The organization may have to use a copy of this return to satisfy state reporting requirements	

A For the 2012 calendar year, or tax year beginning 07-01-2012 , 2012, and ending 06-30-2013

B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization McPherson Hospital Inc		D Employer identification number 48-0799105	
	Doing Business As			
	Number and street (or P O box if mail is not delivered to street address) 1000 Hospital Drive		Room/suite	
	City or town, state or country, and ZIP + 4 McPherson, KS 674602326		E Telephone number (620) 241-2250	
			G Gross receipts \$ 23,283,468	
F Name and address of principal officer Robert Monical 1000 Hospital Drive McPherson, KS 674602326			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)	
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () (Insert no) ☐ 4947(a)(1) or ☐ 527			H(c) Group exemption number ▶	
J Website: ▶ N/A				

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities Provision of acute hospital care to patients regardless of ability to pay			
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets			
	3 Number of voting members of the governing body (Part VI, line 1a)	3	12	
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	11	
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	355	
	6 Total number of volunteers (estimate if necessary)	6	128	
	7a Total unrelated business revenue from Part VIII, column (C), line 12 b Net unrelated business taxable income from Form 990-T, line 34	7a 7b	0 0	
Revenue			Prior Year	Current Year
	8	Contributions and grants (Part VIII, line 1h)	886,482	1,201,310
	9	Program service revenue (Part VIII, line 2g)	21,497,245	21,394,702
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	150,042	250,870
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	552,941	420,751
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	23,086,710	23,267,633
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	16,500
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	12,938,719	12,233,959
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) ☐ 0		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	10,280,618	11,160,253
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	23,219,337	23,410,712
	19	Revenue less expenses Subtract line 18 from line 12	-132,627	-143,079
	Net Assets or Fund Balances			Beginning of Current Year
20		Total assets (Part X, line 16)	21,172,672	20,333,449
21		Total liabilities (Part X, line 26)	3,412,831	2,665,043
22		Net assets or fund balances Subtract line 21 from line 20	17,759,841	17,668,406

Part II Signature Block

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

Sign Here	*****			2014-04-18	
	Signature of officer			Date	
	Robert Monical CEO				
	Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name Heather R Eichem		Preparer's signature		Date 2014-04-18
	Firm's name ▶ Wendling Noe Nelson & Johnson LLC			Check ☐ if self-employed	PTIN P01515553
	Firm's address ▶ 534 S Kansas Ave Suite 1500 Topeka, KS 666033491			Phone no (785) 233-4226	

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

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

To meet our community's need by providing superior health care and exceptional service for each person, every time

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

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?

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 \$ 19,929,249 including grants of \$ 16,500) (Revenue \$ 21,438,895)

Provision of inpatient and outpatient hospital services

4b

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

4c

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

4d

Other program services (Describe in Schedule O)

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

4e

Total program service expenses ▶ 19,929,249

Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	No
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 Yes	
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	No
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		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, 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	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, 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		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, 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		No
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		
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.		
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?		No
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.		
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: _____ 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	Organizations that may receive deductible contributions under section 170(c).		
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	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. 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	Section 501(c)(12) organizations. 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	Section 4947(a)(1) non-exempt charitable trusts. 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	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	Is the organization licensed to issue qualified health plans in more than one state? Note. 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	12	
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	11	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	Yes
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	No
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	No
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	

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. ☐ Own website ☐ Another's website ☒ Upon request ☐ 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. Robert Monical President CEO 1000 Hospital Drive McPherson, KS (620) 241-2250

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) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Dean Elliott Trustee	2 00	X						0	0	0
(2) J David Ferrell Trustee	2 00	X						0	0	0
(3) Bill Glazner Chairman	2 00	X		X				0	0	0
(4) Tim R Karstetter Trustee	2 00	X						0	0	0
(5) Marsha Silver Secretary	2 00	X		X				0	0	0
(6) Paul Taliaferro Vice Chairman	2 00	X		X				0	0	0
(7) Brent Wall Trustee	2 00	X						0	0	0
(8) Samuel Claassen Trustee/Physician	40 00	X						205,431	0	31,240
(9) Wade Gaeddert MD Trustee	2 00	X						0	0	0
(10) Joan Reichenberger Trustee	2 00	X						0	0	0
(11) Hope VonBorkenhagen Trustee	2 00	X						0	0	0
(12) Shelley Overholt MD Trustee	2 00	X						0	0	0
(13) Rob Monical CEO	40 00	X		X				0	0	0
(14) George Halama CFO	40 00			X				0	0	0
(15) Tyler G Hughes MD Physician	40 00					X		317,249	0	32,504
(16) John Worden Pharmacy Director	40 00					X		131,717	0	19,422
(17) Mary Blankenship Pharmacist	40 00					X		108,626	0	17,844

Part VII

[illegible]

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	1,145,802	0	147,434

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization: 7

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3	No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	4	Yes
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>	5	No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
Via Christi Health Inc 8200 E Thorn Wichita KS 67226	Management fees and CEO & CFO services	1,584,199
EMSC LLC 3521 Bayview Ct Wichita KS 67204	ER physician coverage	905,674
Rehabvisions 11623 Arbor St Omaha NE 68144	Physical/occupational therapy	338,487
Trimedx LLC 5451 Lakeview Parkway S Dr Indianapolis IN 46268	Clinical equipment servicer	241,735
Shared Medical Services PO Box 330 Cotton Grove WI 53527	Mobile MRI services	180,245

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 ▶6

Part VIII

Statement of Revenue

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

			(A)	(B)	(C)	(D)
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations 1d				
	e	Government grants (contributions) 1e	701,592			
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	499,718			
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f	1,201,310			
Program Service Revenue	Business Code					
	2a	Patient Service Revenue	900099	20,144,616	20,144,616	
	b	EHR incentive payment	900099	1,250,000	1,250,000	
	c	Lab Services	621500	86	86	
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f	21,394,702			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	74,558			74,558
	4	Income from investment of tax-exempt bond proceeds				
	5	Royalties				
	6a	(i) Real				
		(ii) Personal				
		Gross rents	65,300			
		Less rental expenses	0			
	c	Rental income or (loss)	65,300			
	d	Net rental income or (loss)	65,300			65,300
	7a	(i) Securities				
		(ii) Other				
		Gross amount from sales of assets other than inventory	187,647	4,500		
		Less cost or other basis and sales expenses	0	15,835		
	c	Gain or (loss)	187,647	-11,335		
	d	Net gain or (loss)	176,312			176,312
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18				
	a					
	b	Less direct expenses b				
	c	Net income or (loss) from fundraising events				
	9a	Gross income from gaming activities See Part IV, line 19				
	a					
	b	Less direct expenses b				
	c	Net income or (loss) from gaming activities				
	10a	Gross sales of inventory, less returns and allowances				
	a					
	b	Less cost of goods sold b				
	c	Net income or (loss) from sales of inventory				
	Miscellaneous Revenue		Business Code			
	11a	Nonpatient Meals	722210	190,468		190,468
	b	Auxiliary	900099	71,455		71,455
	c	Fitness Center	713940	49,335		49,335
	d	All other revenue		44,193	44,193	
	e	Total. Add lines 11a-11d	355,451			
	12	Total revenue. See Instructions	23,267,633	21,438,895	0	627,428

