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Form 990

## Return of Organization Exempt From Income Tax

2012

Open to Public  
InspectionDepartment of the Treasury  
Internal Revenue ServiceUnder section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung  
benefit trust or private foundation)

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

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

|  |   |            |  |
|--|---|------------|--|
| <input type="checkbox"/> Check if applicable | C Name of organization<br>COMMUNITY UNITED METHODIST<br>HOSPITAL INC      |            | D Employer identification number<br>61-0461753 |
| <input type="checkbox"/> Address change      | Name change<br>Doing Business As  |            |  |
| <input type="checkbox"/> Initial return      | Number and street (or P O box if mail is not delivered to street address) | Room/suite | E Telephone number<br>(270) 827-7517           |
| <input type="checkbox"/> Terminated          |   |            |  |
| <input type="checkbox"/> Amended return      | City or town, state or country, and ZIP + 4<br>HENDERSON, KY 424190048    |            |  |
| <input type="checkbox"/> Application pending |   |            | G Gross receipts \$ 168,509,566                |

I Tax-exempt status  501(c)(3)  501(c) ( ) (insert no)  4947(a)(1) or  527

J Website: ► METHODISTHOSPITAL.NET

K Form of organization  Corporation  Trust  Association  Other ► L Year of formation 1948 M State of legal domicile KY

## Part I Summary

|  |    |       |
|--|----|-------|
| 1 Briefly describe the organization's mission or most significant activities<br>IN LINE WITH ITS CHRISTIAN HERITAGE, TO PROVIDE A BROAD BASED HEALTHCARE DELIVERY SYSTEM FOCUSING<br>ON THE COMPASSIONATE, HIGH QUALITY AND COST EFFECTIVE SERVICES THAT ADDRESS MENTAL, SPIRITUAL AND<br>PHYSICAL NEEDS AND WORK TO IMPROVE THE HEALTH STATUS OF THE PEOPLE IN THE COMMUNITIES SERVED |    |       |
| 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  | 20    |
| 4 Number of independent voting members of the governing body (Part VI, line 1b) . . . . .  | 4  | 15    |
| 5 Total number of individuals employed in calendar year 2012 (Part V, line 2a) . . . . .   | 5  | 1,572 |
| 6 Total number of volunteers (estimate if necessary) . . . . .   | 6  | 84    |
| 7a Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .  | 7a | 6,545 |
| b Net unrelated business taxable income from Form 990-T, line 34 . . . . .   | 7b |       |

|   |             |              |
|---|-------------|--------------|
| 8 Contributions and grants (Part VIII, line 1h) . . . . .                                     | Prior Year  | Current Year |
|   | 106,309     | 76,666       |
| 9 Program service revenue (Part VIII, line 2g) . . . . .                                      | 157,899,371 | 161,975,848  |
| 10 Investment income (Part VIII, column (A), lines 3, 4, and 7d) . . . . .                    | 134,025     | 393,713      |
| 11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)                   | 2,822,633   | 5,950,248    |
| 12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . . | 160,962,338 | 168,396,475  |

|  |             |              |
|--|-------------|--------------|
| 13 Grants and similar amounts paid (Part IX, column (A), lines 1-3) . . . . .        | Prior Year  | Current Year |
|  | 313,471     | 441,436      |
| 14 Benefits paid to or for members (Part IX, column (A), line 4) . . . . .           |             | 0            |
| 15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10) | 75,882,589  | 78,847,675   |
| 16a Professional fundraising fees (Part IX, column (A), line 11e) . . . . .          |             | 0            |
| b Total fundraising expenses (Part IX, column (D), line 25) ► <sup>0</sup>           |             |              |
| 17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) . . . . .            | 84,035,435  | 87,859,627   |
| 18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)          | 160,231,495 | 167,148,738  |
| 19 Revenue less expenses Subtract line 18 from line 12 . . . . .                     | 730,843     | 1,247,737    |

|  |                           |             |
|--|---------------------------|-------------|
| 20 Total assets (Part X, line 16) . . . . .                            | Beginning of Current Year | End of Year |
|  | 157,803,337               | 157,616,747 |
| 21 Total liabilities (Part X, line 26) . . . . .                       |                           | 76,736,277  |
| 22 Net assets or fund balances Subtract line 21 from line 20 . . . . . | 59,512,258                | 80,880,470  |

## 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 | *****<br>Signature of officer<br>BRUCE BEGLEY CEO<br>Type or print name and title | 2014-05-13<br>Date |
|-----------|---|--------------------|

|                              |  |                      |                    |  |      |
|------------------------------|--|----------------------|--------------------|--|------|
| Paid<br>Preparer<br>Use Only | Print/Type preparer's name<br>S MARTIN MCELROY JR CPA    | Preparer's signature | Date<br>2014-05-15 | Check <input type="checkbox"/> if<br>self-employed | PTIN |
|                              | Firm's name ► MCELROY MITCHELL & ASSOCIATES LLP          |                      |                    | Firm's EIN ►                                       |      |
|                              | Firm's address ► PO BOX 528<br>MORGANFIELD, KY 424370528 |                      |                    | Phone no (270) 389-1239                            |      |

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**

IN LINE WITH ITS CHRISTIAN HERITAGE, TO PROVIDE A BROAD BASED HEALTHCARE DELIVERY SYSTEM FOCUSING ON THE COMPASSIONATE, HIGH QUALITY AND COST EFFECTIVE SERVICES THAT ADDRESS MENTAL, SPIRITUAL AND PHYSICAL NEEDS AND WORK TO IMPROVE THE HEALTH STATUS OF THE PEOPLE IN THE COMMUNITIES SERVED

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?  Yes  No

If "Yes," describe these new services on Schedule C.

Yes  No

3 Did the organization cease conducting, or make significant changes in how it conducts, any programs or services?

Yes  No

If "Yes," describe these changes on Schedule O.

**4** Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

**4a** (Code ) (Expenses \$ 136,470,323 including grants of \$ 441,436 ) (Revenue \$ 167,092,361 )

COMMUNITY UNITED METHODIST HOSPITAL, INC OFFERS A BROAD RANGE OF INPATIENT AND OUTPATIENT MEDICAL SERVICES INCLUDING EMERGENCY CARE, SURGICAL SERVICES, AMBULATORY CARE, RADIOLOGY SERVICES, PHYSICAL THERAPY, SLEEP DISORDERS, ORTHOPEDIC SERVICES, PEDIATRIC CARE, NICU, SWING BED, DIAGNOSTIC AND THERAPEUTIC SERVICES, WOUND CARE AND PAIN CLINIC. THE COMMUNITIES WE SERVE INCLUDE HENDERSON, UNION AND WEBSTER COUNTIES. METHODIST HOSPITAL IS AN ACUTE CARE HOSPITAL IN HENDERSON, KY WITH 192 LICENSED BEDS. IN FISCAL YEAR 2013, MH SERVED 5,249 INPATIENTS FOR A TOTAL OF 24,865 INPATIENT DAYS OF SERVICE. MH ALSO PROVIDED 259,774 OUTPATIENT VISITS WHICH INCLUDED 26,314 EMERGENCY ROOM VISITS (CONTINUED ON SCHEDULE O). UNION COUNTY METHODIST HOSPITAL IS A CRITICAL CARE HOSPITAL IN UNION COUNTY, KY IN FISCAL YEAR 2013, UCMH SERVED 801 INPATIENTS FOR A TOTAL OF 4,644 INPATIENT DAYS. UCMH ALSO PROVIDED 23,651 OUTPATIENT VISITS WHICH INCLUDED 8,401 EMERGENCY ROOM VISITS.

**4b** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$

**4c** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$

**4d** Other program services (Describe in Schedule O)

**4e Total program service expenses ► 136,470,323**

**Part IV Checklist of Required Schedules**

1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A

2 Is the organization required to complete Schedule B, *Schedule of Contributors* (see instructions)?

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

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

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

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

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

8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III

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

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

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

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

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

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

e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X

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 XI

12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII

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

13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E

14a Did the organization maintain an office, employees, or agents outside of the United States?

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

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

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

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)

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

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

20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H

b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?

|     | Yes | No |
|-----|-----|----|
| 1   | Yes |    |
| 2   | Yes |    |
| 3   |     | No |
| 4   | Yes |    |
| 5   |     | No |
| 6   |     | No |
| 7   |     | No |
| 8   |     | No |
| 9   |     | No |
| 10  |     | No |
| 11a | Yes |    |
| 11b |     | No |
| 11c |     | No |
| 11d | Yes |    |
| 11e | Yes |    |
| 11f | Yes |    |
| 12a |     | No |
| 12b | Yes |    |
| 13  |     | No |
| 14a |     | No |
| 14b |     | No |
| 15  |     | No |
| 16  |     | No |
| 17  |     | No |
| 18  |     | No |
| 19  |     | No |
| 20a | Yes |    |
| 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? If "Yes," complete Schedule I, Parts I and II   | 21  | Yes |  |
| 22  | Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III   | 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? If "Yes," complete Schedule J  | 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? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25                             | 24a | Yes |  |
| b   | Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?   | 24b | No  |  |
| c   | Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?  | 24c | No  |  |
| d   | Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?   | 24d | No  |  |
| 25a | <b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part 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? If "Yes," complete Schedule L, Part 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? If "Yes," complete Schedule L, Part II   | 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? If "Yes," complete Schedule L, Part III | 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)  | 28a | No  |  |
| a   | A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV   | 28b | Yes |  |
| b   | A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV  | 28c | Yes |  |
| c   | An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV  | 29  | No  |  |
| 29  | Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M  | 30  | No  |  |
| 30  | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M  | 31  | No  |  |
| 31  | Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I  | 32  | No  |  |
| 32  | Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II  | 33  | 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? If "Yes," complete Schedule R, Part I  | 34  | Yes |  |
| 34  | Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1  | 35a | No  |  |
| 35a | Did the organization have a controlled entity within the meaning of section 512(b)(13)?   | 35b |     |  |
| 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)? If "Yes," complete Schedule R, Part V, line 2   | 36  | No  |  |
| 36  | <b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2   | 37  | 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? If "Yes," complete Schedule R, Part VI   | 38  | Yes |  |
| 38  | Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O   |     |     |  |

**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 |
|---|------------|-------|----|
| <b>1a</b> Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable   | <b>1a</b>  | 250   |    |
| <b>b</b> Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable   | <b>1b</b>  | 0     |    |
| <b>c</b> Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?   | <b>1c</b>  |       |    |
| <b>2a</b> 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   | <b>2a</b>  | 1,572 |    |
| <b>b</b> If at least one is reported on line 2a, did the organization file all required federal employment tax returns?<br><b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)   | <b>2b</b>  | Yes   |    |
| <b>3a</b> Did the organization have unrelated business gross income of \$1,000 or more during the year?   | <b>3a</b>  | Yes   |    |
| <b>b</b> If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O   | <b>3b</b>  | Yes   |    |
| <b>4a</b> At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?                                  | <b>4a</b>  |       | No |
| <b>b</b> If "Yes," enter the name of the foreign country<br>See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts   |            |       |    |
| <b>5a</b> Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?   | <b>5a</b>  |       | No |
| <b>b</b> Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?   | <b>5b</b>  |       | No |
| <b>c</b> If "Yes," to line 5a or 5b, did the organization file Form 8886-T?   | <b>5c</b>  |       |    |
| <b>6a</b> Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?   | <b>6a</b>  |       | No |
| <b>b</b> If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?  | <b>6b</b>  |       |    |
| <b>7</b> <b>Organizations that may receive deductible contributions under section 170(c).</b>   | <b>7a</b>  |       | No |
| <b>a</b> Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?  | <b>7b</b>  |       |    |
| <b>b</b> If "Yes," did the organization notify the donor of the value of the goods or services provided?  | <b>7c</b>  |       | No |
| <b>c</b> Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?   | <b>7d</b>  |       |    |
| <b>d</b> If "Yes," indicate the number of Forms 8282 filed during the year  | <b>7e</b>  |       | No |
| <b>e</b> Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?  | <b>7f</b>  |       | No |
| <b>f</b> Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?   | <b>7g</b>  |       | No |
| <b>g</b> If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?   | <b>7h</b>  |       | No |
| <b>h</b> If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?   | <b>8</b>   |       |    |
| <b>8</b> <b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? | <b>9a</b>  |       |    |
| <b>9</b> <b>Sponsoring organizations maintaining donor advised funds.</b>   | <b>9b</b>  |       |    |
| <b>a</b> Did the organization make any taxable distributions under section 4966?  |            |       |    |
| <b>b</b> Did the organization make a distribution to a donor, donor advisor, or related person?   |            |       |    |
| <b>10</b> <b>Section 501(c)(7) organizations.</b> Enter   | <b>10a</b> |       |    |
| <b>a</b> Initiation fees and capital contributions included on Part VIII, line 12   | <b>10b</b> |       |    |
| <b>b</b> Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities  |            |       |    |
| <b>11</b> <b>Section 501(c)(12) organizations.</b> Enter  | <b>11a</b> |       |    |
| <b>a</b> Gross income from members or shareholders  | <b>11b</b> |       |    |
| <b>b</b> Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)  |            |       |    |
| <b>12a</b> <b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?  | <b>12a</b> |       |    |
| <b>b</b> If "Yes," enter the amount of tax-exempt interest received or accrued during the year  | <b>12b</b> |       |    |
| <b>13</b> <b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>   | <b>13a</b> |       |    |
| <b>a</b> Is the organization licensed to issue qualified health plans in more than one state?<br><b>Note.</b> See the instructions for additional information the organization must report on Schedule O  | <b>13b</b> |       |    |
| <b>b</b> 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  | <b>13c</b> |       |    |
| <b>14a</b> Did the organization receive any payments for indoor tanning services during the tax year?   | <b>14a</b> |       | No |
| <b>b</b> If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O  | <b>14b</b> |       |    |

**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 |
|--|-----------|-----|-----|----|
| <b>1a</b> Enter the number of voting members of the governing body at the end of the tax year  | <b>1a</b> | 20  |     |    |
| 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             |           |     |     |    |
| <b>b</b> Enter the number of voting members included in line 1a, above, who are independent  | <b>1b</b> | 15  |     |    |
| <b>2</b> 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?   | <b>2</b>  | Yes |     |    |
| <b>3</b> 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? | <b>3</b>  | No  |     |    |
| <b>4</b> Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?  | <b>4</b>  | No  |     |    |
| <b>5</b> Did the organization become aware during the year of a significant diversion of the organization's assets?  | <b>5</b>  | No  |     |    |
| <b>6</b> Did the organization have members or stockholders?  | <b>6</b>  | Yes |     |    |
| <b>7a</b> 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?   | <b>7a</b> | Yes |     |    |
| <b>b</b> Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?   | <b>7b</b> | No  |     |    |
| <b>8</b> Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following  | <b>8a</b> | Yes |     |    |
| <b>a</b> The governing body?   | <b>8b</b> | Yes |     |    |
| <b>b</b> Each committee with authority to act on behalf of the governing body?   | <b>9</b>  | No  |     |    |
| <b>9</b> 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        |           |     |     |    |

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

|   |            | Yes | No |
|---|------------|-----|----|
| <b>10a</b> Did the organization have local chapters, branches, or affiliates?   | <b>10a</b> | No  |    |
| <b>b</b> If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?   | <b>10b</b> |     |    |
| <b>11a</b> Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?  | <b>11a</b> | No  |    |
| <b>b</b> Describe in Schedule O the process, if any, used by the organization to review this Form 990   |            |     |    |
| <b>12a</b> Did the organization have a written conflict of interest policy? If "No," go to line 13  | <b>12a</b> | Yes |    |
| <b>b</b> Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?  | <b>12b</b> | Yes |    |
| <b>c</b> Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done   | <b>12c</b> | Yes |    |
| <b>13</b> Did the organization have a written whistleblower policy?   | <b>13</b>  | Yes |    |
| <b>14</b> Did the organization have a written document retention and destruction policy?  | <b>14</b>  | Yes |    |
| <b>15</b> 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?  | <b>15a</b> | Yes |    |
| <b>a</b> The organization's CEO, Executive Director, or top management official   | <b>15b</b> | Yes |    |
| <b>b</b> Other officers or key employees of the organization  |            |     |    |
| If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)  |            |     |    |
| <b>16a</b> Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?  | <b>16a</b> | Yes |    |
| <b>b</b> If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? | <b>16b</b> | No  |    |

### Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed  KY
- 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  
 GREG HEBBELER 1305 NORTH ELM STREET PO BOX 48 HENDERSON, KY (270) 827-7502

## **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.

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

| (A)<br>Name and Title     | (B)<br>Average<br>hours per<br>week (list<br>any hours<br>for related<br>organizations<br>below<br>dotted line) | (C)<br>Position (do not check<br>more than one box, unless<br>person is both an officer<br>and a director/trustee) |                                 |              |         | (D)<br>Reportable<br>compensation<br>from the<br>organization (W-<br>2/1099-MISC) | (E)<br>Reportable<br>compensation<br>from related<br>organizations<br>(W- 2/1099-<br>MISC) | (F)<br>Estimated<br>amount of other<br>compensation<br>from the<br>organization and<br>related<br>organizations |  |
|---------------------------|---|--|---------------------------------|--------------|---------|---|--|---|--|
| See Additional Data Table |   | Former   | Highest compensated<br>employee | Key employee | Officer | Institutional Trustee   | Or director  | Individual trustee  |  |
|                           |   |  |                                 |              |         |   |  |   |  |
|                           |   |  |                                 |              |         |   |  |   |  |
|                           |   |  |                                 |              |         |   |  |   |  |
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|                           |   |  |                                 |              |         |   |  |   |  |