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) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.				
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	16,500	16,500		
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	238,513	238,513		
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	10,066,587	9,015,051	1,051,536	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	256,993	229,648	27,345	
9	Other employee benefits.	914,928	819,193	95,735	
10	Payroll taxes.	756,938	679,469	77,469	
11	Fees for services (non-employees):				
a	Management.	1,020,251	495,000	525,251	
b	Legal.	18,050		18,050	
c	Accounting.				
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	358,929	5,480	353,449	
12	Advertising and promotion.	33,016		33,016	
13	Office expenses.	169,782	126,125	43,657	
14	Information technology.	591,374	443,530	147,844	
15	Royalties.				
16	Occupancy.	453,583	337,874	115,709	
17	Travel.	48,872	35,915	12,957	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	21,074	7,467	13,607	
20	Interest.	36,974	27,542	9,432	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	1,520,003	1,132,250	387,753	
23	Insurance.	222,345	71,043	151,302	
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	Physician fees.	2,850,521	2,774,380	76,141	
b	Medical supplies.	1,343,954	1,343,954		
c	Equipment rental & main.	969,050	923,533	45,517	
d	Pharmacy supplies.	596,605	596,605		
e	All other expenses.	905,870	610,177	295,693	
25	Total functional expenses. Add lines 1 through 24e.	23,410,712	19,929,249	3,481,463	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ 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		496	1	2,154
	2	Savings and temporary cash investments		4,840,676	2	2,787,562
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		3,402,133	4	4,529,288
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	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			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		582,942	8	555,742
	9	Prepaid expenses and deferred charges		168,643	9	215,549
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a28,857,523			
	b	Less accumulated depreciation	10b20,882,592	8,575,150	10c	7,974,931
	11	Investments—publicly traded securities		2,291,513	11	2,440,002
	12	Investments—other securities See Part IV, line 11		497	12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		1,310,622	15	1,828,221
	16	Total assets. Add lines 1 through 15 (must equal line 34)		21,172,672	16	20,333,449
Liabilities	17	Accounts payable and accrued expenses		2,277,831	17	2,102,174
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		1,135,000	20	440,000
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	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			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		0	25	122,869
	26	Total liabilities. Add lines 17 through 25		3,412,831	26	2,665,043
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		16,220,594	27	16,188,012
	28	Temporarily restricted net assets		673,275	28	574,478
	29	Permanently restricted net assets		865,972	29	905,916
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		17,759,841	33	17,668,406
	34	Total liabilities and net assets/fund balances		21,172,672	34	20,333,449

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	23,267,633
2	Total expenses (must equal Part IX, column (A), line 25)	2	23,410,712
3	Revenue less expenses Subtract line 2 from line 1	3	-143,079
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	17,759,841
5	Net unrealized gains (losses) on investments	5	-95,126
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	146,770
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	17,668,406

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? 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 ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis		No
2b	Were the organization's financial statements audited by an independent accountant? 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 ☒ Separate basis ☐ Consolidated basis ☐ 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? 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
McPherson Hospital Inc

Employer identification number
48-0799105

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 33¹/₃% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - 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									

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

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 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 McPherson Hospital Inc	Employer identification number 48-0799105
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Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes☐ 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? ☐ Yes☐ No	

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or 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

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

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

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

	Amount
1c	
1d	
1e	
1f	

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

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	957,909	1,001,082	853,047	513,503	432,740
b	Contributions	41,166	12,198	47,383	300,373	176,152
c	Net investment earnings, gains, and losses	149,077	19,182	125,329	43,365	-89,424
d	Grants or scholarships	-82,660	-74,239	-24,677	-4,194	-2,647
e	Other expenditures for facilities and programs		-314			-2,318
f	Administrative expenses					
g	End of year balance	1,065,492	957,909	1,001,082	853,047	513,503

2

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

a

Board designated or quasi-endowment

10.800 %

b

Permanent endowment

74.980 %

c

Temporarily restricted endowment

14.220 %

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

No

b

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

3b

Yes

No

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	16,312		16,312
b	Buildings	14,714,470	10,534,301	4,180,169
c	Leasehold improvements			
d	Equipment	12,728,875	9,271,232	3,457,643
e	Other	1,397,866	1,077,059	320,807
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				7,974,931

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

1	Total revenue, gains, and other support per audited financial statements	1	23,319,277
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	-95,126
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	146,770
e	Add lines 2a through 2d	2e	51,644
3	Subtract line 2e from line 1	3	23,267,633
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	
c	Add lines 4a and 4b	4c	0
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)	5	23,267,633

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

1	Total expenses and losses per audited financial statements	1	23,410,712
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII)	2d	
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	23,410,712
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	
c	Add lines 4a and 4b	4c	0
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)	5	23,410,712

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
Description of Intended Use of Endowment Funds	Part V, Line 4	Donor restricted and board designated funds for special projects and operating purposes
Description of Uncertain Tax Positions Under FIN 48	Part X, Line 2	Management is not aware of any uncertainties in income tax positions
Part XI, Line 2d - Other Adjustments		Change in beneficial interest in net assets of the Foundation 146,770

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

OMB No 1545-0047

2012

Open to Public Inspection

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
McPherson Hospital Inc

Employer identification number
48-0799105

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 ☐ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ 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 a 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 ☐ 100% ☐ 150% ☒ 200% ☐ Other _____ % 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 ☒ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____ % 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	3a	Yes	
		3b	Yes	
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		No
b	If "Yes," did the organization make it available to the public?	6b		
	Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.			

7

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)			423,442	108,852	314,590	1 340 %
b Medicaid (from Worksheet 3, column a)			2,133,865	893,678	1,240,187	5 300 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			2,557,307	1,002,530	1,554,777	6 640 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,425		1,425	0 010 %
f Health professions education (from Worksheet 5)			84,636	72,638	11,998	0 050 %
g Subsidized health services (from Worksheet 6)			7,167,472	5,363,774	1,803,698	7 700 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			6,276		6,276	0 030 %
j Total Other Benefits			7,259,809	5,436,412	1,823,397	7 790 %
k Total. Add lines 7d and 7j			9,817,116	6,438,942	3,378,174	14 430 %

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

925,592

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

0

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

5,150,797

6

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

6

4,771,302

7

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

7

379,495

8

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

Section C. Collection Practices

9a

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

9a

Yes

9b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

(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				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
1

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	McPherson Hospital Inc 1000 Hospital Drive McPherson, KS 67460	X	X					X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

McPherson Hospital Inc

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)

1

		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 If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
a	☒ A definition of the community served by the hospital facility		
b	☒ Demographics of the community		
c	☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	☒ How data was obtained		
e	☒ The health needs of the community		
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	☒ The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	☒ The process for consulting with persons representing the community's interests		
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	☐ Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
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	Yes
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	Yes
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes
a	☒ Hospital facility's website		
b	☒ Available upon request from the hospital facility		
c	☐ Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	☒ Execution of the implementation strategy		
c	☐ Participation in the development of a community-wide plan		
d	☐ Participation in the execution of a community-wide plan		
e	☐ Inclusion of a community benefit section in operational plans		
f	☒ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	☒ Prioritization of health needs in its community		
h	☒ Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	☐ Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
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	No
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
9 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?		9 Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10 Yes	
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11 Yes	
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12 Yes	
a ☒ Income level			
b ☒ Asset level			
c ☒ Medical indigency			
d ☐ Insurance status			
e ☒ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?		13 Yes	
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14 Yes	
a ☒ The policy was posted on the hospital facility's website			
b ☒ The policy was attached to billing invoices			
c ☒ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☒ The policy was posted in the hospital facility's admissions offices			
e ☒ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☒ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 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?		15 Yes	
16 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			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 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?		17	No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

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? If "No," indicate why	Yes	
a	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

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	☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	☒ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	☐ Other (describe in Part VI)		
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? 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? 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?

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

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, 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 III, Line 4 See Note 3A (page 7) of the audited financial statements regarding the allowance for uncollectible accounts
		Part III, Line 8 Amounts were obtained from the cost report filed with Medicare for the period ending June 30, 2013 The total amount of shortfall between Medicare revenue received and relating allowable costs is considered community benefit

Identifier	ReturnReference	Explanation
		Part III, Line 9b Patients who have qualified for financial assistance are considered qualified for six months Updated information must be provided for any subsequent account balances Patients who have qualified for partial financial assistance are to make payment arrangements for any remaining balance according to the policies that apply to other patients
	Part III, Line 3	McPherson Hospital, Inc is unable to determine the amount of bad debt expense attributable to patients eligible under its charity care policy for the year covered by this return Suggested methods for estimation were either not in place or proved to be unreliable For example, the number of financial assistance applications distributed but not returned was not tracked Using demographic data to estimate an amount did not provide reasonable results Rather than provide an estimate that cannot be substantiated, McPherson Hospital Inc has chosen to report zero dollars as bad debt expense attributable to charity care patients

Identifier	ReturnReference	Explanation
	Part III, Line 2	The Hospital's bad debt at cost was determined by applying an overall ratio of cost to charges
McPherson Hospital, Inc		Part V, Section B, Line 3 The assessment was achieved through the co-leadership of the director of the McPherson County Health Department The McPherson County CHNA process included gathering opinions from local sources and quantitative data from secondary sources A survey instrument was developed by the leadership of the participating hospitals and the public health department The survey was distributed to individuals throughout the county, representing a broad spectrum of the population and their interests and professional and community endeavors Included were individuals representing health care, law enforcement, family advocacy, United Way, civic leadership, education, religion, and seniors, among others A total of 158 surveys were distributed with 106 returned for a 67% return rate The identified weaknesses through the survey results were reviewed and prioritized by a workgroup comprised of a cross section of survey respondents from throughout the county This group met to discuss survey results and explore relevant county secondary data from various sources The workgroup was split into subgroups and asked to rank the top five health issues gleaned from the survey to arrive at a prioritized list

Identifier	ReturnReference	Explanation
McPherson Hospital, Inc		Part V, Section B, Line 4 The leadership of McPherson Hospital in McPherson, Lindsborg Community Hospital in Lindsborg, Mercy Hospital in Moundridge, and the McPherson County Health Department chose to collaborate in creating the McPherson County CHNA
McPherson Hospital, Inc		Part V, Section B, Line 7 The identified needs not addressed specifically were daily life stressors and substance abuse It is felt that the broad scope of daily life stressors makes it difficult to target a specific area that would have significant impact However, the strategies outlined in the CHNA implementation strategy could have a positive effect on daily life stress with proper diet and exercise Substance abuse was not addressed specifically as it is addressed by other organizations in the community and is not within the scope of available resources to affect meaningfully

Identifier	ReturnReference	Explanation
		Part VI, Line 2 McPherson Hospital, Inc does not have a formal community needs assessment process, with the exception of the process utilized for the CHNA
		Part VI, Line 3 All self-pay patients are screened by a contractor for eligibility under federal, state, or local government programs Notice of the Hospital's financial assistance program is posted in patient registration areas and on the Hospital's website The availability of financial assistance is also communicated to patients with the first billing statement and at any time during the collection process if an inability to pay is expressed by the patient/guarantor

Identifier	ReturnReference	Explanation
		Part VI, Line 4 McPherson Hospital, Inc 's primary service area is McPherson, Kansas, a rural community of approximately 13,000 According to the 2010 census, the per capita income for McPherson was \$26,467 The percent of families below poverty level was 4 6 The percent of individuals below poverty level was 8 6 For the year ending June 30, 2013, 15 percent of the Hospital's inpatient admissions were Medicaid recipients and 4 percent were uninsured Larger hospitals in Hutchinson, Salina, and Newton also provide services to the residents of McPherson The distances between these facilities and McPherson Hospital, Inc are approximately 23, 29, and 28 miles respectively There are no federally-designated medically underserved areas or populations in McPherson
		Part VI, Line 5 McPherson Hospital, Inc 's governing body is comprised of individuals who reside in the primary service area All Board members, with the exception of the CEO and one physician, are not employed by the Hospital Annually, all trustees sign a conflict of interest statement and disclose any potential conflicts of interest With limited exceptions for hospital-based services, the Hospital extends medical staff privileges to all qualified physicians in the community Surplus funds are used by the Hospital to update facilities and equipment, recruit needed physicians and staff, and otherwise improve patient care

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
McPherson Hospital Inc

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

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

OMB No 1545-0047

2012

Open to Public
Inspection

Employer identification number
48-0799105

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

2

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

▶

3

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

▶

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
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
(1) Scholarship awards for local students pursuing education in the health care industry	18	16,500			

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
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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
McPherson Hospital Inc

Employer identification number
48-0799105

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

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				
(1)Samuel Claassen Trustee/Physician	(i)	205,431	0	0	10,234	21,006	236,671	0
	(ii)	0	0	0	0	0	0	0
(2)Tyler G Hughes MD Physician	(i)	317,249	0	0	12,798	19,706	349,753	0
	(ii)	0	0	0	0	0	0	0
(3)John Worden Pharmacy Director	(i)	131,717	0	0	6,250	13,172	151,139	0
	(ii)	0	0	0	0	0	0	0
(4)Clayton Fetsch Physician	(i)	273,184	0	0	12,798	22,976	308,958	0
	(ii)	0	0	0	0	0	0	0

Part III **Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 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
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Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
McPherson Hospital Inc

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

Employer identification number
48-0799105

Part I

Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A City of McPherson Kansas	48-6019780	582672BQ3	10-28-2003	2,315,000	Refunding of Series 1998 Bonds		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	1,875,000							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	2,315,000							
4	Gross proceeds in reserve funds	100,000							
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	69,725							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds	2,145,275							
12	Other unspent proceeds								
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X						
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	%		%		%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	%		%		%		%	
6	Total of lines 4 and 5	%		%		%		%	
7	Does the bond issue meet the private security or payment test?		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						
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?								
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						

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X						
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X						
b	Exception to rebate?		X						
c	No rebate due?		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						
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								

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						
b	Name of provider								
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						
7	Has the organization established written procedures to monitor the requirements of section 148?		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?								