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

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 ►52

|   |   | Yes | No  |
|---|---|-----|-----|
| 3 | Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>  | 3   | Yes |
| 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)<br>Name and business address   | (B)<br>Description of services | (C)<br>Compensation |
|--|--------------------------------|---------------------|
| INDIANA MEDICAL PHYSICIANS PLLC 10346 WILMINGTON DRIVE EVANSVILLE IN 47725         | ER PHYSICIANS                  | 1,440,979           |
| HENDERSON ACUTE CARE SPECIALIST LLC 1762 YELVINGTON-KNOTTNSVILLE RD MACEO KY 42355 | HOSPITALIST SVC                | 757,682             |
| RUBEL MEDICAL SERVICES PC 2012 WILDERNESS CT EVANSVILLE IN 47712                   | ANESTHESIOLOGY                 | 600,000             |
| ERICKSON ANESTHESIOLOGY 2444 LAKERIDGE DRIVE NEWBURGH IN 47630                     | ANESTHESIOLOGY                 | 500,000             |
| KEVIN N WILKING MD , 8601 RANELIGHT COURT NEWBURGH IN 47630                        | ANESTHESIOLOGY                 | 456,582             |

**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 **►34**

**Part VIII Statement of Revenue**

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

|  |  |                         | (A)<br>Total revenue | (B)<br>Related or<br>exempt<br>function<br>revenue | (C)<br>Unrelated<br>business<br>revenue | (D)<br>Revenue<br>excluded from<br>tax under<br>sections<br>512, 513, or<br>514 |
|--|--|-------------------------|----------------------|--|---|---|
|  |  |                         |                      |  |   |   |
| <b>Contributions, Gifts, Grants<br/>and Other Similar Amounts</b>  | <b>1a</b> Federated campaigns . . . . .  | <b>1a</b>               |                      |  |   |   |
|  | <b>b</b> Membership dues . . . . .   | <b>1b</b>               |                      |  |   |   |
|  | <b>c</b> Fundraising events . . . . .  | <b>1c</b>               |                      |  |   |   |
|  | <b>d</b> Related organizations . . . . .   | <b>1d</b>               | 43,477               |  |   |   |
|  | <b>e</b> Government grants (contributions)   | <b>1e</b>               |                      |  |   |   |
|  | <b>f</b> All other contributions, gifts, grants, and<br>similar amounts not included above         | <b>1f</b>               | 33,189               |  |   |   |
|  | <b>g</b> Noncash contributions included in lines<br>1a-1f \$                                       |                         |                      |  |   |   |
|  | <b>h</b> <b>Total.</b> Add lines 1a-1f . . . . .   |                         | 76,666               |  |   |   |
| <b>Program Service Revenue</b>   | <b>2a</b> PATIENT SERVICES   | Business Code<br>621110 | 161,975,848          | 161,975,848  |   |   |
|  | <b>b</b>   |                         |                      |  |   |   |
|  | <b>c</b>   |                         |                      |  |   |   |
|  | <b>d</b>   |                         |                      |  |   |   |
|  | <b>e</b>   |                         |                      |  |   |   |
|  | <b>f</b> All other program service revenue   |                         |                      |  |   |   |
|  | <b>g</b> <b>Total.</b> Add lines 2a-2f . . . . .   |                         | 161,975,848          |  |   |   |
|  | <b>3</b> Investment income (including dividends, interest,<br>and other similar amounts) . . . . . |                         | 200,732              |  |   | 200,732   |
| <b>4</b> Income from investment of tax-exempt bond proceeds  |  |                         |                      |  |   |   |
| <b>5</b> Royalties . . . . .   |  |                         |                      |  |   |   |
| <b>6a</b> Gross rents  | (i) Real<br>25,569   |                         |                      |  |   |   |
| <b>b</b> Less rental expenses  |  |                         |                      |  |   |   |
| <b>c</b> Rental income or (loss)   | (ii) Personal<br>25,569  |                         |                      |  |   |   |
| <b>d</b> Net rental income or (loss) . . . . .   |  | 25,569                  |                      |  | 25,569                                  |   |
| <b>7a</b> Gross amount from sales of assets other than inventory   | (i) Securities<br>306,072  |                         |                      |  |   |   |
| <b>b</b> Less cost or other basis and sales expenses   |  |                         |                      |  |   |   |
| <b>c</b> Gain or (loss)  | (ii) Other<br>113,091  |                         |                      |  |   |   |
| <b>d</b> Net gain or (loss) . . . . .  | (ii) Other<br>192,981  | 192,981                 | 192,968              |  | 13                                      |   |
| <b>8a</b> Gross income from fundraising events (not including<br>\$ _____<br>of contributions reported on line 1c)<br>See Part IV, line 18 . . . . . | a  |                         |                      |  |   |   |
| <b>b</b> Less direct expenses . . . . .  | b  |                         |                      |  |   |   |
| <b>c</b> Net income or (loss) from fundraising events . . . . .  |  |                         |                      |  |   |   |
| <b>9a</b> Gross income from gaming activities<br>See Part IV, line 19 . . . . .  | a  |                         |                      |  |   |   |
| <b>b</b> Less direct expenses . . . . .  | b  |                         |                      |  |   |   |
| <b>c</b> Net income or (loss) from gaming activities . . . . .   |  |                         |                      |  |   |   |
| <b>10a</b> Gross sales of inventory, less<br>returns and allowances . . . . .  | a  |                         |                      |  |   |   |
| <b>b</b> Less cost of goods sold . . . . .   | b  |                         |                      |  |   |   |
| <b>c</b> Net income or (loss) from sales of inventory . . . . .  |  |                         |                      |  |   |   |
| <b>Miscellaneous Revenue</b>   |  | Business Code           |                      |  |   |   |
| <b>11a</b> MISCELLANEOUS REVENUE   |  | 561000                  | 3,467,421            | 3,467,421  |   |   |
| <b>b</b> UNREALIZED GAIN ON SWAP   |  | 722210                  | 875,135              | 875,135  |   |   |
| <b>c</b> CAFETERIA REVENUE   |  | 621110                  | 653,828              |  |   | 653,828   |
| <b>d</b> All other revenue . . . . .   |  |                         | 928,295              | 580,989  | 6,545                                   | 340,761   |
| <b>e</b> <b>Total.</b> Add lines 11a-11d . . . . .   |  |                         | 5,924,679            |  |   |   |
| <b>12</b> <b>Total revenue.</b> See Instructions . . . . .   |  | 168,396,475             | 167,092,361          | 6,545  |   | 1,220,903   |

**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 

| <b>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</b>  | <b>(A)<br/>Total expenses</b> | <b>(B)<br/>Program service<br/>expenses</b> | <b>(C)<br/>Management and<br/>general expenses</b> | <b>(D)<br/>Fundraising<br/>expenses</b> |
|--|-------------------------------|---|--|---|
| 1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21   | 184,166                       | 184,166                                     |  |   |
| 2 Grants and other assistance to individuals in the United States See Part IV, line 22   | 257,270                       | 257,270                                     |  |   |
| 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   | 2,364,925                     | 383,510                                     | 1,981,415  |   |
| 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   | 55,067,243                    | 45,015,046                                  | 10,052,197   |   |
| 8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)   | 4,765,582                     | 3,791,500                                   | 974,082  |   |
| 9 Other employee benefits  | 12,572,646                    | 10,279,599                                  | 2,293,047  |   |
| 10 Payroll taxes   | 4,077,279                     | 3,261,823                                   | 815,456  |   |
| 11 Fees for services (non-employees)   |                               |   |  |   |
| a Management   |                               |   |  |   |
| b Legal  | 195,780                       |   | 195,780  |   |
| c Accounting   | 384,345                       |   | 384,345  |   |
| d Lobbying   | 10,669                        |   | 10,669   |   |
| e Professional fundraising services See Part IV, line 17   |                               |   |  |   |
| f Investment management fees   | 205,282                       |   | 205,282  |   |
| g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)   | 14,022,419                    | 11,317,520                                  | 2,704,899  |   |
| 12 Advertising and promotion   | 844,269                       | 65,286                                      | 778,983  |   |
| 13 Office expenses   | 17,532,996                    | 16,361,019                                  | 1,171,977  |   |
| 14 Information technology  | 1,244,302                     | 523,773                                     | 720,529  |   |
| 15 Royalties   |                               |   |  |   |
| 16 Occupancy   | 2,411,895                     | 413,115                                     | 1,998,780  |   |
| 17 Travel  | 228,601                       | 189,345                                     | 39,256   |   |
| 18 Payments of travel or entertainment expenses for any federal, state, or local public officials  |                               |   |  |   |
| 19 Conferences, conventions, and meetings  |                               |   |  |   |
| 20 Interest  | 2,666,006                     |   | 2,666,006  |   |
| 21 Payments to affiliates  |                               |   |  |   |
| 22 Depreciation, depletion, and amortization   | 7,576,338                     | 7,556,197                                   | 20,141   |   |
| 23 Insurance   | 1,319,469                     | 850,458                                     | 469,011  |   |
| 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 BAD DEBT EXPENSE   | 31,499,102                    | 31,499,102                                  |  |   |
| b REPAIRS & MAINT  | 2,374,487                     | 1,808,449                                   | 566,038  |   |
| c KY PROVIDER TAX  | 2,279,568                     | 2,279,568                                   |  |   |
| d DIETARY/ FOOD  | 1,123,778                     | 127,431                                     | 996,347  |   |
| e All other expenses   | 1,940,321                     | 306,146                                     | 1,634,175  |   |
| <b>25 Total functional expenses.</b> Add lines 1 through 24e   | 167,148,738                   | 136,470,323                                 | 30,678,415   | 0                                       |
| <b>26 Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ► 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 

|                                    |  | <b>(A)</b><br>Beginning of year | <b>(B)</b><br>End of year           |
|------------------------------------|--|---------------------------------|-------------------------------------|
| <b>Assets</b>                      |  |                                 |                                     |
| 1                                  | Cash—non-interest-bearing  | 15,561,304                      | <b>1</b> 14,126,074                 |
| 2                                  | Savings and temporary cash investments   | 17,120,494                      | <b>2</b> 16,861,582                 |
| 3                                  | Pledges and grants receivable, net   | 3                               |                                     |
| 4                                  | Accounts receivable, net   | 28,406,904                      | <b>4</b> 26,968,105                 |
| 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  | 1,595,573                       | <b>7</b> 876,677                    |
| 8                                  | Inventories for sale or use  | 2,289,866                       | <b>8</b> 2,657,608                  |
| 9                                  | Prepaid expenses and deferred charges  | 1,492,407                       | <b>9</b> 1,086,672                  |
| 10a                                | Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D  | <b>10a</b><br>181,961,112       |                                     |
| b                                  | Less accumulated depreciation  | <b>10b</b><br>96,181,690        | <b>10c</b><br>86,498,495 85,779,422 |
| 11                                 | Investments—publicly traded securities   | 11                              |                                     |
| 12                                 | Investments—other securities See Part IV, line 11  | 244,630                         | <b>12</b> 198,041                   |
| 13                                 | Investments—program-related See Part IV, line 11   | 13                              |                                     |
| 14                                 | Intangible assets  | 14                              |                                     |
| 15                                 | Other assets See Part IV, line 11  | 4,593,664                       | <b>15</b> 9,062,566                 |
| 16                                 | <b>Total assets.</b> Add lines 1 through 15 (must equal line 34)   | 157,803,337                     | <b>16</b> 157,616,747               |
| <b>Liabilities</b>                 |  |                                 |                                     |
| 17                                 | Accounts payable and accrued expenses  | 14,260,801                      | <b>17</b> 16,040,606                |
| 18                                 | Grants payable   | 18                              |                                     |
| 19                                 | Deferred revenue   | 703,335                         | <b>19</b> 451,110                   |
| 20                                 | Tax-exempt bond liabilities  | 40,872,269                      | <b>20</b> 43,850,024                |
| 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   | 25,287                          | <b>23</b>                           |
| 24                                 | Unsecured notes and loans payable to unrelated third parties   | 5,000,000                       | <b>24</b>                           |
| 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   | 37,429,387                      | <b>25</b> 16,394,537                |
| 26                                 | <b>Total liabilities.</b> Add lines 17 through 25  | 98,291,079                      | <b>26</b> 76,736,277                |
| <b>Net Assets or Fund Balances</b> |  |                                 |                                     |
|                                    | <b>Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>   |                                 |                                     |
| 27                                 | Unrestricted net assets  | 58,525,870                      | <b>27</b> 79,796,360                |
| 28                                 | Temporarily restricted net assets  | 986,388                         | <b>28</b> 1,084,110                 |
| 29                                 | Permanently restricted net assets  | 29                              |                                     |
|                                    | <b>Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.</b>  |                                 |                                     |
| 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  | 59,512,258                      | <b>33</b> 80,880,470                |
| 34                                 | <b>Total liabilities and net assets/fund balances</b>  | 157,803,337                     | <b>34</b> 157,616,747               |

**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  | 168,396,475 |
| 2  | Total expenses (must equal Part IX, column (A), line 25) . . . . .  | 2  | 167,148,738 |
| 3  | Revenue less expenses Subtract line 2 from line 1 . . . . .   | 3  | 1,247,737   |
| 4  | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .           | 4  | 59,512,258  |
| 5  | Net unrealized gains (losses) on investments . . . . .  | 5  |             |
| 6  | Donated services and use of facilities . . . . .  | 6  |             |
| 7  | Investment expenses . . . . .   | 7  |             |
| 8  | Prior period adjustments . . . . .  | 8  |             |
| 9  | Other changes in net assets or fund balances (explain in Schedule O) . . . . .                                | 9  | 20,120,475  |
| 10 | Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B)) | 10 | 80,880,470  |

**Part XII Financial Statements and Reporting**Check if Schedule O contains a response to any question in this Part XII 

|   | Yes | No  |
|---|-----|-----|
| 1 Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____<br>If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O   |     |     |
| 2a Were the organization's financial statements compiled or reviewed by an independent accountant?<br>If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both<br><input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis | 2a  | No  |
| 2b Were the organization's financial statements audited by an independent accountant?<br>If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both<br><input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis                | 2b  | Yes |
| 2c If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?<br>If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O  | 2c  | 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?<br>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                                      | 3a  | No  |
|   | 3b  |     |

## Additional Data

**Software ID:**  
**Software Version:**  
**EIN:** 61-0461753  
**Name:** COMMUNITY UNITED METHODIST  
 HOSPITAL INC

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

| (A)<br>Name and Title          | (B)<br>Average<br>hours<br>per<br>week<br>(list<br>any<br>hours<br>for<br>related<br>organizations<br>below<br>dotted<br>line) | (C)<br>Position (do not check<br>more than one box,<br>unless person is both<br>an officer and a<br>director/trustee) |                       |                          |         |                 | (D)<br>Reportable<br>compensation<br>from the<br>organization (W-<br>2/1099-MISC) | (E)<br>Reportable<br>compensation<br>from related<br>organizations (W-<br>2/1099-MISC) | (F)<br>Estimated amount<br>of other<br>compensation<br>from the<br>organization and<br>related<br>organizations |
|--------------------------------|--|---|-----------------------|--------------------------|---------|-----------------|---|--|---|
|                                |  | Or<br>director  | Individual<br>trustee | Institutional<br>Trustee | Officer | Key<br>employee |   |  |   |
| WOODRING BRUCE<br>DIRECTOR     | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| MCCOLLUM CHARLIE<br>DIRECTOR   | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| WILLIAMS CHIP<br>DIRECTOR      | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| WILLIAMS CYNTHIA<br>DIRECTOR   | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| SIGHTS DALE<br>CHAIRMAN        | 2 00   | X   |                       | X                        |         |                 | 0   | 0  | 0   |
| SCOTT DAVIS<br>VICE-CHAIR      | 2 00   | X   |                       | X                        |         |                 | 0   | 0  | 0   |
| CERTAIN GARLAND<br>CHAIRMAN    | 2 00   | X   |                       | X                        |         |                 | 0   | 0  | 0   |
| TORIBIO IGNACIO<br>DIRECTOR    | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| KEACH JENNIFER<br>DIRECTOR     | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| HOPPER JOEL<br>DIRECTOR        | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| DAVENPORT JOEY<br>DIRECTOR     | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| EBLEN JOHN<br>DIRECTOR         | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| CRAFTON JAMES M JR<br>DIRECTOR | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| SHANNON LIN<br>DIRECTOR        | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| GRAUL MARGARET<br>DIRECTOR     | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| BAILEY MARK<br>DIRECTOR        | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| HAZELWOOD MIKE<br>DIRECTOR     | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| HODGE NANCY<br>TREASURER       | 2 00   | X   |                       | X                        |         |                 | 0   | 0  | 0   |
| NIX RAY<br>SECRETARY           | 2 00   | X   |                       | X                        |         |                 | 0   | 0  | 0   |
| WISCHER GERALD S<br>DIRECTOR   | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| HARGIS STEVE<br>TREASURER      | 2 00   | X   |                       | X                        |         |                 | 0   | 0  | 0   |
| DEMPEWOLF THOMAS<br>DIRECTOR   | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| LUTZ TIM<br>VICE-CHAIR         | 2 00   | X   |                       | X                        |         |                 | 0   | 0  | 0   |
| JENKINS WAYNE<br>DIRECTOR      | 2 00   | X   |                       |                          |         |                 | 0   | 0  | 0   |
| WOFFORD REV JIM<br>DIRECTOR    | 2 00   |   | X                     |                          |         |                 | 0   | 0  | 0   |

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

| (A)<br>Name and Title             | (B)<br>Average<br>hours<br>per<br>week<br>(list<br>any<br>hours<br>for<br>related<br>organizations<br>below<br>dotted<br>line) | (C)<br>Position (do not check<br>more than one box,<br>unless person is both<br>an officer and a<br>director/trustee) | (D)<br>Reportable<br>compensation<br>from the<br>organization (W-<br>2/1099-MISC) | (E)<br>Reportable<br>compensation<br>from related<br>organizations (W-<br>2/1099-MISC) | (F)<br>Estimated amount<br>of other<br>compensation<br>from the<br>organization and<br>related<br>organizations |   |        |
|-----------------------------------|--|---|---|--|---|---|--------|
| Or<br>director                    | Individual trustee   | Institutional Trustee   | Officer   | Key employee   | Former<br>highest compensated<br>employee   |   |        |
| GIBBONS REV MARK DIRECTOR         | 2 00   | X   |   |  | 0   | 0 | 0      |
| BEGLEY BRUCE D CHEIF EXECUT       | 50 00  |   | X   |  | 445,486   | 0 | 69,406 |
| HEBBLER GREG CHIEF FINANC         | 50 00  |   | X   |  | 188,815   | 0 | 19,391 |
| PARK DAVID B CHIEF OPERAT         | 50 00  |   |   | X  | 176,965   | 0 | 33,586 |
| SPRAGUE DR ARNOLD III VP EMPLOY P | 50 00  |   |   | X  | 268,004   | 0 | 58,671 |
| MORGAN LOIS VP CHIEF NUR          | 50 00  |   |   | X  | 152,552   | 0 | 37,907 |
| MERIWETHER JOHN W CHIEF OPERAT    | 50 00  |   |   | X  | 190,982   | 0 | 40,216 |
| ARSHAD I HUSAIN MD ONCOLOGIST     | 50 00  |   |   | X  | 481,528   | 0 | 24,924 |
| JAMES YELTON MD ORTHOPEDIC S      | 50 00  |   |   | X  | 744,233   | 0 | 28,424 |
| KAREN CANLAS MD GASTROENTERO      | 50 00  |   |   | X  | 467,238   | 0 | 3,816  |
| NOEL CANLAS MD GASTROENTERO       | 50 00  |   |   | X  | 389,076   | 0 | 19,621 |
| VINOD SONI MD GENERAL SURG        | 50 00  |   |   | X  | 404,755   | 0 | 23,250 |
| LOGAN JOHN A III FMR MED DIR/     | 10 00  |   |   | X  | 150,000   | 0 | 0      |

**SCHEDULE A**  
(Form 990 or 990EZ)**Public Charity Status and Public Support****2012****Open to Public  
Inspection**Department of the Treasury  
Internal Revenue Service

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.