Part VI

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

Identifier	Return Reference	Explanation
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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

2012

**Open to Public
Inspection**

Name of the organization
McPherson Hospital Inc

Employer identification number

48-0799105

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 3	
	Form 990, Part VI, Section A, line 6	Organization's sole member is MACCO Healthcare, Inc
	Form 990, Part VI, Section A, line 7a	MACCO Healthcare, Inc approves members of the governing body of McPherson Hospital, Inc
	Form 990, Part VI, Section B, line 11	A copy of the Form 990 is provided to members of the organization's Finance Committee with an opportunity to comment or ask questions prior to filing
	Form 990, Part VI, Section B, line 12c	The conflict of interest policy is reviewed annually by the governing body Updated individual disclosure forms are also required annually
	Form 990, Part VI, Section B, line 15	Organization participates annually in salary surveys sponsored by the State Hospital Assoc iation and uses MGMA and other national references in establishing physician compensation Terms of employment contracts are approved by the governing body
	Form 990, Part VI, Section C, line 19	The Organization makes its governing documents, conflict of interest policy, and financial statements available to the public upon written request
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 9	Change in beneficial interest in net assets of Foundation 146,770
Review of financial statements	FORM 990 PART XI, LINE 2C	The Finance Committee reviews the audit prior to submitting to the Board

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
McPherson Hospital Inc

Employer identification number
48-0799105

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) MACCO Healthcare Inc 1000 Hospital Drive McPherson, KS 67460 48-1059194	Sole Member of McPherson Hopsital, Inc and McPherson Healthcare Fdn, Inc	KS	501(c)(3)	170(b)(1) (A)(vi)			No
(2) McPherson Healthcare Foundation Inc 1016 N Main McPherson, KS 67460 48-1043952	Raise funds to support the operation of McPherson Hopsital, Inc	KS	501(c)(3)	170(b)(1) (A)(vi)			No

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) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" 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) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

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

No

1b

No

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

No

1m

No

1n

No

1o

No

1p

No

1q

No

1r

No

1s

No

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) McPherson Healthcare Foundation Inc	C	59,390	

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: 48-0799105
Name: McPherson Hospital Inc

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	
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Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No 1545-0172

2012

Attachment
Sequence No **179**

Name(s) shown on return
McPherson Hospital Inc

Business or activity to which this form relates
Form 990 Page 10

Identifying number

48-0799105

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	500,000
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,000,000
4	Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	4	
5	Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	5	

6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
6			
7	Listed property Enter the amount from line 29	7	
8	Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2011 Form 4562	10	
11	Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12	Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2013 Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property) (See instructions)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	1,520,003

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2012	17	
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		

Section B—Assets Placed in Service During 2012 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27 5 yrs	MM	S/L	
			27 5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2012 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV Summary (see instructions)

21	Listed property Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	22	1,520,003
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V

Listed Property (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)
Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? ☐ Yes ☐ No						24b If "Yes," is the evidence written? ☐ Yes ☐ No		
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost
25Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						25		
26 Property used more than 50% in a qualified business use								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1						28		
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1							29	

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person
If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

30 Total business/investment miles driven during the year (do not include commuting miles)	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
31 Total commuting miles driven during the year												
32 Total other personal(noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

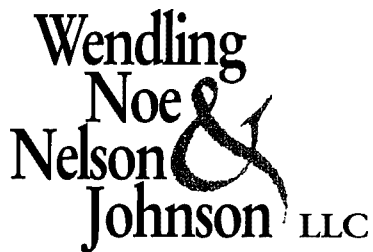
Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2012 tax year (see instructions)					
43 Amortization of costs that began before your 2012 tax year				43	
44 Total. Add amounts in column (f) See the instructions for where to report				44	

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
MCPHERSON HOSPITAL, INC.
JUNE 30, 2013 AND 2012

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Certified Public Accountants
and Management Consultants

Brian J Florea, CPA
Derek H Hart, CPA
John R Helms, CPA
Darrell D Loyd, CPA
Eric L Otting, CPA

Jere Noe, CPA
John E Wendling, CPA
Barry W Boyles, CPA
Adam C Crouch, CPA
Heather R Eichem, CPA
Aaron L Kuehn, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
McPherson Hospital, Inc.

We have audited the accompanying financial statements of McPherson Hospital, Inc., which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of operations and 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 our opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 financial statements referred to previously present fairly, in all material respects, the financial position of McPherson Hospital, Inc., as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wendling Roe Nelson & Johnson LLC
Topeka, Kansas
December 18, 2013

FINANCIAL STATEMENTS

MCPHERSON HOSPITAL, INC.

BALANCE SHEETS

June 30,

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash	\$ 1,587,258	\$ 3,224,918
Investments	2,849,040	2,698,853
Assets limited as to use	511,065	437,402
Patient accounts receivable, net of allowance for uncollectible accounts of \$1,748,786 in 2013 and \$1,802,257 in 2012	4,529,288	3,402,133
Estimated third-party payor settlements	401,453	42,022
Other receivables	195,527	119,768
Inventories	555,742	582,942
Prepaid expenses	<u>215,549</u>	<u>168,643</u>
Total current assets	<u>10,844,922</u>	<u>10,676,681</u>
ASSETS LIMITED AS TO USE		
Under indenture agreements - held by trustee	511,065	775,536
Under donor-imposed restrictions	282,355	433,378
Beneficial interest in net assets of the Foundation	<u>1,198,039</u>	<u>1,105,869</u>
	1,991,459	2,314,783
Less amount required to meet current liabilities	<u>511,065</u>	<u>437,402</u>
	<u>1,480,394</u>	<u>1,877,381</u>
PROPERTY AND EQUIPMENT, NET	<u>7,974,931</u>	<u>8,575,150</u>
OTHER ASSETS		
Unamortized bond costs	625	3,760
Other	<u>32,577</u>	<u>39,700</u>
	<u>33,202</u>	<u>43,460</u>
Total assets	<u>\$ 20,333,449</u>	<u>\$ 21,172,672</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Current installments of		
long-term debt	\$ 440,000	\$ 695,000
Accounts payable	1,302,189	1,380,009
Accrued salaries, wages, and benefits	396,589	442,462
Accrued compensated absences	399,949	448,178
Accrued interest	3,447	7,182
Estimated third-party payor		
settlements	<u>122,869</u>	<u> </u>
Total current liabilities	2,665,043	2,972,831
LONG-TERM DEBT, excluding current		
installments	<u> </u>	<u>440,000</u>
Total liabilities	<u>2,665,043</u>	<u>3,412,831</u>
NET ASSETS		
Unrestricted	16,188,012	16,220,594
Temporarily restricted	574,478	673,275
Permanently restricted	<u>905,916</u>	<u>865,972</u>
Total net assets	<u>17,668,406</u>	<u>17,759,841</u>
Total liabilities and net assets	<u>\$ 20,333,449</u>	<u>\$ 21,172,672</u>

MCPHERSON HOSPITAL, INC.