**Name of the organization**  
COMMUNITY UNITED METHODIST  
HOSPITAL INC**Employer identification number**

61-0461753

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

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

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

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

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

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

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

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

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

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

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

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

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

e  a  Type I  b  Type II  c  Type III - Functionally integrated  d  Type III - Non-functionally integrated

f  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)

g  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

h  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?

i  Provide the following information about the supported organization(s)

|          | <b>Yes</b> | <b>No</b> |
|----------|------------|-----------|
| 11g(i)   |            |           |
| 11g(ii)  |            |           |
| 11g(iii) |            |           |

| <b>(i) Name of supported organization</b> | <b>(ii) EIN</b> | <b>(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))</b> | <b>(iv) Is the organization in col (i) listed in your governing document?</b> | <b>(v) Did you notify the organization in col (i) of your support?</b> | <b>(vi) Is the organization in col (i) organized in the U S ?</b> | <b>(vii) Amount of monetary support</b> |
|---|-----------------|---|---|--|---|---|
|   |                 |   |   |  |   |   |
|   |                 |   |   |  |   |   |
|   |                 |   |   |  |   |   |
| <b>Total</b>                              |                 |   |   |  |   |   |

**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   |          |          |          |          |          |           |
| <b>4 Total.</b> 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) |          |          |          |          |          |           |
| <b>6 Public support.</b> 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)   |          |          |          |          |           |           |
| <b>11 Total support</b> (Add lines 7 through 10)   |          |          |          |          |           |           |
| 12 Gross receipts from related activities, etc (see instructions)  |          |          |          |          | <b>12</b> |           |
| <b>13 First five years.</b> 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 <b>stop here</b> . . . . . |          |          |          |          |           |           |

**Section C. Computation of Public Support Percentage**

|   |           |   |
|---|-----------|---|
| 14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))   | <b>14</b> |   |
| 15 Public support percentage for 2011 Schedule A, Part II, line 14  | <b>15</b> |   |
| <b>16a 33 1/3% support test—2012.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization   |           | ► |
| <b>b 33 1/3% support test—2011.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization  |           | ► |
| <b>17a 10%-facts-and-circumstances test—2012.</b> 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 <b>stop here</b> . Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization    |           | ► |
| <b>b 10%-facts-and-circumstances test—2011.</b> 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 <b>stop here</b> . Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization |           | ► |
| <b>18 Private foundation.</b> If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions  |           | ► |

**Part III Support 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  |          |          |          |          |          |           |
| <b>6 Total.</b> Add lines 1 through 5  |          |          |          |          |          |           |
| <b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons   |          |          |          |          |          |           |
| <b>b</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    |          |          |          |          |          |           |
| <b>c</b> Add lines 7a and 7b   |          |          |          |          |          |           |
| <b>8 Public support</b> (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  |          |          |          |          |          |           |
| <b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources  |          |          |          |          |          |           |
| <b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975   |          |          |          |          |          |           |
| <b>c</b> Add lines 10a and 10b   |          |          |          |          |          |           |
| <b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on  |          |          |          |          |          |           |
| <b>12</b> Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )   |          |          |          |          |          |           |
| <b>13 Total support.</b> (Add lines 9, 10c, 11, and 12 )   |          |          |          |          |          |           |
| <b>14 First five years.</b> 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 <b>stop here</b> |          |          |          |          |          |           |

**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 <b>33 1/3% support tests—2012.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization               |    |
| <b>b</b> <b>33 1/3% support tests—2011.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization |    |
| 20 <b>Private foundation.</b> 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**

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**SCHEDULE C**  
(Form 990 or 990-EZ)**Political Campaign and Lobbying Activities****2012****Open to Public  
Inspection****For Organizations Exempt From Income Tax Under section 501(c) and section 527**

► Complete if the organization is described below. ► Attach to Form 990 or Form 990-EZ.

► See separate instructions.

**If the organization answered "Yes" to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then**

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

**If the organization answered "Yes" to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then**

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

**If the organization answered "Yes" to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35c (Proxy Tax), then**

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

|  |  |
|--|--|
| Name of the organization<br>COMMUNITY UNITED METHODIST<br>HOSPITAL INC | Employer identification number<br>61-0461753 |
|--|--|

**Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.**

- 1 Provide a description of the organization's direct and indirect political campaign activities in Part IV
- 2 Political expenditures ► \$ \_\_\_\_\_
- 3 Volunteer hours \_\_\_\_\_

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

- 1 Enter the amount of any excise tax incurred by the organization under section 4955 ► \$ \_\_\_\_\_
- 2 Enter the amount of any excise tax incurred by organization managers under section 4955 ► \$ \_\_\_\_\_
- 3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year?  Yes  No
- 4a Was a correction made?  Yes  No
- b If "Yes," describe in Part IV

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

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

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

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

**A** Check  if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

**B** Check  if the filing organization checked box A and "limited control" provisions apply

| <b>Limits on Lobbying Expenditures</b><br>(The term "expenditures" means amounts paid or incurred.)  |   | <b>(a) Filing organization's totals</b> | <b>(b) Affiliated group totals</b> |
|--|---|---|------------------------------------|
| <b>1a</b> Total lobbying expenditures to influence public opinion (grass roots lobbying)   |   |   |                                    |
| <b>b</b> Total lobbying expenditures to influence a legislative body (direct lobbying)   |   |   |                                    |
| <b>c</b> Total lobbying expenditures (add lines 1a and 1b)   |   |   |                                    |
| <b>d</b> Other exempt purpose expenditures   |   |   |                                    |
| <b>e</b> Total exempt purpose expenditures (add lines 1c and 1d)   |   |   |                                    |
| <b>f</b> Lobbying nontaxable amount Enter the amount from the following table in both columns  |   |   |                                    |
| <b>If the amount on line 1e, column (a) or (b) is:</b>   | <b>The lobbying nontaxable amount is:</b>         |   |                                    |
| Not over \$500,000   | 20% of the amount on line 1e                      |   |                                    |
| Over \$500,000 but not over \$1,000,000  | \$100,000 plus 15% of the excess over \$500,000   |   |                                    |
| Over \$1,000,000 but not over \$1,500,000  | \$175,000 plus 10% of the excess over \$1,000,000 |   |                                    |
| Over \$1,500,000 but not over \$17,000,000   | \$225,000 plus 5% of the excess over \$1,500,000  |   |                                    |
| Over \$17,000,000  | \$1,000,000                                       |   |                                    |
| <b>g</b> Grassroots nontaxable amount (enter 25% of line 1f)   |   |   |                                    |
| <b>h</b> Subtract line 1g from line 1a If zero or less, enter -0-  |   |   |                                    |
| <b>i</b> Subtract line 1f from line 1c If zero or less, enter -0-  |   |   |                                    |
| <b>j</b> If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? |   | <input type="checkbox"/> Yes            | <input type="checkbox"/> No        |

**4-Year Averaging Period Under Section 501(h)**

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

| <b>Lobbying Expenditures During 4-Year Averaging Period</b>         |                 |                 |                 |                 |                  |
|---|-----------------|-----------------|-----------------|-----------------|------------------|
| Calendar year (or fiscal year beginning in)                         | <b>(a) 2009</b> | <b>(b) 2010</b> | <b>(c) 2011</b> | <b>(d) 2012</b> | <b>(e) Total</b> |
| <b>2a</b> Lobbying nontaxable amount                                |                 |                 |                 |                 |                  |
| <b>b</b> Lobbying ceiling amount<br>(150% of line 2a, column(e))    |                 |                 |                 |                 |                  |
| <b>c</b> Total lobbying expenditures                                |                 |                 |                 |                 |                  |
| <b>d</b> Grassroots nontaxable amount                               |                 |                 |                 |                 |                  |
| <b>e</b> Grassroots ceiling amount<br>(150% of line 2d, column (e)) |                 |                 |                 |                 |                  |
| <b>f</b> Grassroots lobbying expenditures                           |                 |                 |                 |                 |                  |

**Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).**

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.

|  | (a) |    | (b)    |  |
|--|-----|----|--------|--|
|  | Yes | No | Amount |  |
| 1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of |     |    |        |  |
| a Volunteers?  |     | No |        |  |
| b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?   |     | No |        |  |
| c Media advertisements?  |     | No |        |  |
| d Mailings to members, legislators, or the public?   |     | No |        |  |
| e Publications, or published or broadcast statements?  |     | No |        |  |
| f Grants to other organizations for lobbying purposes?   |     | No |        |  |
| g Direct contact with legislators, their staffs, government officials, or a legislative body?  |     | No |        |  |
| h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?  |     | No |        |  |
| i Other activities?  | Yes |    | 10,669 |  |
| j Total Add lines 1c through 1i  |     |    | 10,669 |  |
| 2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?   |     | No |        |  |
| b If "Yes," enter the amount of any tax incurred under section 4912  |     |    |        |  |
| c If "Yes," enter the amount of any tax incurred by organization managers under section 4912   |     |    |        |  |
| d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?   |     |    |        |  |

**Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).**

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

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

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

**Part IV Supplemental Information**

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information

| Identifier | Return Reference              | Explanation   |
|------------|-------------------------------|---|
|            | SCHEDULE C, PART II-B, LINE 1 | LOBBYING EXPENSES REPRESENT THE PORTION OF DUES THAT ARE PAID TO HOSPITAL ASSOCIATIONS THAT ARE ATTRIBUTABLE TO LOBBYING ACTIVITIES |

**SCHEDULE D**  
(Form 990)**Supplemental Financial Statements****2012****Open to Public  
Inspection**Department of the Treasury  
Internal Revenue Service

► Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b  
 ► Attach to Form 990. ► See separate instructions.

**Name of the organization**  
COMMUNITY UNITED METHODIST  
HOSPITAL INC**Employer identification number**

61-0461753

**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)  | <input type="checkbox"/> Preservation of land for public use (e.g., recreation or education) <input type="checkbox"/> Preservation of an historically important land area |
|   | <input type="checkbox"/> Protection of natural habitat <input type="checkbox"/> Preservation of a certified historic structure  |
|   | <input type="checkbox"/> Preservation of open space   |
| 2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year  |   |
| a Total number of conservation easements  | <b>Held at the End of the Year</b>  |
| b Total acreage restricted by conservation easements  | 2a  |
| c Number of conservation easements on a certified historic structure included in (a)  | 2b  |
| d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register  | 2c  |
| 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ► _____   | 2d  |
| 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? <input type="checkbox"/> Yes <input type="checkbox"/> No   |   |
| 6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year<br>► _____  |   |
| 7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year<br>► \$ _____   |   |
| 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)? <input type="checkbox"/> Yes <input type="checkbox"/> 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 VII Investments—Other Securities.** See Form 990, Part X, line 12.

| (a) Description of security or category<br>(including name of security) | (b) Book value | (c) Method of valuation<br>Cost or end-of-year market value |
|---|----------------|---|
| (1) Financial derivatives   |                |   |
| (2) Closely-held equity interests                                       |                |   |
| Other   |                |   |
|   |                |   |
|   |                |   |
|   |                |   |
|   |                |   |
|   |                |   |
|   |                |   |
| Total. (Column (b) must equal Form 990, Part X, col (B) line 12 )       |                |   |

**Part VIII Investments—Program Related.** See Form 990, Part X, line 13.

| (a) Description of investment type                                | (b) Book value | (c) Method of valuation<br>Cost or end-of-year market value |
|---|----------------|---|
|   |                |   |
|   |                |   |
|   |                |   |
|   |                |   |
|   |                |   |
|   |                |   |
|   |                |   |
|   |                |   |
|   |                |   |
|   |                |   |
| Total. (Column (b) must equal Form 990, Part X, col (B) line 13 ) |                |   |

**Part IX Other Assets.** See Form 990, Part X, line 15.

| (a) Description   | (b) Book value |
|---|----------------|
| (1) DUE FROM THIRD PARTIES  | 4,181,942      |
| (2) OTHER RECEIVABLES   | 3,040,630      |
| (3) INTEREST IN NET ASSETS OF FOUNDATION                          | 1,084,110      |
| (4) OTHER ASSETS  | 429,745        |
| (5) GOODWILL  | 326,139        |
|   |                |
|   |                |
|   |                |
|   |                |
| Total. (Column (b) must equal Form 990, Part X, col.(B) line 15.) | 9,062,566      |

**Part X Other Liabilities.** See Form 990, Part X, line 25.

| (a) Description of liability                                      | (b) Book value |
|---|----------------|
| Federal income taxes  |                |
| ACCRUED RETIREMENT/PENSION  | 7,811,784      |
| SELF-INSURANCE ACCRUED LIABILITIES                                | 3,990,999      |
| ESTIMATED THIRD PARTY SETTLEMENTS                                 | 2,642,497      |
| DERIVATIVE LIABILITY  | 1,735,445      |
| OTHER LIABILITIES   | 213,812        |
|   |                |
|   |                |
|   |                |
| Total. (Column (b) must equal Form 990, Part X, col (B) line 25 ) | 16,394,537     |

2. Fin 48 (ASC 740) Footnote In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII

**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  | 188,637,687 |
| 2 | Amounts included on line 1 but not on Form 990, Part VIII, line 12             |    |             |
| a | Net unrealized gains on investments  | 2a |             |
| b | Donated services and use of facilities   | 2b |             |
| c | Recoveries of prior year grants  | 2c |             |
| d | Other (Describe in Part XIII )   | 2d | 20,229,052  |
| e | Add lines 2a through 2d  | 2e | 20,229,052  |
| 3 | Subtract line 2e from line 1   | 3  | 168,408,635 |
| 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 | -12,160     |
| c | Add lines 4a and 4b  | 4c | -12,160     |
| 5 | Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12 ) | 5  | 168,396,475 |

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

|   |   |    |             |
|---|---|----|-------------|
| 1 | Total expenses and losses per audited financial statements                      | 1  | 167,324,105 |
| 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 | 175,367     |
| e | Add lines 2a through 2d   | 2e | 175,367     |
| 3 | Subtract line 2e from line 1  | 3  | 167,148,738 |
| 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 |             |
| 5 | Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18 ) | 5  | 167,148,738 |

**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   |
|--|---------------------------------------|---|
| LIABILITY UNDER FIN 48 FOOTNOTE                | SCHEDULE D, PAGE 3, PART X            | THE HOSPITAL APPLIES FINANCIAL ACCOUNTING STANDARDS BOARD (FASB) ASC TOPIC 740, ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES. THE FOLLOWING FOOTNOTE APPEARS IN THE HOSPITAL'S AUDIT REPORT. THE ACCOUNTING STANDARD ON ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES, WHICH ADDRESSES THE DETERMINATION OF WHETHER TAX BENEFITS CLAIMED OR EXPECTED TO BE CLAIMED ON A TAX RETURN, SHOULD BE RECORDED IN THE FINANCIAL STATEMENTS. UNDER THIS GUIDANCE, THE HOSPITAL MAY RECOGNIZE THE TAX BENEFIT FROM AN UNCERTAIN TAX POSITION ONLY IF IT IS MORE LIKELY THAN NOT THAT THE TAX POSITION WILL BE SUSTAINED IN EXAMINATION BY TAXING AUTHORITIES, BASED ON THE TECHNICAL MERITS OF THE POSITION. EXAMPLES OF TAX POSITIONS INCLUDE THE TAX-EXEMPT STATUS OF THE HOSPITAL AND VARIOUS POSITIONS RELATED TO THE POTENTIAL SOURCES OF UNRELATED BUSINESS TAXABLE INCOME (UBIT). THE BENEFITS RECOGNIZED IN THE FINANCIAL STATEMENTS FROM SUCH A POSITION ARE MEASURED BASED ON THE LARGEST BENEFIT THAT HAS A GREATER THAN 50 PERCENT LIKELIHOOD OF BEING REALIZED UPON ULTIMATE SETTLEMENT. THERE WERE NO UNRECOGNIZED TAX BENEFITS IDENTIFIED OR RECORDED AS LIABILITIES FOR FISCAL YEAR 2013 AND 2012. |
| REVENUE AMOUNTS INCLUDED IN FINANCIALS - OTHER | SCHEDULE D, PAGE 4, PART XI, LINE 2D  | CHANGE IN UNFUNDED PENSION LIABILITY (FASB 158 ADJUST) 20,229,052   |
| REVENUE AMOUNTS INCLUDED ON RETURN - OTHER     | SCHEDULE D, PAGE 4, PART XI, LINE 4B  | UNRELATED FEDERAL BUSINESS LOSS FROM PREMIER PURCH K-1 6,545 NET INVESTMENT GAIN/LOSS FROM GENESIS HEALTH ALLIANCE K-1 981 NET INVESTMENT GAIN/LOSS FROM KY HOMECARE OF HENDERSON K-1 - 25,851 NET INVESTMENT GAIN/LOSS FROM PREMIER PURCH PARTNERS K-1 6,060 NET INVESTMENT GAIN/LOSS FROM MULTICARE ASSOC K-1 105   |
| EXPENSE AMOUNTS INCLUDED IN FINANCIALS - OTHER | SCHEDULE D, PAGE 4, PART XII, LINE 2D | EXPENSES FROM ENTITIES FILING SEPERATE RETURNS INCLUDED 0 IN CONSOLIDATED AUDITED FINANCIAL STATEMENTS 175,367  |