STATEMENTS OF OPERATIONS

Year ended June 30,

	<u>2013</u>	<u>2012</u>
Unrestricted revenues, gains, and other support		
Patient service revenue	\$ 22,038,216	\$ 22,873,568
Provision for bad debts	<u>(1,893,600)</u>	<u>(1,379,792)</u>
Net patient service revenue	20,144,616	21,493,776
Other revenues	1,165,415	1,349,189
Electronic health record incentive payments	1,250,000	
Net assets released from restrictions used for operations	<u>29,220</u>	<u>33,315</u>
Total revenues, gains, and other support	<u>22,589,251</u>	<u>22,876,280</u>
Expenses		
Salaries, wages, and contract labor	10,634,671	10,944,479
Employee benefits	1,959,538	2,313,910
Purchased services, supplies, and other	9,252,900	8,594,754
Depreciation and amortization	1,526,629	1,292,994
Interest	<u>36,974</u>	<u>73,200</u>
Total expenses	<u>23,410,712</u>	<u>23,219,337</u>
Loss from operations	<u>(821,461)</u>	<u>(343,057)</u>
Other income		
Investment income	258,448	103,395
Gain (loss) on disposal of equipment	<u>(11,335)</u>	<u>43,534</u>
	<u>247,113</u>	<u>146,929</u>
Excess of expenses over revenues	(574,348)	(196,128)
Net assets released from restrictions used for acquisition of property and equipment	636,892	63,501
Change in net unrealized gains and losses on investments	<u>(95,126)</u>	<u>29,316</u>
Change in unrestricted net assets	<u>\$ (32,582)</u>	<u>\$ (103,311)</u>

The accompanying notes are an integral part of these statements.

MCPHERSON HOSPITAL, INC.
STATEMENTS OF CHANGES IN NET ASSETS
Years ended June 30, 2013 and 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
Net assets at June 30, 2011	\$ 16,323,905	\$ 531,468	\$ 848,510
Excess of expenses over revenues	(196,128)		
Net change in assets to be used for operation of medical library		(8,813)	
Restricted investment income		2,320	
Net assets released from restrictions used for operations		(33,315)	
Restricted contributions		266,196	
Change in beneficial interest in net assets of the Foundation		(21,080)	17,462
Net assets released from restrictions used for acquisition of property and equipment	63,501	(63,501)	
Change in net unrealized gains and losses on investments	<u>29,316</u>		
Change in net assets	<u>(103,311)</u>	<u>141,807</u>	<u>17,462</u>
Net assets at June 30, 2012	<u>16,220,594</u>	<u>673,275</u>	<u>865,972</u>
Excess of expenses over revenues	(574,348)		
Net change in assets to be used for operation of medical library		7,581	
Restricted investment income		2,324	
Net assets released from restrictions used for operations		(29,220)	
Restricted contributions		450,584	
Change in beneficial interest in net assets of the Foundation		106,826	39,944
Net assets released from restrictions used for acquisition of property and equipment	636,892	(636,892)	
Change in net unrealized gains and losses on investments	<u>(95,126)</u>		
Change in net assets	<u>(32,582)</u>	<u>(98,797)</u>	<u>39,944</u>
Net assets at June 30, 2013	<u>\$ 16,188,012</u>	<u>\$ 574,478</u>	<u>\$ 905,916</u>

The accompanying notes are an integral part of these statements.

MCPHERSON HOSPITAL, INC.
STATEMENTS OF CASH FLOWS
Year ended June 30,

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ (91,435)	\$ 55,958
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,526,629	1,292,994
Provision for bad debts	1,893,600	1,379,792
Amortization of bond costs	3,135	6,294
Loss (gain) on disposal of equipment	11,335	(43,534)
Undistributed portion of change in beneficial interest in net assets of the Foundation	(92,170)	8,434
Net change in unrealized gains and losses on investments	95,126	(29,316)
Restricted contributions	(450,584)	(266,196)
Changes in assets and liabilities		
Patient accounts receivable	(3,020,755)	(1,365,838)
Estimated third-party payor settlements	(236,562)	(187,152)
Inventories and other current assets	29,785	61,414
Accounts payable and accrued expenses	494,784	111,784
Deferred revenue	<u>(475)</u>	<u>(475)</u>
Net cash provided by operating activities	<u>162,888</u>	<u>1,024,159</u>
Cash flows from investing activities		
Acquisition of property and equipment	(1,606,877)	(1,162,301)
Change in assets limited as to use	415,494	(182,276)
Change in investments	(245,313)	(482,827)
Proceeds from sale of equipment	<u>5,814</u>	<u>48,901</u>
Net cash used by investing activities	<u>(1,430,882)</u>	<u>(1,778,503)</u>
Cash flows from financing activities		
Repayment of long-term debt	(695,000)	(665,000)
Payments on capital lease obligations		(4,649)
Restricted contributions	<u>325,334</u>	<u>266,196</u>
Net cash used by financing activities	<u>(369,666)</u>	<u>(403,453)</u>
Net change in cash and cash equivalents	(1,637,660)	(1,157,797)
Cash and cash equivalents at beginning of year	<u>3,224,918</u>	<u>4,382,715</u>
Cash and cash equivalents at end of year	<u>\$ 1,587,258</u>	<u>\$ 3,224,918</u>
Cash paid during the year for interest	<u>\$ 37,574</u>	<u>\$ 70,406</u>

The accompanying notes are an integral part of these statements.

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows. The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On January 1, 2011, the Hospital entered into a management agreement with Via Christi Health, Inc. Under the agreement, Via Christi is responsible for daily management and administration of the Hospital, and it provides the Hospital with the services of a chief executive officer and a chief financial officer, both of whom are employed by Via Christi. The Hospital's Board of Directors retains ultimate authority and control over the business, policies, operations, and assets of the Hospital.

1. Organization

McPherson Hospital, Inc. (the Hospital), is a not-for-profit membership corporation organized to establish, own, and operate an acute care hospital facility located in McPherson, Kansas. MACCO Healthcare, Inc. (MACCO), another not-for-profit membership corporation, is the sole member of the Hospital. MACCO is also the sole member of McPherson Healthcare Foundation, Inc., (the Foundation). The Foundation is a not-for-profit membership corporation established to raise funds to support the operation of the Hospital.

2. Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all cash and short-term investments purchased with original maturities of three months or less, excluding any such amounts classified as current investments or included in assets limited as to use.

3. Allowance for doubtful accounts

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors 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 Hospital records a significant

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

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

4. Inventories

Inventories are stated at the lower of cost or market with cost determined on the first-in, first-out method.

5. Assets limited as to use

Assets limited as to use include assets held by trustees under indenture agreements, the Hospital's beneficial interest in the net assets of the Foundation, and assets restricted as to use by donors.

6. Beneficial interest in net assets of the Foundation

The Hospital and the Foundation are financially interrelated organizations. As such, the Hospital recognizes as an asset its interest in the net assets of the Foundation. At the end of each reporting period, it adjusts the interest for its share of the change in net assets of the Foundation occurring during that period. Transactions occurring between the two organizations have been eliminated during the preparation of these financial statements.

7. Investments

The Hospital maintains funds in Via Christi's pooled investment account. Each month the net investment activity is allocated to each participant in the pooled account based on the participant's average daily balance as a percentage of the total average daily balance in the investment pool. Investments in the pool are measured at fair value. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in other income. Unrealized gains and losses are excluded from the excess of expenses over revenues unless the investments are trading securities.

8. Property and equipment

Property and equipment (including assets recorded as capital leases) are stated at cost. Depreciation and amortization of property and equipment are provided on the straight-line method over the estimated useful lives of the assets. The estimated lives used are generally in accordance with the guidelines established by the American Hospital Association.

The costs of maintenance and repairs are charged to operating expense as incurred. The costs of significant additions, renewals, and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. Gains and losses on disposition of property and equipment are included in other income.

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

9. Costs of borrowing

Costs incurred in connection with the issuance of long-term debt are amortized using the interest method over the term of the related debt.

10. Temporarily and permanently restricted net assets

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

11. Statement of operations

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as other income and expenses.