2012

Open to Public  
InspectionSCHEDULE H  
(Form 990)Department of the Treasury  
Internal Revenue Service

## Hospitals

► Complete if the organization answered "Yes" to Form 990, Part IV, question 20.  
► Attach to Form 990. ► See separate instructions.Name of the organization  
COMMUNITY UNITED METHODIST  
HOSPITAL INCEmployer identification number  
61-0461753

## 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   |     |     |
| <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities   |     |     |
| <input type="checkbox"/> Generally tailored to individual hospital facilities  |     |     |
| 3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  |     |     |
| 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  | 3a  | Yes |
| <input checked="" type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> 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  | 3b  | Yes |
| <input checked="" type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> 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 |     |     |
| 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  | No  |
| 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  |     |
| 6a Did the organization prepare a community benefit report during the tax year?  | 6a  | Yes |
| b If "Yes," did the organization make it available to the public?  | 6b  | Yes |
| Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H  |     |     |

## 7 Financial Assistance and Certain Other Community Benefits at Cost

| Financial Assistance and Means-Tested Government Programs                                   | (a) Number of activities or programs (optional) | (b) Persons served (optional) | (c) Total community benefit expense | (d) Direct offsetting revenue | (e) Net community benefit expense | (f) Percent of total expense |
|---|---|-------------------------------|-------------------------------------|-------------------------------|-----------------------------------|------------------------------|
| a Financial Assistance at cost (from Worksheet 1)   |   |                               | 3,223,123                           | 651,702                       | 2,571,421                         | 1 900 %                      |
| b Medicaid (from Worksheet 3, column a)   |   |                               | 20,825,608                          | 16,409,928                    | 4,415,680                         | 3 260 %                      |
| c Costs of other means-tested government programs (from Worksheet 3, column b)              |   |                               |                                     |                               |                                   |                              |
| d Total Financial Assistance and Means-Tested Government Programs                           |   |                               | 24,048,731                          | 17,061,630                    | 6,987,101                         | 5 160 %                      |
| <b>Other Benefits</b>   |   |                               |                                     |                               |                                   |                              |
| e Community health improvement services and community benefit operations (from Worksheet 4) |   |                               | 502,002                             | 66,341                        | 435,661                           | 0 320 %                      |
| f Health professions education (from Worksheet 5)   |   |                               | 1,314,518                           | 236,500                       | 1,078,018                         | 0 770 %                      |
| g Subsidized health services (from Worksheet 6)   |   |                               |                                     |                               |                                   |                              |
| h Research (from Worksheet 7)   |   |                               |                                     |                               |                                   |                              |
| i Cash and in-kind contributions for community benefit (from Worksheet 8)                   |   |                               | 133,064                             |                               | 133,064                           | 0 100 %                      |
| j Total. Other Benefits   |   |                               | 1,949,584                           | 302,841                       | 1,646,743                         | 1 190 %                      |
| k Total. Add lines 7d and 7j  |   |                               | 25,998,315                          | 17,364,471                    | 8,633,844                         | 6 350 %                      |

**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                                      |   |                               | 1,146                                |                               | 1,146                              |                              |
| 3 Community support   |   |                               | 39,625                               |                               | 39,625                             | 0 030 %                      |
| 4 Environmental improvements                                |   |                               |                                      |                               |                                    |                              |
| 5 Leadership development and training for community members |   |                               |                                      |                               |                                    |                              |
| 6 Coalition building  |   |                               |                                      |                               |                                    |                              |
| 7 Community health improvement advocacy                     |   |                               |                                      |                               |                                    |                              |
| 8 Workforce development                                     |   |                               |                                      |                               |                                    |                              |
| 9 Other   |   |                               |                                      |                               |                                    |                              |
| <b>10 Total</b>   |   |                               | 40,771                               |                               | 40,771                             | 0 030 %                      |

**Part III Bad Debt, Medicare, & Collection Practices**

| Section A. Bad Debt Expense  | Yes  | No                             |
|--|--|--------------------------------|
| 1 Did the organization report bad debt expense in accordance with Healthcare 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  | 8,153,552                      |
| 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  | 1,223,032                      |
| 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  | 26,256,038                     |
| 6 Enter Medicare allowable costs of care relating to payments on line 5  | 6  | 34,582,973                     |
| 7 Subtract line 6 from line 5. This is the surplus (or shortfall)  | 7  | -8,326,935                     |
| 8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used  |  |                                |
| <input type="checkbox"/> Cost accounting system  | <input checked="" type="checkbox"/> Cost to charge ratio | <input type="checkbox"/> Other |
| Section C. Collection Practices  |  |                                |
| 9a Did the organization have a written debt collection policy during the tax year?   | 9a   | Yes                            |
| b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI  | 9b   | Yes                            |

**Part IV Management Companies and Joint Ventures** (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?

2

Name, address, and primary website address

Other (Describe)

### Facility reporting group

**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)

A

**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)** \_\_\_\_\_

|  | <b>Yes</b>   | <b>No</b> |
|--|--|-----------|
| <b>Community Health Needs Assessment</b> (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012) |  |           |
| 1  | 1 Yes  |           |
| 1  | During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . .<br>If "Yes," indicate what the CHNA report describes (check all that apply)  |           |
| a  | <input checked="" type="checkbox"/> A definition of the community served by the hospital facility  |           |
| b  | <input checked="" type="checkbox"/> Demographics of the community  |           |
| c  | <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community  |           |
| d  | <input checked="" type="checkbox"/> How data was obtained  |           |
| e  | <input checked="" type="checkbox"/> The health needs of the community  |           |
| f  | <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups  |           |
| g  | <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs  |           |
| h  | <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests   |           |
| i  | <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs   |           |
| j  | <input checked="" type="checkbox"/> Other (describe in Part VI)  |           |
| 2  | Indicate the tax year the hospital facility last conducted a CHNA 20 12  |           |
| 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  | 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  | 4 Yes  |           |
| 5  | Did the hospital facility make its CHNA report widely available to the public? . . . . .<br>If "Yes," indicate how the CHNA report was made widely available (check all that apply)  |           |
| 5  | 5 Yes  |           |
| a  | <input checked="" type="checkbox"/> Hospital facility's website  |           |
| b  | <input checked="" type="checkbox"/> Available upon request from the hospital facility  |           |
| c  | <input checked="" type="checkbox"/> Other (describe in Part VI)  |           |
| 6  | If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)   |           |
| a  | <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA   |           |
| b  | <input checked="" type="checkbox"/> Execution of the implementation strategy   |           |
| c  | <input checked="" type="checkbox"/> Participation in the development of a community-wide plan  |           |
| d  | <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan  |           |
| e  | <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans  |           |
| f  | <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA   |           |
| g  | <input checked="" type="checkbox"/> Prioritization of health needs in its community  |           |
| h  | <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community   |           |
| i  | <input type="checkbox"/> Other (describe in Part VI)   |           |
| 7  | Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .  |           |
| 7  | 7 Yes  |           |
| 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   | 8a No  |           |
| b  | If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .  |           |
| 8b   | 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)**

| <b>Financial Assistance Policy</b> |   | <b>Yes</b> | <b>No</b> |
|------------------------------------|---|------------|-----------|
| <b>9</b>                           | Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care? | <b>9</b>   | Yes       |
| <b>10</b>                          | Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . .  | <b>10</b>  | Yes       |
|                                    | If "Yes," indicate the FPG family income limit for eligibility for free care <u>100 0%</u>  |            |           |
|                                    | If "No," explain in Part VI the criteria the hospital facility used   |            |           |
| <b>11</b>                          | Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . .   | <b>11</b>  | Yes       |
|                                    | If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200 0%</u>  |            |           |
|                                    | If "No," explain in Part VI the criteria the hospital facility used   |            |           |
| <b>12</b>                          | Explained the basis for calculating amounts charged to patients? . . . . .  | <b>12</b>  | Yes       |
|                                    | If "Yes," indicate the factors used in determining such amounts (check all that apply)  |            |           |
| <b>a</b>                           | <input checked="" type="checkbox"/> Income level  |            |           |
| <b>b</b>                           | <input checked="" type="checkbox"/> Asset level   |            |           |
| <b>c</b>                           | <input type="checkbox"/> Medical indigency  |            |           |
| <b>d</b>                           | <input type="checkbox"/> Insurance status   |            |           |
| <b>e</b>                           | <input type="checkbox"/> Uninsured discount   |            |           |
| <b>f</b>                           | <input type="checkbox"/> Medicaid/Medicare  |            |           |
| <b>g</b>                           | <input checked="" type="checkbox"/> State regulation  |            |           |
| <b>h</b>                           | <input type="checkbox"/> Other (describe in Part VI)  |            |           |
| <b>13</b>                          | Explained the method for applying for financial assistance? . . . . .   | <b>13</b>  | Yes       |
| <b>14</b>                          | Included measures to publicize the policy within the community served by the hospital facility? . . . . .   | <b>14</b>  | Yes       |
|                                    | If "Yes," indicate how the hospital facility publicized the policy (check all that apply)   |            |           |
| <b>a</b>                           | <input type="checkbox"/> The policy was posted on the hospital facility's website   |            |           |
| <b>b</b>                           | <input checked="" type="checkbox"/> The policy was attached to billing invoices   |            |           |
| <b>c</b>                           | <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms  |            |           |
| <b>d</b>                           | <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices  |            |           |
| <b>e</b>                           | <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility   |            |           |
| <b>f</b>                           | <input checked="" type="checkbox"/> The policy was available upon request   |            |           |
| <b>g</b>                           | <input checked="" type="checkbox"/> Other (describe in Part VI)   |            |           |

**Billing and Collections**

|           |  |           |     |
|-----------|--|-----------|-----|
| <b>15</b> | Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .  | <b>15</b> | Yes |
| <b>16</b> | Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP |           |     |
| <b>a</b>  | <input checked="" type="checkbox"/> Reporting to credit agency   |           |     |
| <b>b</b>  | <input checked="" type="checkbox"/> Lawsuits   |           |     |
| <b>c</b>  | <input type="checkbox"/> Liens on residences   |           |     |
| <b>d</b>  | <input type="checkbox"/> Body attachments  |           |     |
| <b>e</b>  | <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)  |           |     |
| <b>17</b> | Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . .              | <b>17</b> | Yes |
|           | If "Yes," check all actions in which the hospital facility or a third party engaged  |           |     |
| <b>a</b>  | <input checked="" type="checkbox"/> Reporting to credit agency   |           |     |
| <b>b</b>  | <input checked="" type="checkbox"/> Lawsuits   |           |     |
| <b>c</b>  | <input checked="" type="checkbox"/> Liens on residences  |           |     |
| <b>d</b>  | <input type="checkbox"/> Body attachments  |           |     |
| <b>e</b>  | <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)  |           |     |

**Part V Facility Information (continued)**

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

- a  Notified individuals of the financial assistance policy on admission
- b  Notified individuals of the financial assistance policy prior to discharge
- c  Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d  Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e  Other (describe in Part VI)

**Policy Relating to Emergency Medical Care**

**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

- 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)

|               | Yes | No |
|---------------|-----|----|
| <b>19</b> Yes |     |    |

**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)

|           |  |    |
|-----------|--|----|
|           |  |    |
| <b>21</b> |  | No |

**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

**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

|           |     |  |
|-----------|-----|--|
|           |     |  |
| <b>22</b> | Yes |  |

**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?

22

| Name and address | Type of Facility (describe) |
|------------------|-----------------------------|
| 1                | See Additional Data Table   |
| 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, 6l, 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, 6l, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

| Identifier                               | ReturnReference        | Explanation  |
|--|------------------------|--|
| EXCLUSIONS FROM PERCENT OF TOTAL EXPENSE | PART I LINE 7 COLUMN F | BAD DEBT EXPENSE OF 31499102 WAS EXCLUDED FROM THE TOTAL EXPENSES AS REPORTED ON FORM 990 PART IX LINE 25 IN THE PERCENTAGE CALCULATION FOR COLUMN F                                   |
| COSTING METHODOLOGY EXPLANATION          | PART I LINE 7          | THE COSTTOCHARGE RATIO WAS USED IN THE TABLE TO CALCULATE COST ASSOCIATED WITH BAD DEBT AND CHARITY CARE THE RATIO WAS CALCULATED FROM WORKSHEET 2 RATIO OF PATIENT CARE COSTTOCHARGES |

| Identifier                    | ReturnReference | Explanation  |
|-------------------------------|-----------------|--|
| COMMUNITY BUILDING ACTIVITIES | PART II         | COMMUNITY BUILDING ACTIVITIES INCLUDE THE HOSPITALS PARTICIPATION WITH GREEN RIVER AREA DISTRICT DEVELOPMENT A LOCAL GROUP DEDICATED TO ADDRESSING THE HEALTH CARE NEEDS OF COMMUNITIES SERVED ALSO AS PART OF COMMUNITY BUILDING ACTIVITIES VARIOUS HOSPITAL ADMINISTRATION STAFF VOLUNTEER TIME AS BOARD MEMBERS OR MEMBERS OF COMMUNITY ORGANIZATIONS AND COALITIONS TO KEEP AWARE OF HEALTH CARE NEEDS CONCERN AND ISSUES WITHIN THE AREA  |
| BAD DEBT EXPENSE EXPLANATION  | PART III LINE 4 | THE HOSPITAL HAS AGREEMENTS WITH THIRDPARTY PAYORS THAT PROVIDE FOR PAYMENTS TO THE HOSPITAL AT AMOUNTS DIFFERENT FROM ITS ESTABLISHED RATES PAYMENT ARRANGEMENTS INCLUDE PROSPECTIVELY DETERMINED RATES PER DISCHARGE REIMBURSED COSTS DISCOUNTED CHARGES AND PER DIEM PAYMENTS NET PATIENT SERVICE REVENUE IS REPORTED AT THE ESTIMATED NET REALIZABLE AMOUNTS FROM PATIENTS THIRDPARTY PAYORS AND OTHERS FOR SERVICES RENDERED INCLUDING ESTIMATED RETROACTIVE ADJUSTMENTS UNDER REIMBURSEMENT AGREEMENTS WITH THIRDPARTY PAYORS RETROACTIVE ADJUSTMENTS ARE ACCRUED ON AN ESTIMATED BASIS IN THE PERIOD THE RELATED SERVICES ARE RENDERED AND ADJUSTED IN FUTURE PERIODS AS FINAL SETTLEMENTS ARE DETERMINED THE HOSPITAL ESTIMATES AN ALLOWANCE FOR UNCOLLECTIBLE PATIENT ACCOUNTS RECEIVABLE BASED ON EVALUATION OF THE AGING OF THE ACCOUNTS HISTORICAL LOSSES CURRENT ECONOMIC CONDITIONS AND OTHER FACTORS UNIQUE TO THE SERVICE AREA AND THE HEALTHCARE INDUSTRY THE COSTING METHODOLOGY USED TO DETERMINE THE AMOUNTS REPORTED ON LINE 2 IS USING THE COSTTOCHARGE RATIO THE RATIO WAS CALCULATED FROM WORKSHEET A ESTIMATED BAD DEBT EXPENSE AT COST |

| Identifier                       | ReturnReference  | Explanation  |
|----------------------------------|------------------|--|
| MEDICARE EXPLANATION             | PART III LINE 8  | MEDICARE ALLOWABLE COST WAS TAKEN DIRECTLY OFF MEDICARE COST REPORT FILED FOR 63013 THE CALCULATION INCLUDED MEDICARE INPATIENT AND OUTPATIENT CHARGES LESS MEDICARE REIMBURSEMENT LESS GME RECEIVED THE SHORTFALL SHOULD BE TREATED AS COMMUNITY BENEFIT BECAUSE THE REIMBURSEMENT RECEIVED DID NOT COVER THE COST OF PROVIDING THESE SERVICES  |
| COLLECTION PRACTICES EXPLANATION | PART III LINE 9B | HOSPITAL POLICY ON CHARITY CARE PROVIDES GUIDANCE ON HOW TO PROVIDE FINANCIAL ASSISTANCE FOR PATIENTS IN NEED HOSPITAL POLICY ON INDIGENT CARE OUTLINES THE DISPROPORTIONATE SHARE HOSPITAL DSH PROGRAM THROUGH THE STATE OF KY TO SERVE THE INDIGENT CARE NEEDS OF ALL PATIENTS WITHOUT ANY TYPE OF HEALTH INSURANCE PATIENTS MUST COMPLETE A DSH APPLICATION AND MEET THE KY DEPARTMENT OF MEDICAID SERVICES DSH PROGRAM MANUAL GUIDELINES |