12. Net patient service revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and the provision for bad debts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

13. Excess of expenses over revenues

The statement of operations includes *excess of expenses over revenues*. Changes in unrestricted net assets which are excluded from *excess of expenses over revenues*, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets 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 purposes of acquiring such assets).

14. Charity care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

15. Donor-restricted gifts

Unconditional promises to give cash and other assets to the Hospital or the Foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

16. Income taxes

The Hospital and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Management is not aware of any uncertainties in income tax positions. For both entities, the years ended June 30, 2013, 2012, 2011, and 2010, remain subject to examination by both federal and state taxing authorities.

17. Subsequent events

The Hospital has evaluated subsequent events through December 18, 2013, which is the date the financial statements were available to be issued. During this period, there were no subsequent events requiring recognition or disclosure in the financial statements.

NOTE B - REIMBURSEMENT PROGRAMS

The Hospital has agreements with third-party payors that provide for payments to it at amounts different from its established charge rates. The amounts reported on the balance sheets as estimated third-party payor settlements consist of the estimated differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute care and skilled nursing care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or per day. Physician services rendered to Medicare beneficiaries are paid based on a prospectively determined fee schedule. Outpatient services are paid at prospectively determined rates per occasion of service. Prospectively determined rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The Hospital is paid for cost reimbursable and other items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits or reviews thereof by the Medicare administrative contractor. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through June 30, 2010.

Beginning with inpatient discharges occurring on or after October 1, 2010, the Hospital qualified for a special low-volume hospital add-on payment. This add-on payment will continue for discharges occurring through September 30, 2013. Unless current laws are amended, the Hospital will then no longer qualify for this special payment. This add-on totaled \$574,000 and \$576,055 during fiscal years 2013 and 2012, respectively.

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE B - REIMBURSEMENT PROGRAMS - Continued

The Hospital is classified as a Medicare dependent hospital (MDH) under the Medicare program. As a result, a large portion of its inpatient operating diagnosis related group (DRG) payments are based on its hospital-specific operating DRG rate which is substantially higher than the federal operating DRG rate upon which those payments would be based if the Hospital did not have MDH status. The benefit of MDH status was approximately \$634,000 and \$609,000 during fiscal years 2013 and 2012, respectively. This provision of the Medicare program expires on September 30, 2013, at which time the Hospital will then no longer receive this benefit.

Medicaid - Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or a fee-for-service basis.

The Kansas Medicaid program provides additional payments to qualifying providers under a reimbursement formula that incorporates uncompensated care costs, Kansas Medicaid utilization, public support of the provider, and other factors. The Hospital qualified for these disproportionate share payments during the past two fiscal years.

Blue Cross and Blue Shield - All services rendered to patients who are insured by Blue Cross-Blue Shield are paid on the basis of prospectively determined rates per discharge or discounts from established charges.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

A summary of net patient service revenue follows:

	<u>2013</u>	<u>2012</u>
Gross patient service revenue	\$ 45,232,028	\$ 41,449,531
Contractual adjustments	(23,927,023)	(19,666,422)
Medicare low-volume add-on payments	574,017	576,055
Benefit of MDH status	634,066	609,438
Medicaid disproportionate share payments	301,800	317,820
Charity care	<u>(776,672)</u>	<u>(412,854)</u>
Patient service revenue	22,038,216	22,873,568
Provision for bad debts	<u>(1,893,600)</u>	<u>(1,379,792)</u>
Net patient service revenue	<u>\$ 20,144,616</u>	<u>\$ 21,493,776</u>

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE B - REIMBURSEMENT PROGRAMS - Continued

Patient service revenue, net of contractual adjustments and charity care (but before the provision for bad debts) by major payor sources is as follows:

	<u>2013</u>	<u>2012</u>
Medicare	\$ 8,056,030	\$ 8,179,263
Medicaid	1,217,460	1,099,053
Blue Cross	5,618,611	5,800,635
Other third-party payors	5,973,819	6,446,535
Patients	<u>1,172,296</u>	<u>1,348,082</u>
Patient service revenue	<u>\$ 22,038,216</u>	<u>\$ 22,873,568</u>

Revenue from the Medicare and Medicaid programs accounted for approximately 37 percent and 6 percent, respectively, of the Hospital's patient service revenue, net of contractual adjustments and charity care during 2013, and 36 percent and 5 percent, respectively, of the Hospital's patient service revenue, net of contractual adjustments and charity care during 2012. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

During April 2012, CMS entered into a settlement agreement with certain hospitals who claimed CMS had been improperly calculating Medicare inpatient payments made to certain hospitals for many years. The Hospital was included in the group of hospitals that entered into the settlement agreement with CMS. The agreement resulted in a payment to the Hospital of approximately \$205,000. This amount is included in patient service revenue on the statements of operations.

The Hospital is dedicated to providing both services and leadership in caring for the needy and accepts all patients regardless of the ability to pay. The Hospital provides such care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since the Hospital does not attempt to collect amounts initially determined to qualify as charity care, such charges are not included in net patient service revenue. The costs incurred in providing these services of approximately \$360,000 and \$218,000 during the years ended June 30, 2013 and 2012, respectively, are included in the Hospital's operating expenses and are estimated using the Hospital's overall cost-to-charge ratio. In addition, the Hospital provides care for medically indigent patients covered under the Medicaid welfare program at rates substantially below standard charges.

NOTE C - ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS

The American Recovery and Reinvestment Act of 2009 (ARRA) provides for incentive payments under the Medicare and Medicaid programs for certain hospitals and physician practices that demonstrate meaningful use of certified electronic health record (EHR) technology. These provisions of ARRA are intended to promote the adoption and meaningful use of interoperable health information technology and qualified EHR technology.

MCPHERSON HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE C - ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS - Continued

The Hospital recognizes revenue for EHR incentive payments when it has reasonable assurance that it has demonstrated meaningful use of certified EHR technology for the applicable period and complied with the reporting conditions to receive the payment. The demonstration of meaningful use is based upon meeting a series of objectives and varies between hospital facilities and physician practices and between the Medicare and Medicaid programs. Additionally, meeting the objectives in order to demonstrate meaningful use becomes progressively more stringent as its implementation is phased in through stages as outlined by CMS. During the year ended June 30, 2013, the Hospital recognized \$1,250,000 of revenue for EHR incentive payments.

The Hospital incurs both capital expenditures and operating expenses in connection with the implementation of its EHR initiatives. The amounts and timing of these expenditures do not directly correlate with the timing of the Hospital's recognition of EHR incentive payments as revenue.

NOTE D - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Prior to any allowances for uncollectible accounts or contractual adjustments, the Hospital's allowance for uncollectible accounts equaled 16 percent and 22 percent of accounts receivable at June 30, 2013 and 2012, respectively. The allowance decreased as a percentage of accounts receivable primarily because self-pay accounts receivable represented a smaller portion of total accounts receivable as of June 30, 2013.