| Identifier                                      | ReturnReference | Explanation   |
|---|-----------------|---|
| NEEDS ASSESSMENT                                | PART VI         | HOSPITAL CONTINUES TO WORK WITH THE GREEN RIVER AREA DISTRICT DEVELOPMENT TO ASSESS THE HEALTH CARE NEEDS OF THE COMMUNITIES SERVED THE MISSION IS TO IMPROVE THE HEALTH AND QUALITY OF LIFE WITHIN OUR REGION THROUGH EDUCATION MOTIVATION EVALUATION AND AVAILABILITY   |
| PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE | PART VI         | HOSPITAL HAS FINANCIAL COUNSELORS TO INTERVIEW PATIENTS WHO MAY HAVE FINANCIAL NEED THE PROCESS IS PART OF PATIENT REGISTRATION AN INTERVIEW CAN TAKE PLACE AT ANY TIME THE PATIENT IS IN THE HOSPITAL AFTER THE PAITENT LEAVES THE HOSPITAL CONTACT IS MADE IN AN EFFORT TO ASSIST THE INDIVIDUAL WITH APPLYING FOR GOVERNMENT ENTITLEMENT PROGRAMS EACH PATIENT REGISTERED AS A SELF PAY AUTOMATICALLY RECEIVES PRINTED INFORMATION TITLED ELIGIBILTY FOR FINANCIAL ASSISTANCE THIS DOCUMENT EXPLAINS ABOUT THE KY MEDICAID DISPROPORTIONATE SHARE HOSPITAL DSH PROGRAM IT CONTAINS A LIST OF INFORMATION THE PATIENT IS REQUIRED TO PROVIDE WITH THE DSH APPLICATION ELIGIBILITY FOR THE PROGRAM IS DETERMINED FROM THE SUBMITTED DOCUMENTS IF PATIENT DOES NOT QUALIFY FOR THE DSH PROGRAM THEN THE DOCUMENTATION IS USED BY THE HOSPITAL FOR FINANCIAL ASSISTANCE DETERMINATION IN ADDITION DISCUSSION WITH PATIENTS CONCERNING VARIOUS PROGRAMS HOSPITAL ASSISTANCE ETC |

| Identifier  | ReturnReference | Explanation   |
|---|-----------------|---|
| COMMUNITY INFORMATION                             | PART VI         | HOSPITAL IS LOCATED IN THE GREEN RIVER AREA DEVELOPMENT DISTRICT GRADDIN THE NORTH WESTERN PORTION OF KENTUCKY ALONG THE OHIO RIVER AND DIVIDED BY THE GREEN RIVER ACCORDING TO KENTUCKY HOSPITAL STATISTICS PUBLISHED IN 2010 THE TOTAL POPULATION OF GRADD IS APPROXIMATELY 211708 AND IS PROJECTED TO HAVE MINOR GROWTH OF 12 OVER THE NEXT FIVE YEARS METHODIST HOSPITALS PRIMARY SERVICE AREA COVERS PATIENTS FROM THE COUNTIES OF HENDERSON UNION AND WEBSTER AND INCLUDES A SECONDARY MARKET OF PATIENTS FROM EACH OF THE SURROUNDING COUNTIES AND SOUTHERN INDIANA AND SOUTHERN ILLINOIS THE TOTAL POPULATION IN THE PRIMARY AND SECONDARY SERVICE AREA IS APPROXIMATELY 75000 THIS ORGANIZATION OWNS METHODIST HOSPITAL IN HENDERSON COUNTY AND METHODIST HOSPITAL UNION COUNTY A CRITICAL ACCESS HOSPITAL IN UNION COUNTY THE ONLY TWO HOSPITALS IN THE PRIMARY SERVICE AREA THE PRIMARY SERVICE AREA INCLUDES DESIGNATED MEDICALLY UNDERSERVED COUNTIES AND METHODIST HOSPITAL HAS SUPPORTED THE MEDICAL CARE IN THE COMMUNITIES BY PROVIDING TWO PRIMARY CARE CLINICS IN WEBSTER COUNTY AND TWO IN UNION COUNTY WITH PHYSICIANS AND NURSE PRACTITIONERS   |
| HEALTH OF COMMUNITY IN RELATION TO EXEMPT PURPOSE | PART VI         | METHODIST HOSPITAL IN KEEPING WITH ITS CHRISTIAN HERITAGE EXISTS TO PROVIDE A BROAD BASED HEALTHCARE DELIVERY SYSTEM IN PARTNERSHIP WITH OUR MEDICAL STAFF THE FOCUS WILL BE ON THE COMPASSIONATE HIGH QUALITY AND COST EFFECTIVE SERVICES THAT ADDRESS MENTAL SPIRITUAL AND PHYSICAL NEEDS AND WORKS TO IMPROVE THE HEALTH STATUS OF THE PEOPLE IN THE COMMUNITIES THE MAJORITY OF COMMUNITY UNITED METHODIST HOSPITALS BOARD OF DIRECTORS IS COMPRISED OF INDIVIDUALS WHO LIVE AND WORK IN THE HOSPITAL SERVICES AREA THE HOSPITAL EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY DURING THE FISCAL YEAR ENDED JUNE 30 2013 COMMUNITY UNITED METHODIST HOSPITAL INC AS PART OF ITS MISSION CONTINUES TO PROVIDE UNCOMPENSATED CARE TO THE RESIDENTS OF THE AREA EXAMPLES OF SERVICES PROVIDED FOR THE BENEFIT OF THE COMMUNITY ARE AS FOLLOWS ADULT AND PEDIATRIC CPR COURSES OFFERED FREE OR AT A NOMINAL COST SMOKING CESSATION PROGRAM OFFERED AT NOMINAL COST TO PARTICIPANTS CHILDBIRTH EDUCATION CLASSES INCLUDING PREPARED CHILDBIRTH BREAST FEEDING ETC OFFERED TO THE PUBLIC AT A NOMINAL COST ONGOING DIABETES SELFCARE CLASSES OFFERED AT A NOMINAL OR NO CHARGE INCLUDING SELFCARE BGM INSULIN AND GESTATIONAL OUTREACH PROGRAMS AT LOCAL ELEMENTARY AND JUNIOR HIGH SCHOOLS TO EDUCATE YOUNG PEOPLE ON A VARIETY OF TOPICS INCLUDING CHEMICAL DEPENDENCY AND CHILDBIRTH PROVIDE EDUCATION TO WOMEN'S ADDICTION RECOVERY MANOR CENTER 34 TIMES PER YEAR FOR EDUCATIONAL SESSIONS UPON REQUEST BROCHURES ON A WIDE VARIETY OF MEDICAL TOPICS ARE AVAILABLE TO THE PUBLIC AT NO CHARGE MULTIDISCIPLINARY CONTINUING EDUCATION PROGRAMS FOR OTHER MEDICAL PROFESSIONALS AND ANCILLARY PERSONNEL COMMUNITY EDUCATION PROGRAMS PROVIDED FREE TO THE PUBLIC ON VARIOUS HEALTHCARE TOPICS CANCER STROKE HEART ATTACK DIABETES ETC PROMOTION OF HEALTHCARE PROFESSIONALS THROUGH ASSOCIATION WITH HENDERSON COMMUNITY COLLEGE DAYMAR COLLEGE AND MADISONVILLE KENTUCKY TECH RADIOLOGY TECHNOLOGY NURSING AND LABORATORY PROGRAMS AND WITH INTERNSHIPS AND CLINICAL AFFILIATIONS WITH OTHER UNIVERSITIES FOR PHARMACY PHYSICAL THERAPY RADIOLOGY HEALTH CARE ADMINISTRATION AND DIETETICS FREE CHOLESTEROL SCREENINGS PROVIDED THE FIRST THURSDAY OF EVERY MONTH TO THE GENERAL PUBLIC BLOOD PRESSURE SCREENINGS DONE MONTHLY AT PLEASANT POINT AND TWICE A YEAR AT SENIOR CITIZEN COMPLEXES BLOOD SUGAR SCREENING PROVIDED MONTHLY AT PLEASANT POINT AND COLONIAL ASSISTED LIVING HEALTH FAIRS ARE HELD FOR LOCAL INDUSTRY AS WELL AS THE GENERAL PUBLIC PROVIDING A WIDE RANGE OF SCREENING TESTS AND EDUCATIONAL MATERIALS IN HENDERSON UNION AND WEBSTER COUNTIES SPEAKERS PROVIDED TO COMMUNITY ORGANIZATIONS FOR PRESENTATIONS ON SUCH HEALTHCARE TOPICS AS CANCER ALZHEIMER'S DISEASE BLOOD PRESSURE CHOLESTEROL ETC WELLNESS PROGRAM OFFERED TO LOCAL BUSINESSES INCLUDES ONSITE HEALTH FAIRS RISK APPRAISAL NURSE VISITS AND EDUCATIONAL PROGRAMS FLU SHOTS PROVIDED TO INDUSTRY AND SCHOOLS DISCOUNT OF 50 OFFERED ON FIRST MAMMOGRAPHY SCREENING DURING BREAST CANCER AWARENESS MONTH A DISCOUNT AGREEMENT WITH THE HEALTH DEPARTMENT ON MAMMOGRAPHY REFERRALS NEONATAL SERVICES PROVIDED AT A REDUCED RATE FOR LOWINCOME WOMEN OUTPATIENT LACTATION CONSULTING FEES WAIVED FOR LOWINCOME MOTHERS METHODIST HOSPITAL ALSO PROVIDES FOR ADULTS WHO HAVE CHRONIC HEALTH CARE NEEDS THROUGH THE CONTINUITY CARE CLINIC THIS CLINIC OPERATES 4 DAYS PER WEEK WITH MEDICAL RESIDENTS AND THEIR SUPERVISORS METHODIST HOSPITAL SERVES AS A PRECEPTOR SITE FOR VARIOUS UNIVERSITIES AND COLLEGES FOR ADMINISTRATIVE PHYSICAL AND OCCUPATIONAL THERAPIES AND NURSING STUDENTS HOSPITAL MANAGEMENT PARTICIPATES IN AND ROUTINELY DONATES USE OF THE HOSPITAL FACILITY TO VARIOUS NONPROFIT COMMUNITY ORGANIZATIONS SUCH AS YMCA SALVATION ARMY UNITED WAY JUNIOR PRO BALL ETC PRESENTS ALTERNATIVE CARE DELIVERY MODELS TO LEADERSHIP HENDERSON TO ADDRESS THE IDENTIFIED COMMUNITY NEED FOR ACCESS TO MEDICAL CARE FOR CHILDREN OF LOWINCOME FAMILIES AND THOSE LIVING IN POVERTY THE HOSPITAL OPERATES A LICENSED PRIMARY CARE CENTER COMMUNITY ACCESS TO CHILD HEALTH CATCH PROGRAM THAT PROVIDES DIRECT MEDICAL CARE TO CHILDREN WITHOUT ACCESS TO MEDICAL CARE THIS SERVICE IS LICENSED AT SIX SITES THROUGHOUT THE COMMUNITY INCLUDING SCHOOLS TREATED 1321 CHILDREN EMPLOYEES ARE MEMBERS OF VARIOUS COMMUNITY ORGANIZATIONS AND REGULARLY ATTEND MEETINGS TO KEEP MH ACTIVELY INVOLVED IN THE COMMUNITY AMERICAN HEART ASSOCIATION KENTUCKY CANCER PROGRAM DIABETES COALITION I AM YOUR HENDERSON CHILD FOR EXAMPLE ASSISTED IN PLANNING AND ORGANIZING OF VARIOUS ACTIVITIES FOR COMMUNITY ORGANIZATIONS RELAY FOR LIFE AMERICAN CANCER SOCIETY RACE FOR THE CURE BREAST CANCER JAIL BAIL MARCH OF DIMES REGIONAL SENIOR GAMES BUILDING MAINTENANCE COMPUTER EQUIPMENT AND SOME MEDICAL EQUIPMENT PROVIDED TO THE HENDERSON CITYCOUNTY AMBULANCE SERVICE AT NO CHARGE PROVIDE FOR TRANSPORTATION COSTS FOR PATIENTS NEEDING ASSISTANCE TO THEIR HOMES FROM THE HOSPITAL CASH AND INKIND CONTRIBUTIONS TO SUPPORT VARIOUS OTHER NONPROFITS LOCATED IN HENDERSON WEBSTER AND UNION COUNTIES CASH DONATION TO ECONOMIC DEVELOPMENT ENTITY TO FOSTER DEVELOPMENT IN THE AREA PLEDGE SUPPORT OF NURSING PROGRAM AT LOCAL COLLEGE SCHOLARSHIPS OFFERED TO NURSING PHYSICAL THERAPY RADIOLOGY AND PHARMACY STUDENTS PARTICIPATION IN LOCAL CAREER DAYS TO PROVIDE INFORMATION ON HEALTH CAREERS TO HIGH SCHOOL COLLEGE AND TECHNICAL SCHOOL STUDENTS HIGH SCHOOL AND COLLEGE STUDENTS GAIN VALUABLE EXPERIENCE THROUGH THE HEALTH CAREERS PROGRAM THAT PUTS THEM IN A HOSPITAL SETTING WHILE EXPLORING HEALTH CAREERS PRESENTATIONS MADE TO LOCAL HIGH SCHOOLS TO PROMOTE HEALTH CAREERS AND LECTURE ON HEALTHCARE TOPICS HOSTED BIANNUAL BLOOD DRIVES FOR THE AMERICAN RED CROSS |

| Identifier   | ReturnReference | Explanation  |
|--|-----------------|--|
| LIST OF STATES WHERE COMMUNITY BENEFIT REPORT IS FILED | PART VI         | KENTUCKY   |
| METHODIST HOSPITAL REPORTING GROUP A PART V LINE 3     | PART V LINE 3   | <p>METHODIST HOSPITALMETHODIST HOSPITAL UNION COUNTY COLLABORATED WITH THE GREEN RIVER DISTRICT HEALTH DEPARTMENT GRDHD TO CONDUCT A COMMUNITY HEALTH NEEDS ASSESSMENT IN SEVEN COUNTIES OF THE GREEN RIVER AREA DEVELOPMENT DISTRICT GRADD THIS INCLUDES THE THREE COUNTIES OF HENDERSON UNION AND WEBSTER WHICH COMPRIZE THE PRIMARY SERVICE AREA FOR THE GREEN RIVER DISTRICT HEALTH DEPARTMENT AND METHODIST HOSPITAL THE GRDHD PARTNERED WITH THE UNIVERSITY OF KENTUCKY DEPARTMENT OF PUBLIC HEALTH TO ASSIST WITH THE DATA ANALYSIS AND PUBLIC FORUMS THE MAPP MOBILIZING FOR ACTION THROUGH PLANNING AND PARTNERSHIPS PROCESS WAS ESTABLISHED AS THE METHODOLOGY THIS PROCESS INCLUDED A THREESTEP PROCESS OF DATA ANALYSIS PUBLIC COMMENT VIA WRITTEN AND ELECTRONIC SURVEYS AND INDIVIDUAL COUNTY PUBLIC FORUMS IN ORDER TO ASSURE ACCESS TO ALL CITIZENS INCLUDING THE MOST VULNERABLE COPIES OF MANUAL SURVEYS WERE PROVIDED IN EACH OF THE HEALTH DEPARTMENTS IN ALL SEVEN COUNTIES SURVEYS WERE ALSO ACCESSIBLE THROUGH THE AREA DEVELOPMENT DISTRICT THE CATCH PROGRAM OFFICE AND ON THE METHODIST HOSPITAL WEBSITE METHODIST HOSPITAL HOSTED THE FIRST COMMUNITY FORUM IN HENDERSON COUNTY ON JANUARY 10 2012 LATER THAT SAME DAY METHODIST HOSPITAL COHOSTED THE WEBSTER COUNTY FORUM IN DIXON KENTUCKY AT THE WEBSTER COUNTY UNIVERSITY OF KENTUCKY EXTENSION OFFICE THE UNION COUNTY PUBLIC FORUM WAS ALSO HELD ON JANUARY 10 2012 AT METHODIST HOSPITAL UNION COUNTY ALL OF THE FORUMS WERE WELL ATTENDED STAFF FROM THE UNIVERSITY OF KENTUCKY DEPARTMENT OF PUBLIC HEALTH FACILITATED THE MAPP PROCESS TO DISCUSS THE DATA FACTS AND GATHER THEIR INPUT ON THE MOST CRITICAL HEALTHCARE ISSUES FOR THE CITIZENS OF THE COUNTY THE FINAL PART OF THE ASSESSMENT PROVIDED AN ONLINE AND A PAPER SURVEY DISTRIBUTED IN ALL THREE COUNTIES VIA THE HOSPITALS AND HEALTH DEPARTMENTS A SPECIAL EFFORT WAS MADE TO ACCESS THE MOST VULNERABLE POPULATIONS THROUGH PAPER SURVEYS PROVIDED AT EACH OF THE HEALTH DEPARTMENT CLINICS IN ALL THREE COUNTIES THE DATA FROM THE COMMUNITY FORUM THE SURVEYS AND THE STATISTICAL ANALYSIS WAS COMPILED INTO A FACT SHEET FOR EACH COUNTY UPON COMPLETION OF THE REGIONAL COMMUNITY HEALTH NEEDS ASSESSMENT AND THE ASSESSMENT OF THE HEALTH ISSUES FACING THE HENDERSON COMMUNITY METHODIST HOSPITAL REACHED OUT TO HEALTH LEADERS ACROSS THE HENDERSON COMMUNITY THROUGH THE COMMUNITY BENEFIT COMMITTEE OF THE BOARD AND DEVELOPED A CHNA FOR METHODIST HOSPITAL THE ISSUES OF HENDERSON COUNTY DO NOT STAY AT THE COUNTY OR REGIONAL BOARDERS THEY ARE FAR REACHING THEREFORE METHODIST HOSPITAL INVITED KEY HEALTH CARE AND COMMUNITY LEADERS TO CREATE A PARTNERSHIP TO DEVELOP ACTION PLANS TO IMPROVE THE HEALTH STATUS OF THE COMMUNITY THUS FORMING THE HENDERSON HEALTH COALITION RECENTLY RENAMED HEALTHY HENDERSON THE PURPOSE OF HEALTHY HENDERSON IS TO PROMOTE HEALTH AND WELLNESS THROUGHOUT THE COMMUNITY SINCE ITS INCEPTION HEALTHY HENDERSON HAS ADOPTED THE SAME THREE HEALTH ISSUES AS METHODIST HOSPITAL AND HAS FORMED SUBGROUPS TO FOCUS ON EACH OF THE THREE OBESITYDIABETES TEEN ISSUES SMOKING CESSATION MEMBERS OF HEALTHY HENDERSON REPRESENT A BROAD SPECTRUM OF HEALTH PROFESSIONALS AND MEET MONTHLY TO DEVELOP IMPLEMENT AND EVALUATE PROGRAM DESIGNED TO IMPROVE THE COUNTYS HEALTH STATISTICS THE FINDINGS FROM THE COMMUNITY HEALTH NEEDS ASSESSMENT PERTAINING TO UNION COUNTY WERE ALSO SHARED WITH THE UNION COUNTY HEALTH COALITION REPRESENTED BY THE HEALTH PROFESSIONALS IN UNION COUNTY METHODIST HOSPITAL UNION COUNTY WORKS WITH THE UNION COUNTY HEALTH COALITION TO DISCUSS THE HEALTH NEEDS OF THE COUNTY AND PROMOTE HEALTH AND WELLNESS ACTIVITIES FOR THE MEMBERS OF THEIR COMMUNITY</p> |