The Hospital changed its charity care policy during the year ended June 30, 2013. Under the revised policy, all charges are written off for uninsured and underinsured patients with household incomes at or below 200 percent of the federal poverty level. The amount collectible from uninsured and underinsured patients with household incomes above that level is capped annually at 50 percent of their household income that exceeds 200 percent of the federal poverty level. In the prior fiscal year, charges for uninsured and underinsured patients with household incomes at or below 175 percent of the federal poverty level were written off based on a sliding scale. The amount of charges written off ranged from 100 percent for those with household incomes below 100 percent of the federal poverty level to 25 percent for those with household incomes above 150 percent of the federal poverty level. The Hospital's discount policy for self-pay balances of patients that do not qualify for charity care remained unchanged.

The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE E - INVESTMENTS AND ASSETS LIMITED AS TO USE

All investments are stated at fair value. Assets limited as to use that are required and available to meet obligations classified as current liabilities are reported in current assets.

The following is a summary of the Hospital's current investments:

	<u>2013</u>	<u>2012</u>
Certificates of deposit	\$ 409,039	\$ 407,340
Via Christi Health pooled investment account	<u>2,440,001</u>	<u>2,291,513</u>
	<u>\$ 2,849,040</u>	<u>\$ 2,698,853</u>

The composition of assets limited as to use is as follows:

	<u>2013</u>	<u>2012</u>
Under indenture agreements - held by trustee		
Money market funds	<u>\$ 511,065</u>	<u>\$ 775,536</u>
Under donor-imposed restrictions		
Cash	\$ 125,295	\$ 276,318
Certificates of deposit	<u>157,060</u>	<u>157,060</u>
	<u>\$ 282,355</u>	<u>\$ 433,378</u>

Investment income for assets limited as to use, cash equivalents, and other investments is comprised of the following:

	<u>2013</u>	<u>2012</u>
By type		
Interest income	\$ 72,234	\$ 82,117
Realized gains	187,647	24,391
Unrealized gains	<u>(95,126)</u>	<u>29,316</u>
	<u>\$ 164,755</u>	<u>\$ 135,824</u>
As reported in the financial statements		
Investment income	\$ 258,448	\$ 103,395
Other revenues	1,433	3,113
Change in net unrealized gains and losses on investments	<u>(95,126)</u>	<u>29,316</u>
	<u>\$ 164,755</u>	<u>\$ 135,824</u>

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE E - INVESTMENTS AND ASSETS LIMITED AS TO USE - Continued

The following is a summary of the assets, liabilities, net assets, revenues and expenses, and changes in net assets of the Foundation (significant intercompany balances and transactions have been eliminated).

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 122,195	\$ 150,627
Pledges and bequests receivable, net	18,719	2,990
Investments	1,060,050	957,909
Property, plant, and equipment, net	<u>2,263</u>	<u>2,734</u>
Total assets	<u>\$ 1,203,227</u>	<u>\$ 1,114,260</u>
Accrued expenses	<u>\$ 5,188</u>	<u>\$ 8,391</u>
Net assets		
Unrestricted	130,393	138,575
Temporarily restricted	268,790	208,382
Permanently restricted	<u>798,856</u>	<u>758,912</u>
Total net assets	<u>1,198,039</u>	<u>1,105,869</u>
Total liabilities and net assets	<u>\$ 1,203,227</u>	<u>\$ 1,114,260</u>
Revenues		
Contributions	\$ 201,882	\$ 183,844
Investment income	<u>149,259</u>	<u>19,534</u>
Total revenues	<u>351,141</u>	<u>203,378</u>
Expenses		
Program services	25,988	25,079
Management and general	73,579	77,567
Fund-raising	<u>104,804</u>	<u>104,350</u>
Total expenses	<u>204,371</u>	<u>206,996</u>
Excess of revenues over (under) expenses	146,770	(3,618)
Transfer to the Hospital	<u>(54,600)</u>	<u>(4,816)</u>
Change in net assets	<u>\$ 92,170</u>	<u>\$ (8,434)</u>

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 1,337,140	\$ 1,330,062
Buildings, improvements, and fixed equipment	14,714,470	14,524,809
Major movable equipment	<u>12,768,596</u>	<u>12,205,093</u>
	28,820,206	28,059,964
Less accumulated depreciation and amortization	<u>20,882,592</u>	<u>19,489,864</u>
	7,937,614	8,570,100
Construction in progress	<u>37,317</u>	<u>5,050</u>
Property and equipment, net	<u>\$ 7,974,931</u>	<u>\$ 8,575,150</u>

Construction in progress consists of costs incurred to date for remodeling projects at the Hospital.

NOTE G - UNAMORTIZED BOND COSTS

Unamortized bond costs are summarized as follows:

	<u>2013</u>	<u>2012</u>
City of McPherson, Kansas Hospital Facility Revenue Bonds, Series 2002	\$ -	\$ 111,466
City of McPherson, Kansas Hospital Facility Revenue Refunding Bonds, Series 2003	54,255	54,255
Less accumulated amortization	<u>(53,630)</u>	<u>(161,961)</u>
	<u>\$ 625</u>	<u>\$ 3,760</u>

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE H - LONG-TERM DEBT

Long-term debt is summarized as follows:

	<u>2013</u>	<u>2012</u>
4.50% - 5.00% City of McPherson, Kansas Hospital Facility Revenue Bonds, Series 2002, interest payable semiannually beginning December 2002, principal payments due annually on December 1 beginning in 2003 with final maturity in 2012	\$ -	\$ 455,000
4.00% - 4.70% City of McPherson, Kansas Hospital Facility Revenue Refunding Bonds, Series 2003, interest payable semiannually beginning May 2004, principal payments due annually on November 1 beginning in 2004 with final maturity in 2013	<u>440,000</u>	<u>680,000</u>
	440,000	1,135,000
Less current installments of long-term debt	<u>440,000</u>	<u>695,000</u>
Long-term debt, excluding current installments	<u>\$ -</u>	<u>\$ 440,000</u>

The City of McPherson, Kansas, issued its Hospital Facility Revenue Bonds, Series 2002 (the 2002 bonds), in the amount of \$3,760,000, on behalf of the Hospital pursuant to a bond trust indenture dated March 15, 2002. The proceeds of the 2002 bonds were used, together with other available funds of the Hospital and the Foundation, for the purpose of providing funds to (1) construct and equip modifications and improvements to the existing emergency room facilities and make improvements to the HVAC system of the Hospital, (2) to fund a debt service reserve for the 2002 bonds, and (3) to pay the costs of issuance of the 2002 bonds.

The City of McPherson, Kansas, issued its Hospital Facility Revenue Refunding Bonds, Series 2003 (the 2003 Bonds), in the amount of \$2,315,000, on behalf of the Hospital pursuant to a bond trust indenture dated October 15, 2003. The proceeds of the 2003 bonds were used, together with other available funds of the Hospital, for the purpose of providing funds to (1) retire the \$2,270,000 of 1998 bonds outstanding at December 1, 2003, (2) fund a debt service reserve fund for the 2003 bonds, and (3) pay certain costs related to the issuance of the 2003 bonds.

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE H - LONG-TERM DEBT - Continued

The bond trust indenture and the related lease agreements require the Hospital to maintain certain deposits with a trustee. Such deposits were maintained and are included with assets limited as to use in the financial statements.

The final scheduled principal repayment on long-term debt of \$440,000 will occur on November 1, 2013.