| Identifier  | ReturnReference | Explanation  |
|---|-----------------|--|
| METHODIST HOSPITAL<br>REPORTING GROUP A PART V<br>LINE 4  | PART V LINE 4   | METHODIST HOSPITAL AND METHODIST HOSPITAL UNION COUNTY CONDUCTED THEIR OWN CHNAS BUT ALSO PARTNERED WITH THE GREEN RIVER AREA DEVELOPMENT DISTRICT WHICH INCLUDES THE OWENSBORO HEALTH AND OHIO COUNTY HOSPITAL  |
| METHODIST HOSPITAL<br>REPORTING GROUP A PART V<br>LINE 5C | PART V LINE 5C  | METHODIST HOSPITAL PRESENTED ITS CHNA TO THE HENDERSON REGIONAL HOSPITAL FOUNDATION HENDERSON ROTARY THE HENDERSON HEALTH COALITION THE GREEN RIVER AREA HEALTH COUNCIL AND THE CATCH ADVISORY BOARD METHODIST HOSPITAL UNION COUNTY PRESENTED ITS CHNA TO THE UNION COUNTY HEALTH COALITION |

| Identifier   | ReturnReference | Explanation  |
|--|-----------------|--|
| METHODIST HOSPITAL<br>REPORTING GROUP A PART V<br>LINE 14G | PART V LINE 14G | THE POLICY WAS PROVIDED IN DISCHARGE PACKETS TO PATIENTS IN EMERGENCY ROOM FINANCIAL COUNSELORS EXPLAIN THE POLICY TO IMPATIENTS UPON ADMISSION  |
| METHODIST HOSPITAL<br>REPORTING GROUP A PART V<br>LINE 16E | PART V LINE 16E | PATIENTS WITHOUT THE ABILITY TO PAY ARE SCREENED FOR FINANCIAL ASSISTANCE PATIENTS WITH THE ABILITY TO PAY BUT FAIL TO DO SO AFTER A SERIES OF STATEMENTS AND COLLECTION EFFORTS ARE SUBMITTED TO A THIRD PARTY COLLECTION AGENCY TYPICALLY THIS OCCURS AFTER A MINIMUM OF 120 DAYS FROM DISCHARGE |

| Identifier   | ReturnReference | Explanation  |
|--|-----------------|--|
| METHODIST HOSPITAL<br>REPORTING GROUP A PART V<br>LINE 17E | PART V LINE 16E | THE UNPAID BALANCE OF THE PATIENTS LIABILITY IS<br>REFERRED TO A THIRD PARTY COLLECTION AGENCY<br>TYPICALLY THIS OCCURS AT LEAST 120 DAYS FROM THE<br>TIME THE PATIENT IS LIABLE FOR AN UNPAID BALANCE |
| METHODIST HOSPITAL<br>REPORTING GROUP A PART V<br>LINE 20D | PART V LINE 20D | EVERYONE USING THE HOSPITAL SERVICES ARE<br>CHARGED THE STANDARD RATES   |

| Identifier  | ReturnReference | Explanation   |
|---|-----------------|---|
| METHODIST HOSPITAL<br>REPORTING GROUP A PART V<br>LINE 22 | PART V LINE 22  | ALL PAYERS INCLUDING ENTITLEMENT PROGRAMS<br>INSURANCE COMPANIES AND PATIENTS WITHOUT<br>INSURANCE ARE BILLED AT HOSPITALS STANDARD RATE<br>REIMBURSEMENT AND DISCOUNTS ARE BASED ON<br>ENTITLEMENT ALLOWABLE CONTRACTUALLY MUTUALLY<br>AGREEABLE REDUCTIONS OF CHARGES WITH INSURANCE<br>COMPANIES AND MUTUALLY AGREEABLE REDUCTIONS OF<br>CHARGES WITH PATIENTS |

**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 61-0461753  
**Name:** COMMUNITY UNITED METHODIST HOSPITAL INC

**Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility****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?

22

| Name and address   | Type of Facility (describe) |
|--|-----------------------------|
| METHODIST GASTROENTEROLOGY<br>1413 N ELM STREET SUITE 105<br>HENDERSON, KY 42420         | GASTROENTEROLGY SVCS        |
| METHODIST FAMILY PRACTICE<br>1284 US HWY 60 WEST<br>MORGANFIELD, KY 42437                | GASTROENTEROLGY SVCS        |
| MH HOME MEDICAL EQUIPMENT<br>426 N ELM STREET<br>HENDERSON, KY 42420                     | GASTROENTEROLGY SVCS        |
| WOMEN'S HEALTH SERVICES- HENDERSON<br>736 N ELM STREET<br>HENDERSON, KY 42420            | GASTROENTEROLGY SVCS        |
| METHODIST ORTHOPEDIC SERVICES<br>471 KLUTEY PARK PLAZA<br>HENDERSON, KY 42420            | GASTROENTEROLGY SVCS        |
| METHODIST FAMILY MEDICINE- IMPERIAL<br>110 THIRD STREET SUITE 250<br>HENDERSON, KY 42420 | GASTROENTEROLGY SVCS        |
| METHODIST FAMILY MEDICINE- STURGIS<br>9064 US HWY 60<br>STURGIS, KY 42459                | GASTROENTEROLGY SVCS        |
| METHODIST SURGICAL SERVICES<br>110 THIRD STREET SUITE 105<br>HENDERSON, KY 42420         | GASTROENTEROLGY SVCS        |
| METHODIST FAMILY MEDICINE- BARRETT<br>1997 BARRETT BLVD<br>HENDERSON, KY 42420           | GASTROENTEROLGY SVCS        |
| METHODIST FAMILY MEDICINE- SEBREE<br>47 W WEBSTER STREET<br>SEBREE, KY 42455             | GASTROENTEROLGY SVCS        |
| METHODIST FAMILY MEDICINE- 8TH ST<br>319 EIGHTH STREET SUITE 1<br>HENDERSON, KY 42420    | GASTROENTEROLGY SVCS        |
| WOMENS HEALTH SERVICES-MADISONVILLE<br>44 MCCOY AVENUE<br>MADISONVILLE, KY 42431         | GASTROENTEROLGY SVCS        |
| METHODIST HEMATOLOGYONCOLOGY<br>110 WATER STREET<br>HENDERSON, KY 42420                  | GASTROENTEROLGY SVCS        |
| WEBSTER COUNTY FAMILY MEDICINE<br>1355 HWY 41-A SOUTH<br>DIXON, KY 42409                 | GASTROENTEROLGY SVCS        |
| CONTINUITY CARE CLINIC<br>1305 N ELM STREET<br>HENDERSON, KY 42420                       | GASTROENTEROLGY SVCS        |
| METHODIST FAMILY MEDICINE- ELM ST<br>1413 N ELM STREET SUITE 204<br>HENDERSON, KY 42420  | GASTROENTEROLGY SVCS        |
| MH PRIMARY CARE CENTER<br>700 MARTIN LUTHER KING BLVD<br>HENDERSON, KY 42420             | GASTROENTEROLGY SVCS        |
| METHODIST OCCUPATIONAL MEDICINE<br>110 THIRD STREET SUITE 120<br>HENDERSON, KY 42420     | GASTROENTEROLGY SVCS        |
| METHODIST COMPREHENSIVE CARE<br>2000 N ELM STREET SUITE 1A<br>HENDERSON, KY 42420        | GASTROENTEROLGY SVCS        |
| METHODIST PEDIATRICS- ELM<br>2000 N ELM STREET SUITE 1B<br>HENDERSON, KY 42420           | GASTROENTEROLGY SVCS        |
| METHODIST HOSPITAL AUXILLARY<br>1305 N ELM STREET<br>HENDERSON, KY 42420                 | GASTROENTEROLGY SVCS        |
| KENTUCKY HOME CARE OF HENDERSON LLC<br>110 2ND STREET<br>HENDERSON, KY 42420             | GASTROENTEROLGY SVCS        |

**Schedule I  
(Form 990)**

## **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

2012

## Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

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Name of the organization

COMMUNITY UNITED METHODIST  
HOSPITAL INC

**Employer identification number**

61-0461753

## **Part I General Information on Grants and Assistance**

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . .  Yes  No

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

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

**(a) Name and address of organization or government**      **(b) EIN**      **(c) IRC Code section if applicable**      **(d) Amount of cash grant**      **(e) Amount of non-cash assistance**      **(f) Method of valuation (book, FMV, appraisal, other)**      **(g) Description of non-cash assistance**      **(h) Purpose of grant or assistance**

(1) NORTHWEST 61-1018220 4 20,000 ECONOMIC  
KENTUCKY FORWARD INC DEVELOPMENT  
1990 BARRETT COURT  
SUITE A  
PO BOX 674  
HENDERSON, KY 42420

(2) HENDERSON COMMUNITY COLLEGE  
2660 S GREEN STREET  
HENDERSON, KY 42420 61-1320380 6 70,000 SEE PART IV

(3) UNIVERSITY OF LOUISVILLE  
RESEARCH FOUNDATION  
550 SOUTH JACKSON  
STREET  
LOUISVILLE, KY 40292 61-1029626 3 76,066 FELLOWSHIP TRAINING

(4) GREEN RIVER AREA 61-0706096 GOV 18,100 HEALTH COALITION  
DEVLPMENT DIST  
300 GRADD WAY  
OWENSBORO, KY  
423010200

**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) HEALTHCARE SCHOLARSHIP      | 14                       | 17,033                   |                                   |   |  |
| (2) EDUCATIONAL ASSISTANCE      | 88                       | 240,237                  |                                   |   |  |
|                                 |                          |                          |                                   |   |  |
|                                 |                          |                          |                                   |   |  |
|                                 |                          |                          |                                   |   |  |
|                                 |                          |                          |                                   |   |  |
|                                 |                          |                          |                                   |   |  |

**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   |
|------------------------|-----------------------------|---|
| ADDITIONAL INFORMATION | SCHEDULE I, PAGE 4, PART IV | HENDERSON COMMUNITY COLLEGE (PART II)- TO MEET THE COMMUNITY NEED FOR ADDITIONAL NURSING STUDENTS, THE HOSPITAL PLEDGED FUNDING OF 70,000 TO EXPAND THE NURSING PROGRAM AT THE LOCAL COMMUNITY COLLEGE HEALTHCARE SCHOLARSHIPS- A RECIPIENT MUST FILL OUT AN APPLICATION AND THEN IT IS SENT TO A COMMITTEE TO BE APPROVED OR DENIED THE RECIPIENT MUST BE ACCEPTED INTO A DEGREE PROGRAM THAT IS CRITICAL AND NECESSARY TO THE OPERATION OF THE HOSPITAL. RECIPIENTS MUST MAINTAIN A CUMMULATIVE GPA OF 2.5 AND A FULL TIME COURSE STUDY (12 OR MORE CREDIT HOURS) THEY MUST SEND VERIFICATION OF GPA EACH SEMESTER. SCHOLARSHIP RECIPIENTS ARE OBLIGATED TO EMPLOYMENT WITH METHODIST HOSPITAL AFTER GRADUATION ACCORDING TO THE NUMBER OF SEMESTERS FUNDED. FAILURE TO MEET THE SCHOLARSHIP REQUIREMENTS MAY RESULT IN REPAYMENT OF SCHOLARSHIP DOLLARS. EDUCATIONAL ASSISTANCE- EACH RECIPIENT MUST FILL OUT AN APPLICATION FOR EDUCATIONAL ASSISTANCE AND IT IS SENT TO A COMMITTEE TO BE APPROVED OR DENIED. ONCE THE APPLICATION IS APPROVED THE EMPLOYEE IS NOTIFIED. ONCE THE APPLICANT FINISHES HIS/HER CLASS WITH A PASSING GRADE OF A C OR BETTER, THE HOSPITAL WILL REIMBURSE THE EMPLOYEE FOR THE COST OF BOOKS, TUITION AND LAB FEES UP TO 3,000 FOR ASSOCIATES AND 4,000 FOR BACHELORS OR MASTERS PER CALENDAR YEAR. IF THE EMPLOYEE LEAVES EMPLOYMENT THEY ARE REQUIRED TO PAY BACK ANY FUNDS REIMBURSED WITHIN THE LAST YEAR. |

**Schedule J**  
(Form 990)**Compensation Information**

OMB No 1545-0047

Department of the Treasury  
Internal Revenue Service

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.**

**2012****Open to Public Inspection**Name of the organization  
COMMUNITY UNITED METHODIST  
HOSPITAL INCEmployer identification number  
61-0461753**Part I Questions Regarding Compensation**

**1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items

|  |   |
|--|---|
| <input type="checkbox"/> First-class or charter travel             | <input type="checkbox"/> Housing allowance or residence for personal use          |
| <input type="checkbox"/> Travel for companions                     | <input type="checkbox"/> Payments for business use of personal residence          |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input checked="" type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account            | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)          |

**b** If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

**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

|   |   |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee          | <input type="checkbox"/> Written employment contract                                |
| <input type="checkbox"/> Independent compensation consultant        | <input checked="" type="checkbox"/> Compensation survey or study                    |
| <input checked="" type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

**4** During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization

**a** Receive a severance payment or change-of-control payment?

**b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?

**c** 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

**Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.**

**5** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of

**a** The organization?

**b** Any related organization?

If "Yes," to line 5a or 5b, describe in Part III

**6** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of

**a** The organization?

**b** Any related organization?

If "Yes," to line 6a or 6b, describe in Part III

**7** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

**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

**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

|           | Yes | No |
|-----------|-----|----|
| <b>1b</b> | Yes |    |
| <b>2</b>  | Yes |    |
| <b>4a</b> |     | No |
| <b>4b</b> |     | No |
| <b>4c</b> |     | No |
| <b>5a</b> |     | No |
| <b>5b</b> |     | No |
| <b>6a</b> |     | No |
| <b>6b</b> |     | No |
| <b>7</b>  |     | No |
| <b>8</b>  |     | No |
| <b>9</b>  |     |    |

**Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

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

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

| (A) Name and Title        | (B) Breakdown of W-2 and/or 1099-MISC compensation |                                     |                                     | (C) Retirement and other deferred compensation | (D) Nontaxable benefits | (E) Total of columns (B)(i)-(D) | (F) Compensation reported as deferred in prior Form 990 |
|---------------------------|--|-------------------------------------|-------------------------------------|--|-------------------------|---------------------------------|---|
|                           | (i) Base compensation                              | (ii) Bonus & incentive compensation | (iii) Other reportable compensation |  |                         |                                 |   |
| See Additional Data Table |  |                                     |                                     |  |                         |                                 |   |

**Part III Supplemental Information**

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

| Identifier                    | Return Reference                    | Explanation  |
|-------------------------------|-------------------------------------|--|
| FRINGE OR EXPENSE EXPLANATION | SCHEDULE J, PAGE 1, PART I, LINE 1A | SOCIAL CLUB DUES- PAID ON BEHALF OF THE HOSPITAL FOR THE CEO AT MH AND THE ADMINISTRATOR AT MHUC FOR THE PURPOSE OF RECRUITING PHYSICIAN'S SPECIALTIES FOR THE HEALTHCARE ORGANIZATION, AMOUNTS WERE NOT TREATED AS TAXABLE COMPENSATION |

**Software ID:**  
**Software Version:**  
**EIN:** 61-0461753  
**Name:** COMMUNITY UNITED METHODIST  
 HOSPITAL INC

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

| (A) Name              | (B) Breakdown of W-2 and/or 1099-MISC compensation |                                     |                          | (C) Deferred compensation | (D) Nontaxable benefits | (E) Total of columns (B)(i)-(D) | (F) Compensation reported in prior Form 990 or Form 990-EZ |
|-----------------------|--|-------------------------------------|--------------------------|---------------------------|-------------------------|---------------------------------|--|
|                       | (i) Base Compensation                              | (ii) Bonus & incentive compensation | (iii) Other compensation |                           |                         |                                 |  |
| BEGLEY BRUCE D        | (i)<br>(ii)<br>422,476                             |                                     |                          | 23,010                    | 50,587                  | 18,819                          | 514,892  |
| HEBBLER GREG          | (i)<br>(ii)<br>178,494                             |                                     |                          | 10,321                    | 3,102                   | 16,289                          | 208,206  |
| PARK DAVID B          | (i)<br>(ii)<br>176,965                             |                                     |                          |                           | 22,825                  | 10,761                          | 210,551  |
| SPRAGUE DR ARNOLD III | (i)<br>(ii)<br>268,004                             |                                     |                          |                           | 39,162                  | 19,509                          | 326,675  |
| MORGAN LOIS           | (i)<br>(ii)<br>144,203                             |                                     |                          | 8,349                     | 20,974                  | 16,933                          | 190,459  |
| MERIWETHER JOHN W     | (i)<br>(ii)<br>190,966                             |                                     |                          | 16                        | 15,487                  | 24,729                          | 231,198  |
| ARSHADI HUSAIN MD     | (i)<br>(ii)<br>433,314                             | 31,214                              |                          | 17,000                    | 5,100                   | 19,824                          | 506,452  |
| JAMES YELTON MD       | (i)<br>(ii)<br>463,844                             | 263,389                             |                          | 17,000                    | 6,600                   | 21,824                          | 772,657  |
| KAREN CANLAS MD       | (i)<br>(ii)<br>400,215                             | 50,023                              |                          | 17,000                    |                         | 3,816                           | 471,054  |
| NOEL CANLAS MD        | (i)<br>(ii)<br>163,460                             | 208,616                             |                          | 17,000                    | 2,046                   | 17,575                          | 408,697  |
| VINOD SONI MD         | (i)<br>(ii)<br>387,755                             |                                     |                          | 17,000                    | 6,600                   | 16,650                          | 428,005  |
| LOGAN JOHN A III      | (i)<br>(ii)<br>150,000                             |                                     |                          |                           |                         |                                 | 150,000  |

**Schedule K  
(Form 990)****2012****Open to Public  
Inspection**Department of the Treasury  
Internal Revenue Service**Supplemental Information on Tax Exempt Bonds**

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

Name of the organization  
COMMUNITY UNITED METHODIST  
HOSPITAL INCEmployer identification number  
61-0461753**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 COUNTY OF HENDERSON KY<br>SERIES 2009A | 61-6000814     |             | 12-30-2009      | 12,000,000      | SEE PART V                 |              | X  |                         | X  |                    | X  |
| B COUNTY OF HENDERSON KY<br>SERIES 2009B | 61-6000814     |             | 12-30-2009      | 18,000,000      | SEE PART V                 |              | X  |                         | X  |                    | X  |
| C COUNTY OF HENDERSON KY<br>SERIES 2010  | 61-6000814     |             | 02-16-2010      | 14,210,000      | SEE PART V                 |              | X  |                         | X  |                    | X  |
| D COUNTY OF HENDERSON KY                 | 61-6000814     |             | 06-08-2007      | 7,400,000       | SEE PART V                 |              | X  |                         | X  |                    | X  |

**Part II Proceeds**

|   |  | A   |         | B          |         | C          |      | D          |           |
|---|--|-----|---------|------------|---------|------------|------|------------|-----------|
|   |  | Yes | No      | Yes        | No      | Yes        | No   | Yes        | No        |
| 1 Amount of bonds retired   |  |     |         |            |         |            |      |            |           |
| 2 Amount of bonds legally defeased  |  |     |         |            |         |            |      |            |           |
| 3 Total proceeds of issue   |  |     |         | 12,000,000 |         | 18,000,000 |      | 14,210,000 |           |
| 4 Gross proceeds in reserve funds   |  |     |         |            |         |            |      |            |           |
| 5 Capitalized interest from proceeds  |  |     |         |            |         |            |      |            |           |
| 6 Proceeds in refunding escrows   |  |     |         |            |         |            |      |            |           |
| 7 Issuance costs from proceeds  |  |     | 102,783 |            | 102,783 |            |      |            | 29,900    |
| 8 Credit enhancement from proceeds  |  |     |         |            |         |            |      |            |           |
| 9 Working capital expenditures from proceeds  |  |     |         |            |         |            |      |            |           |
| 10 Capital expenditures from proceeds   |  |     |         | 7,370,100  |         |            |      |            | 7,370,100 |
| 11 Other spent proceeds   |  |     |         | 12,000,000 |         | 17,897,217 |      | 14,210,000 |           |
| 12 Other unspent proceeds   |  |     |         |            |         |            |      |            |           |
| 13 Year of substantial completion   |  |     | 2010    |            | 2010    |            | 2010 |            | 2010      |
|   |  | Yes | No      | Yes        | No      | Yes        | No   | Yes        | No        |
|   |  |     | X       | X          |         | X          |      |            | X         |
| 14 Were the bonds issued as part of a current refunding issue?  |  |     |         |            |         |            |      |            |           |
| 15 Were the bonds issued as part of an advance refunding issue?   |  |     |         |            |         |            |      |            |           |
| 16 Has the final allocation of proceeds been made?  |  | X   |         | X          |         | X          |      | X          |           |
| 17 Does the organization maintain adequate books and records to support the final allocation of proceeds? |  | X   |         | X          |         | X          |      | X          |           |

**Part III Private Business Use**

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

**Part III Private Business Use (Continued)**

|   | A   |    | B   |    | C   |    | D   |    |
|---|-----|----|-----|----|-----|----|-----|----|
|   | Yes | No | Yes | No | Yes | No | Yes | No |
| <b>3a</b> Are there any management or service contracts that may result in private business use of bond-financed property?  | X   |    | X   |    | X   |    | X   |    |
| <b>b</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?   |     | X  |     | X  |     | X  |     | X  |
| <b>c</b> Are there any research agreements that may result in private business use of bond-financed property?   |     | X  |     | X  |     | X  |     | X  |
| <b>d</b> 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?   |     |    |     |    |     |    |     |    |
| <b>4</b> 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 ►  |     | %  |     | %  |     | %  |     | %  |
| <b>5</b> 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 ► |     | %  |     | %  |     | %  |     | %  |
| <b>6</b> Total of lines 4 and 5   |     | %  |     | %  |     | %  |     | %  |
| <b>7</b> Does the bond issue meet the private security or payment test?   |     | X  |     | X  |     | X  |     | X  |
| <b>8a</b> Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?  |     | X  |     | X  |     | X  |     | X  |
| <b>b</b> If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of  |     | %  |     | %  |     | %  |     | %  |
| <b>c</b> If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?  |     | X  |     | X  |     | X  |     | X  |
| <b>9</b> Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?                             | X   |    | X   |    | X   |    | X   |    |

**Part IV Arbitrage**

|  | A               |    | B               |    | C               |    | D   |    |
|--|-----------------|----|-----------------|----|-----------------|----|-----|----|
|  | Yes             | No | Yes             | No | Yes             | No | Yes | No |
| <b>1</b> Has the issuer filed Form 8038-T?   |                 | X  |                 | X  |                 | X  |     | X  |
| <b>2</b> If "No" to line 1, did the following apply?   |                 |    |                 |    |                 |    |     |    |
| <b>a</b> Rebate not due yet?   |                 | X  |                 | X  |                 | X  |     | X  |
| <b>b</b> Exception to rebate?  |                 | X  |                 | X  |                 | X  |     | X  |
| <b>c</b> No rebate due?  |                 | X  |                 | X  |                 | X  |     | X  |
| If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed              |                 |    |                 |    |                 |    |     |    |
| <b>3</b> Is the bond issue a variable rate issue?  |                 | X  | X               |    | X               |    |     | X  |
| <b>4a</b> Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue? |                 | X  | X               |    | X               |    |     | X  |
| <b>b</b> Name of provider  | FIFTH THIRDBANK |    | FIFTH THIRDBANK |    | FIFTH THIRDBANK |    |     |    |
| <b>c</b> Term of hedge   | 5 0             |    | 5 0             |    | 5 0             |    |     |    |
| <b>d</b> Was the hedge superintegrated?  |                 | X  |                 | X  |                 | X  |     |    |
| <b>e</b> Was a hedge terminated?   |                 | X  |                 | X  |                 | X  |     |    |

**Part IV Arbitrage (Continued)**

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

**Part V Procedures To Undertake Corrective Action**

|  | A   |    | B   |    | C   |    | D   |    |
|--|-----|----|-----|----|-----|----|-----|----|
|  | Yes | No | Yes | No | Yes | No | Yes | No |
| 1 Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations? |     | X  |     |    |     |    |     |    |

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

| Identifier                             | Return Reference | Explanation  |
|--|------------------|--|
| DIFFERENCES IN ISSUE PRICE EXPLANATION | SCHEDULE K       | COUNTY OF HENDERSON KY SERIES 2009A SINGLE FORM 8038 WAS FILED FOR THE 12000000 SERIES 2009A AND 18000000 SERIES 2009B COUNTY OF HENDERSON KY HOSPITAL FACILITIES REFUNDING REVENUE BONDS REPORTED SEPERATELY ON SCHEDULE K DUE TO HAVING DIFFERENT PURPOSES INTEREST RATES AND MATURITIES COUNTY OF HENDERSON KY SERIES 2009B REFER TO SERIES 2009A EXPLANATION   |
| PURPOSE OF ISSUE DESCRIPTION           | SCHEDULE K       | COUNTY OF HENDERSON KY SERIES 2009A REFINANCING OF SHORTTERM DEBT WHICH HAD BEEN USED TO FINANCE CAPITAL ACQUISITIONS AND CONSTRUCTION PROJECTS TO LONGTERM DEBT COUNTY OF HENDERSON KY SERIES 2009B PARTIAL REFUNDING OF PORTION OF HENDERSON COUNTY SERIES 2003 B DEBT COUNTY OF HENDERSON KY SERIES 2010 PARTIAL REFUNDING OF REMAINING PORTION OF HENDERSON COUNTY SERIES 2003 B DEBT COUNTY OF HENDERSON KY FINANCE ACQUISITION OF MEDITECH CLINICAL INFORMATION SYSTEM COUNTY OF HENDERSON KY SERIES 2013 ACQUISITIONS AND FOR ACQUISTION OF ADDITIONAL CAPITAL ACQUISITIONS |

## Schedule L

## Transactions with Interested Persons

OMB No 1545-0047

2012

Department of the Treasury  
Internal Revenue Service

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

## Open to Public Inspection

Name of the organization  
COMMUNITY UNITED METHODIST  
HOSPITAL INC

**Employer identification number**

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

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

| 1 | (a) Name of disqualified person | (b) Relationship between disqualified person and organization | (c) Description of transaction |    | (d) Corrected? |    |
|---|---------------------------------|---|--------------------------------|----|----------------|----|
|   |                                 |   | Yes                            | No | Yes            | No |
|   |                                 |   |                                |    |                |    |
|   |                                 |   |                                |    |                |    |
|   |                                 |   |                                |    |                |    |
|   |                                 |   |                                |    |                |    |
|   |                                 |   |                                |    |                |    |

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

**Part II      Loans to and/or From Interested Persons.**

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

### **Part III Grants or Assistance Benefitting Interested Persons.**

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

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

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

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

**Part V Supplemental Information**

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

| Identifier | Return Reference | Explanation                          |
|------------|------------------|--------------------------------------|
|            |                  | Schedule L (Form 990 or 990-EZ) 2012 |

## Additional Data

**Software ID:**  
**Software Version:**  
**EIN:** 61-0461753  
**Name:** COMMUNITY UNITED METHODIST  
HOSPITAL INC

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

| (a) Name of interested person | (b) Relationship between interested person and the organization | (c) Amount of transaction | (d) Description of transaction | (e) Sharing of organization's revenues? |    |
|-------------------------------|---|---------------------------|--------------------------------|---|----|
|                               |   |                           |                                | Yes                                     | No |
| (1) OHIO VALLEY NATIONAL BANK | COMMON BD MBR   | 267,577                   | TRUST FEES                     |   | No |
| (2) HALEY MORGAN              | RELATED KEY EMP   | 48,946                    | COMPENSATION                   |   | No |
| (3) AMY DAVENPORT             | RELATED BOARD   | 26,820                    | COMPENSATION                   |   | No |
| (4) CHLOE EBLEN               | RELATED BOARD   | 44,533                    | COMPENSATION                   |   | No |
| (5) JULIE WISCHER             | RELATED BOARD   | 51,004                    | COMPENSATION                   |   | No |
| (6) EM FORD & COMPANY         | BOARD MBR/OWNER   | 297,718                   | INSURANCE COVERAGE             |   | No |
| (7) MARTHA RIDLEY             | RELATED BOARD   | 26,857                    | COMPENSATION                   |   | No |
| (8) TRICIA PAGE               | RELATED KEY EMP   | 75,386                    | COMPENSATION                   |   | No |
| (9) TAMI CLEMENTS             | RELATED KEY EMP   | 52,324                    | COMPENSATION                   |   | No |
| (10) BETTY TEER               | RELATED OFFICER   | 65,159                    | COMPENSATION                   |   | No |

2012

Open to Public  
Inspection**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.Name of the organization  
COMMUNITY UNITED METHODIST  
HOSPITAL INCEmployer identification number  
61-0461753

| Identifier                                       | Return Reference                       | Explanation   |
|--|--|---|
| ORGANIZATIONS MISSION                            | FORM 990 -<br>ORGANIZATIONS<br>MISSION |   |
| FIRST ACCOMPLISHMENT<br>DESCRIPTION              | FORM 990, PAGE 2, PART<br>III, LINE 4A | UNION COUNTY METHODIST HOSPITAL IS A CRITICAL CARE HOSPITAL IN<br>UNION COUNTY, KY IN FISCAL<br>YEAR 2013, UCMH SERVED 801 INPATIENTS FOR A TOTAL OF 4,644<br>INPATIENT DAYS UCMH ALSO PROV<br>IDED 23,651 OUTPATIENT VISITS WHICH INCLUDED 8,401 EMERGENCY<br>ROOM VISITS  |
| ADDITIONAL INFORMATION                           | FORM 990, PART VI                      | LINE 16B - JOINT VENTURE POLICY ALTHOUGH THE HOSPITAL HAS NO<br>WRITTEN POLICY, THE AGREEMENT<br>WITH THE JOINT VENTURE STATES THAT THE ORGANIZATION MUST<br>ACCEPT CERTAIN RATIOS OF PATIENT<br>S WHICH ENSURE ACCEPTANCE OF MEDICARE, MEDICAID AND INDIGENT<br>PATIENTS SIMILAR TO RATIOS OF<br>FERED BY THE HOSPITAL. PRIOR TO THE JOINT VENTURE AGREEMENT<br>WAS REVIEWED BY INDEPENDENT TH<br>IRD PARTIES TO ENSURE COMPLIANCE   |
| RELATED PARTY INFORMATION<br>AMONG OFFICERS      | FORM 990, PAGE 6, PART<br>VI, LINE 2   | CHIP WILLIAMS CYNTHIA WILLIAMS DIRECTOR OFFICER FAMILY<br>RELATIONSHIP RAY NIX TOMMY DEMPEWOLF DIRECTOR DIRECTOR FAMILY<br>RELATIONSHIP   |
| CLASSES OF MEMBERS OR<br>STOCKHOLDERS            | FORM 990, PAGE 6, PART<br>VI, LINE 6   | COMMUNITY UNITED METHODIST HOSPITAL, INC IS GOVERNED BY A<br>BOARD OF DIRECTORS   |
| ELECTION OF MEMBERS AND<br>THEIR RIGHTS          | FORM 990, PAGE 6, PART<br>VI, LINE 7A  | THE NOMINATING COMMITTEE OF THE BOARD OF DIRECTORS CONSIDER<br>THE APPROPRIATE BOARD MEMBER C<br>ANDIDATES BASED ON CRITERIA THE COMMITTEE MAKES BOARD MEMBER<br>RECOMMENDATIONS TO THE BOARD<br>WHICH VOTES AT A REGULARLY SCHEDULED MEETING   |
| ORGANIZATIONS PROCESS USED<br>TO REVIEW FORM 990 | FORM 990, PAGE 6, PART<br>VI, LINE 11B | FORM 990 INFORMATION IS COMPILED BY HOSPITAL MANAGEMENT AND<br>RETURN IS PREPARED BY AN INDEP<br>ENDENT THIRD PARTY CERTIFIED PUBLIC ACCOUNTING FIRM FAMILIAR WITH<br>HOSPITAL OPERATIONS, POL<br>ICIES, AND COMMITTEE/BOARD ACTIONS FINAL RETURN IS REVIEWED BY<br>CEO & CFO RETURNS ARE REV<br>IEWED BY THE AUDIT AND COMPLIANCE COMMITTEE (OF THE BOARD OF<br>DIRECTORS) FOR RECOMMENDATION<br>TO THE FULL BOARD OF DIRECTORS FOR APPROVAL EMAIL IS SENT TO<br>THE MEMBERS OF THE BOARD OF<br>DIRECTORS INFORMING THEM THAT THE FORM 990 IS AVAILABLE IN IT'S<br>ENTIRETY                                |
| ENFORCEMENT OF CONFLICTS<br>POLICY               | FORM 990, PAGE 6, PART<br>VI, LINE 12C | ONGOING MONITORING BY COMPLIANCE OFFICER (MH CHEIF OPERATING<br>OFFICER)  |
| COMPENSATION PROCESS FOR<br>TOP OFFICIAL         | FORM 990, PAGE 6, PART<br>VI, LINE 15A | EVERY YEAR, SURVEYS ARE SENT OUT TO THE BOARD MEMBERS,<br>MEDICAL STAFF AND DIRECTORS SURVEY<br>S ARE RETURNED AND TABULATED CONFIDENTIALLY AND THE<br>AGGREGATED RESPONSES ARE SHARED WITH T<br>HE ADMINISTRATIVE PERSONNEL COMMITTEE AND THE BOARD<br>COMPENSATION IS REVIEWED BY USING THI<br>RD PARTY EXECUTIVE COMPENSATION SURVEYS CURRENTLY<br>COMPENSATION AND THIRD PARTY EXECUTIVE<br>COMPENSATION SURVEYS ARE THEN REVIEWED BY THE ADMINISTRATIVE<br>PERSONNEL COMMITTEE WHO THEN<br>RECOMMENDS APPROVAL TO THE INDEPENDENT BOARD THE BOARD HAS<br>FINAL APPROVAL ON COMPENSATION<br>FOR THE CEO |
| COMPENSATION PROCESS FOR<br>OFFICERS             | FORM 990, PAGE 6, PART<br>VI, LINE 15B | EVERY YEAR, HOSPITAL USES EXTERNAL THIRD PARTY COMPENSATION<br>SURVEYS FOR ALL KEY EMPLOYEES  |
| GOVERNING DOCUMENTS<br>DISCLOSURE EXPLANATION    | FORM 990, PAGE 6, PART<br>VI, LINE 19  | METHODIST HOSPITAL CONFORMS TO THE FREEDOM OF INFORMATION<br>ACT, HOSPITAL PROVIDES DOCUMENTS REQUESTED VIA PUBLIC REQUEST  |
| RECONCILIATION OF CHANGES -<br>OTHER             | FORM 990, PART XI, LINE<br>9           | CHANGE IN UNFUNDED PENSION LIABILITY (FASB 158 ADJUST) 20,229,052<br>UNRELATED FEDERAL BUSINE<br>SS LOSS FROM PREMIER PURCH K-1 -6,545 NET INVESTMENT GAIN/LOSS<br>FROM GENESIS HEALTH ALLIAN<br>CE K-1 -981 NET INVESTMENT GAIN/LOSS FROM KY HOMECARE OF<br>HENDERSON K-1 25,851 NET INVESTME<br>NT GAIN/LOSS FROM PREMIER PURCH PARTNERS K-1 -6,060 NET<br>INVESTMENT GAIN/LOSS FROM MULTICA<br>RE ASSOC K-1 -105 EXPENSES FROM ENTITIES FILING SEPERATE RETURNS<br>INCLUDED 0 IN CONSOLIDATE<br>D AUDITED FINANCIAL STATEMENTS -175,367  |
| OTHER CHANGES IN NET ASSETS<br>EXPLANATION       | FORM 990, PART XI, LINE<br>9           | ADJUSTMENT FOR ACCOUNTING OF AFFILIATE ENTITIES TH 0 FILE<br>SEPERATE TAX RETURNS 54,630  |