Total interest costs are summarized as follows:

	<u>2013</u>	<u>2012</u>
Total interest incurred	\$ 33,839	\$ 66,906
Amortization of deferred financing costs	<u>3,135</u>	<u>6,294</u>
Interest expense	<u>\$ 36,974</u>	<u>\$ 73,200</u>

NOTE I - OPERATING LEASES

The Hospital leases equipment under various operating leases. Scheduled future minimum rental payments for all noncancellable operating leases with remaining terms of one year or more are as follows:

2014	<u>\$ 43,314</u>
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Rental expense for all operating leases consisted of the following:

	<u>2013</u>	<u>2012</u>
Minimum rentals due under leases expiring in more than one year	\$ 86,628	\$ 86,628
Other rents	<u>21,013</u>	<u>20,484</u>
	<u>\$ 107,641</u>	<u>\$ 107,112</u>

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE J - PENSION PLAN

The Hospital sponsors a defined-contribution pension plan that covers substantially all full-time employees who have completed one year of service. Annual contributions to the plan are based on a percentage of eligible employee compensation. The total expense of the plan for the years ended June 30, 2013 and 2012, was \$267,189 and \$283,942, respectively.

NOTE K - COMMITMENTS AND CONTINGENCIES

During 2004, the Hospital leased land to a physician practice under a 99-year ground lease. Annual rent began at \$5,705 and increases each year based on the inflation rate for the previous year. The physician practice has built a medical office building on the land subject to the lease. The lease agreement will terminate prior to the end of its scheduled term in the event the Hospital purchases the medical office building.

The physician practice financed construction of the medical office building with proceeds of industrial revenue bonds issued by the City of McPherson (the City). The City also granted a 10-year exemption from ad valorem taxes on the building in connection with that financing. The Hospital and the physician practice have entered into an agreement requiring the Hospital to purchase the medical office building from the physician practice upon expiration of the ad valorem tax exemption. Execution of this agreement was a condition for issuance of the bonds used to finance the building. The purchase price will be the fair market value of the building at the time of purchase, subject to certain adjustments as specified in the agreement, but not less than the principal amount of the bonds outstanding at the time of purchase. It is presently estimated that the purchase price will be approximately \$1,153,000.

At June 30, 2013, the carrying amount of bank deposits and certificates of deposit was \$2,777,031 and the bank balances were \$2,632,671. Of the bank balances, \$1,008,078 was covered by federal depository insurance, \$1,617,508 was insured by a bank deposit guaranty bond, and \$7,085 was uninsured.

Bank deposits are included in the financial statements under the following categories:

	<u>Bank deposits</u>
Cash	\$ 1,585,637
Investments	409,039
Assets limited as to use	
Under donor-imposed restrictions	<u>282,355</u>
	<u>\$ 2,277,031</u>

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE L - FUNCTIONAL EXPENSES

The Hospital provides general health care services to residents of its service area. Expenses related to providing these services are as follows:

	<u>2013</u>	<u>2012</u>
Health care services	\$ 19,804,899	\$ 19,780,471
General and administrative	<u>3,605,813</u>	<u>3,438,866</u>
	<u>\$ 23,410,712</u>	<u>\$ 23,219,337</u>

NOTE M - CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of patient accounts receivable from patients and third-party payors is summarized as follows:

	<u>2013</u>	<u>2012</u>
Medicare	34.6%	34.5%
Medicaid	7.4	5.4
Blue Cross	20.2	13.1
Other insurers	24.5	19.2
Patients	<u>13.3</u>	<u>27.8</u>
	<u>100.0%</u>	<u>100.0%</u>

NOTE N - MEDICAL MALPRACTICE INSURANCE

For the years ended June 30, 2013 and 2012, the Hospital was insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of \$200,000 per occurrence up to an annual aggregate of \$600,000 for all claims made during the policy year. The Hospital is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to \$800,000 pursuant to any one judgment or settlement against the Hospital for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of \$2,400,000. The policy provided by the independent insurance carrier provides for umbrella liability in excess of the underlying limits set forth above in the amount of \$1,000,000 per occurrence with an aggregate amount in any policy year of \$1,000,000. All coverage is on a claims-made basis. The above policies have been renewed for the policy period from January 1, 2013 to January 1, 2014. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified under the Hospital's incident reporting system has been made because the amount is not reasonably estimable. Based on historical experience and present conditions, it is the opinion of management that any claims or expenses related to periods prior to June 30, 2013, will have no material effect on the financial statements of the Hospital.

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Hospital has adopted the provisions of Financial Accounting Standards Board Accounting Standard Codification (FASB ASC) 820, *Fair Value Measurements and Disclosures*, which defines fair value, established a framework for measuring fair value, and expands disclosures about fair value measurements.

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also established a fair value hierarchy that gives highest priority to use of observable inputs and lowest priority to use of unobservable inputs. The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

Level 2 inputs to the valuation methodology are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs to the valuation methodology are unobservable, supported by little or no market activity, and are significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used by the Hospital for assets measured at fair value on a recurring basis.

The Via Christi Health pooled investment account is valued based on the Hospital's allocation of the fair value of the underlying investments in the pooled investment account. As the Hospital's allocation does not identify with a specific investment, it has been classified as Level 3 within the fair value hierarchy. The allocation of investments within the pooled investment account is as follows:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	3%	5%
Marketable equity securities	17	13
U.S. government obligations	25	32
Asset backed securities	9	10
Corporate fixed income	12	9
Private equity and real estate funds	6	6
Hedge funds	22	19
Commodities funds and other investments	<u>6</u>	<u>6</u>
	<u>100%</u>	<u>100%</u>

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following table sets forth, by level, the Hospital's assets measured at fair value on a recurring basis.

	June 30, 2013			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 409,039	\$ -	\$ -	\$ 409,039
Via Christi Health pooled investment account			<u>2,440,001</u>	<u>2,440,001</u>
	<u>\$ 409,039</u>	<u>\$ -</u>	<u>\$ 2,440,001</u>	<u>\$ 2,849,040</u>
	June 30, 2012			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 407,340	\$ -	\$ -	\$ 407,340
Via Christi Health pooled investment account			<u>2,291,513</u>	<u>2,291,513</u>
	<u>\$ 407,340</u>	<u>\$ -</u>	<u>\$ 2,291,513</u>	<u>\$ 2,698,853</u>

Activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2013 and 2012, is summarized as follows:

	<u>Pooled investment account</u>
Balance as of June 30, 2011	\$ -
Purchases	2,200,000
Interest and dividends	37,806
Realized gains	24,391
Unrealized gains	<u>29,316</u>
Balance as of June 30, 2012	2,291,513
Interest and dividends	55,968
Realized gains	187,646
Unrealized gains	<u>(95,126)</u>
Balance as of June 30, 2013	<u>\$ 2,440,001</u>

MCPHERSON HOSPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE P - RELATED PARTY TRANSACTIONS

In addition to the management agreement discussed in Note A1 and participation in the Via Christi Health pooled investment account (Notes E and O), the Hospital also enters into other transactions with Via Christi. Operating expenses include the following amounts for services provided by Via Christi:

	<u>2013</u>	<u>2012</u>
Management fees	\$ 660,000	\$ 660,000
Other services	<u>1,612,508</u>	<u>430,554</u>
	<u>\$ 2,272,508</u>	<u>\$ 1,090,554</u>

Accounts payable include amounts due to Via Christi for these items of \$143,470 and \$84,191 as of June 30, 2013 and 2012, respectively.