## **SCHEDULE R (Form 990)**

## Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2012

**Open to Public  
Inspection**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
COMMUNITY UNITED METHODIST  
HOSPITAL INC

**Employer identification number**

61-0461753

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

**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.)

**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.)

**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.)

**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 | Yes |    |
| 1k | Yes |    |
| 1l |     | No |
| 1m | Yes |    |
| 1n | Yes |    |
| 1o | Yes |    |
| 1p |     | No |
| 1q | Yes |    |
| 1r |     | No |
| 1s | Yes |    |

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

| (a)<br>Name of other organization      | (b)<br>Transaction type (a-s) | (c)<br>Amount involved | (d)<br>Method of determining amount involved |
|--|-------------------------------|------------------------|--|
| (1) HENDERSON REGIONAL HOSPITAL FNDN   | C                             | 43,477                 | ACTUAL AMOUNTS USED                          |
| (2) TRI-COUNTY MEDICAL COLLECTIONS INC | Q                             | 3,088                  | ACTUAL AMOUNTS USED                          |
| (3) TRI-COUNTY MEDICAL COLLECTIONS INC | S                             | 246,281                | ACTUAL AMOUNTS USED                          |
| (4) HENDERSON REGIONAL HOSPITAL FNDN   | O                             | 57,405                 | ACTUAL AMOUNTS USED                          |
|  |                               |                        |  |
|  |                               |                        |  |
|  |                               |                        |  |

**Part VI Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to Form 990, Part IV, line 37.)

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.

**Software ID:****Software Version:****EIN:** 61-0461753**Name:** COMMUNITY UNITED METHODIST  
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 |
|------------|------------------|-------------|
|------------|------------------|-------------|



# METHODIST HOSPITAL

COMMUNITY UNITED METHODIST HOSPITAL, INC.

## REPORT ON AUDITS OF CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

For the fiscal years ended June 30, 2013 and 2012

MCELROY, MITCHELL & ASSOCIATES, LLP

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C E R T I F I E D   P U B L I C   A C C O U N T A N T S

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# MCELROY, MITCHELL & ASSOCIATES, LLP

C E R T I F I E D   P U B L I C   A C C O U N T A N T S

B U S I N E S S   C O N S U L T A N T S

PARTNERS

MARTIN MCELROY, JR., CPA  
ROBERT E. MITCHELL, CPA, CVA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Community United Methodist Hospital, Inc.  
Henderson, Kentucky

We have audited the accompanying consolidated financial statements of Community United Methodist Hospital, Inc. (a non-profit organization) and affiliates (the Hospital) as of June 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community United Methodist Hospital, Inc. and affiliates as of June 30, 2013 and 2012, and changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As described in note 1w to the consolidated financial statements, the Hospital adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities*, for the year ended June 30, 2013. As a result of this adoption, the Hospital has presented on a separate line the provision for bad debts as a deduction from net patient service revenue (net of contractual allowances and discounts) and included enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debts. Our opinion is not modified with respect to the matter emphasized.

### *Other Matters*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules on pages 37 through 41 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*McElroy, Mitchell & Associates, LLP*

Morganfield, Kentucky  
November 27, 2013

COMMUNITY UNITED METHODIST HOSPITAL, INC.  
 Consolidated Balance Sheets  
 June 30, 2013 and 2012

|   | <u>2013</u>           | <u>2012</u>           |
|---|-----------------------|-----------------------|
| <b>Assets</b>   |                       |                       |
| Current assets:   |                       |                       |
| Cash and cash equivalents   | \$ 17,012,722         | \$ 19,527,488         |
| Investments   | 8,867,370             | 8,857,808             |
| Patient accounts receivable, net of<br>estimated uncollectibles of \$44,253,108<br>and \$42,173,496 respectively                  | 26,645,706            | 28,108,597            |
| Other receivables   | 3,412,846             | 2,768,096             |
| Inventories   | 2,657,608             | 2,289,866             |
| Third-party payor settlements   | 4,181,942             | 313,612               |
| Other current assets  | <u>1,086,672</u>      | <u>1,492,407</u>      |
| Total current assets  | <u>63,864,866</u>     | <u>63,357,874</u>     |
| Assets limited or restricted as to use:   |                       |                       |
| Self-insurance fund   | 4,012,154             | 4,302,112             |
| Internally designated for capital acquisition   | <u>1,099,856</u>      | <u>-</u>              |
|   | <u>5,112,010</u>      | <u>4,302,112</u>      |
| Interest in net assets of Henderson Regional<br>Hospital Foundation, Inc. and Union County<br>Methodist Hospital Foundation, Inc. | <u>1,084,110</u>      | <u>986,388</u>        |
| Property and equipment, net   | 85,779,422            | 86,498,495            |
| Other long-term receivables   | 876,677               | 1,695,573             |
| Other non-current assets  | <u>893,701</u>        | <u>913,842</u>        |
|   | <u>87,549,800</u>     | <u>89,107,910</u>     |
| Total assets  | <u>\$ 157,610,786</u> | <u>\$ 157,754,284</u> |

|  | <u>2013</u>                  | <u>2012</u>                  |
|--|------------------------------|------------------------------|
| <b>Liabilities and Net Assets</b>                  |                              |                              |
| <b>Current liabilities:</b>                        |                              |                              |
| Notes payable                                      | \$ -                         | \$ 5,000,000                 |
| Current portion of long-term debt                  | 4,686,260                    | 3,663,651                    |
| Current portion of obligations under capital lease | -                            | 25,287                       |
| Accounts payable                                   | 5,853,593                    | 4,674,029                    |
| Accrued vacation                                   | 4,190,506                    | 4,105,511                    |
| Accrued payroll                                    | 1,242,734                    | 1,061,030                    |
| Deferred revenue and gains                         | 451,110                      | 703,335                      |
| Other accrued liabilities                          | 4,778,773                    | 4,445,281                    |
| Estimated third-party payor settlements            | <u>2,642,497</u>             | <u>3,542,951</u>             |
| Total current liabilities                          | <u>23,845,473</u>            | <u>27,221,075</u>            |
| Self-insurance liabilities and estimated costs     | 3,990,999                    | 4,281,515                    |
| Derivative liability                               | 1,735,445                    | 2,610,580                    |
| Accrued pension obligation                         | 7,811,784                    | 26,803,146                   |
| Other non-current liabilities                      | 188,812                      | 166,145                      |
| Long-term debt, net of current portion             | <u>39,163,764</u>            | <u>37,208,618</u>            |
| Total liabilities                                  | <u>76,736,277</u>            | <u>98,291,079</u>            |
| <b>Net Assets:</b>                                 |                              |                              |
| Unrestricted                                       | 79,790,399                   | 58,476,817                   |
| Temporarily restricted                             | <u>1,084,110</u>             | <u>986,388</u>               |
| Total net assets                                   | <u>80,874,509</u>            | <u>59,463,205</u>            |
| <b>Total liabilities and net assets</b>            | <b><u>\$ 157,610,786</u></b> | <b><u>\$ 157,754,284</u></b> |

The accompanying notes are an integral part of these financial statements

COMMUNITY UNITED METHODIST HOSPITAL, INC.  
 Consolidated Statements of Operations  
 Years Ended June 30, 2013 and 2012

|  | <u>2013</u>          | <u>2012</u>            |
|--|----------------------|------------------------|
| <b>Unrestricted revenues:</b>                            |                      |                        |
| Net patient service revenue                              | \$ 161,975,848       | \$ 157,899,371         |
| Provision for bad debts                                  | <u>(31,499,102)</u>  | <u>(30,527,075)</u>    |
| Net patient service revenue less provision for bad debts | 130,476,746          | 127,372,296            |
| Other operating revenue                                  | <u>4,893,807</u>     | <u>1,452,812</u>       |
| Total unrestricted revenues                              | <u>135,370,553</u>   | <u>128,825,108</u>     |
| <b>Expenses:</b>   |                      |                        |
| Salaries and wages                                       | 57,134,496           | 55,576,996             |
| Employee benefits  | 22,085,666           | 20,698,447             |
| Supplies   | 16,958,433           | 16,276,024             |
| Professional fees  | 12,118,025           | 8,988,597              |
| Plant maintenance and operations                         | 7,814,317            | 7,965,744              |
| Other operating expenses                                 | 9,467,816            | 9,114,217              |
| Depreciation and amortization                            | 7,580,244            | 7,517,562              |
| Interest   | <u>2,666,006</u>     | <u>2,794,162</u>       |
| Total expenses   | <u>135,825,003</u>   | <u>128,931,749</u>     |
| Loss from operations                                     | <u>(454,450)</u>     | <u>(106,641)</u>       |
| <b>Non-operating gains (losses):</b>                     |                      |                        |
| Investment income  | 419,246              | 354,969                |
| Gain on disposal of equipment                            | 192,968              | 716                    |
| Unrealized gain on derivative                            | <u>875,135</u>       | <u>229,390</u>         |
| Total non-operating gains, net                           | <u>1,487,349</u>     | <u>585,075</u>         |
| Excess of revenues over expenses                         | 1,032,899            | 478,434                |
| <b>Other changes in unrestricted net assets:</b>         |                      |                        |
| Net assets released from restrictions                    | 43,477               | 95,026                 |
| (Increase) decrease in pension liability                 | 20,229,052           | (18,070,904)           |
| Contributions from others                                | <u>8,154</u>         | <u>11,283</u>          |
| Increase(decrease) in unrestricted net assets            | <u>\$ 21,313,582</u> | <u>\$ (17,486,161)</u> |

The accompanying notes are an integral part of these financial statements

COMMUNITY UNITED METHODIST HOSPITAL, INC.  
 Consolidated Statements of Changes in Net Assets  
 Years Ended June 30, 2013 and 2012

|   | <u>2013</u>              | <u>2012</u>              |
|---|--------------------------|--------------------------|
| <b>Unrestricted net assets:</b>   |                          |                          |
| Excess (deficiency) of revenues over expenses   | \$ 1,032,899             | \$ 478,434               |
| Net assets released from restrictions   | 43,477                   | 95,026                   |
| (Increase) decrease in pension liability  | 20,229,052               | (18,070,904)             |
| Contributions from others   | <u>8,154</u>             | <u>11,283</u>            |
| <br>Increase(decrease) in unrestricted net assets   | <br><u>21,313,582</u>    | <br><u>(17,486,161)</u>  |
| <br><b>Temporarily restricted net assets:</b>   |                          |                          |
| Change in interest in net assets of Henderson<br>Regional Hospital Foundation, Inc. and Union<br>County Methodist Hospital Foundation, Inc. | 141,199                  | 172,440                  |
| Net assets released from restrictions   | <u>(43,477)</u>          | <u>(95,026)</u>          |
| <br>Increase in temporarily restricted net assets   | <br><u>97,722</u>        | <br><u>77,414</u>        |
| <br>Increase(decrease) in net assets  | <br>21,411,304           | <br>(17,408,747)         |
| <br>Net assets at beginning of year   | <br><u>59,463,205</u>    | <br><u>76,871,952</u>    |
| <br>Net assets at end of year   | <br><u>\$ 80,874,509</u> | <br><u>\$ 59,463,205</u> |

**COMMUNITY UNITED METHODIST HOSPITAL, INC.**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2013 and 2012**

|  | <u>2013</u>        | <u>2012</u>        |
|--|--------------------|--------------------|
| <b>Cash flows from operating activities:</b>   |                    |                    |
| Change in net assets   | \$ 21,411,304      | \$ (17,408,747)    |
| Adjustments to reconcile change in net assets to net cash provided by operating activities:  |                    |                    |
| Depreciation and amortization  | 7,580,244          | 7,517,562          |
| Provision for bad debts  | 31,499,102         | 30,527,075         |
| Gain on disposal of equipment  | (192,968)          | (716)              |
| Restricted investment income received  | (558)              | (449)              |
| Unrealized gain on derivative  | (875,135)          | (229,390)          |
| Undistributed portion of change in interest in net assets of Henderson Regional Hospital Foundation, Inc. and Union County Methodist Hospital Foundation, Inc. | (97,722)           | (77,414)           |
| Increase(decrease) in pension liability  | (18,991,362)       | 16,523,891         |
| (Increase) decrease in operating assets:   |                    |                    |
| Patient accounts receivable  | (30,036,211)       | (32,542,320)       |
| Other receivables  | 427,016            | 184,794            |
| Inventories  | (367,742)          | (58,546)           |
| Third-party payor settlements  | (3,868,330)        | (313,612)          |
| Other current assets   | 405,735            | 161,530            |
| Increase (decrease) in operating liabilities:  |                    |                    |
| Accounts payable   | 1,179,564          | 243,675            |
| Accrued liabilities  | 309,675            | 273,599            |
| Estimated third-party payor settlements  | (900,454)          | (428,512)          |
| Deferred revenue and gains   | <u>(252,225)</u>   | <u>675,634</u>     |
| Net cash provided by operations  | <u>7,229,933</u>   | <u>5,048,054</u>   |
| <b>Cash flows from investing activities:</b>   |                    |                    |
| Purchases of property and equipment  | (6,931,094)        | (6,168,356)        |
| Proceeds from the sale of property and equipment   | 306,059            | 10,258             |
| Change in assets limited or restricted as to use   | (809,898)          | 387,385            |
| Purchases of investments   | (8,862,924)        | (16,028,351)       |
| Proceeds from the sale and maturity of investments   | 8,851,838          | 17,502,133         |
| Collections from physicians  | 29,631             | 42,741             |
| Advances to physicians   | <u>(281,337)</u>   | <u>(179,531)</u>   |
| Net cash used by investing activities  | <u>(7,697,725)</u> | <u>(4,433,721)</u> |

COMMUNITY UNITED METHODIST HOSPITAL, INC.  
 Consolidated Statements of Cash Flows  
 Years Ended June 30, 2013 and 2012

|  | <u>2013</u>          | <u>2012</u>          |
|--|----------------------|----------------------|
| <b>Cash flows from financing activities:</b>         |                      |                      |
| Proceeds from issuance of debt                       | \$ 7,000,000         | \$ 5,000,000         |
| Principal payments on notes payable                  | (5,000,000)          | -                    |
| Principal payments on capital leases                 | (25,287)             | (64,697)             |
| Principal payments on long-term debt                 | (4,022,245)          | (4,878,879)          |
| Proceeds from restricted investment income           | <u>558</u>           | <u>449</u>           |
| Net cash provided (used) by financing activities     | <u>(2,046,974)</u>   | <u>56,873</u>        |
| Net increase (decrease) in cash and cash equivalents | (2,514,766)          | 671,206              |
| Cash and cash equivalents, beginning of year         | <u>19,527,488</u>    | <u>18,856,282</u>    |
| Cash and cash equivalents, end of year               | <u>\$ 17,012,722</u> | <u>\$ 19,527,488</u> |
| <br><b>Supplemental Disclosures:</b>                 |                      |                      |
| Cash interest paid                                   | <u>\$ 2,670,163</u>  | <u>\$ 2,861,280</u>  |

# COMMUNITY UNITED METHODIST HOSPITAL, INC.

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

### 1. Description of Organization and Summary of Significant Accounting Policies

#### A. Organization

Community United Methodist Hospital, Inc. (the Hospital) is a not-for-profit organization operating an acute care hospital, a critical access hospital, a medical equipment service, and medical outpatient clinics, serving primarily Henderson, Webster and Union Counties in northwestern Kentucky. Admitting physicians are primarily practitioners in the local area. The Hospital was incorporated in Kentucky in 1948.

#### B. Principles of Consolidation

The accompanying financial statements include the accounts of Community United Methodist Hospital, Inc. and the following affiliated organizations: Tri-County Medical Collections and Community Care Network, Inc. All significant inter-company transactions and balances have been eliminated in consolidation.

#### C. Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include allowances for contractual allowances and bad debts, third-party payor settlements, self-insurance liabilities, derivative instruments, accrued pension liability, and other liabilities. Actual results could differ from those estimates.

#### D. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding those amounts included in assets whose use is limited or restricted.

The Hospital routinely invests its surplus operating funds in certificates of deposit, repurchase agreements, and money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations.

At June 30, 2013, Community United Methodist Hospital, Inc. maintained deposits of \$30,752,150 at seven financial institutions. Of these bank balances, \$1,750,000 was covered by federal depository insurance, \$1,428,673 were repurchase agreements with various financial institutions secured by mortgage-backed U.S. government agency securities, \$10,073,459 was secured by pledged collateral and \$17,500,018 was neither insured nor collateralized as of June 30, 2013. However, management believes that the credit risk relating to these deposits is minimal due to the underlying nature of these investments.

# **COMMUNITY UNITED METHODIST HOSPITAL, INC.**

## **Notes to Consolidated Financial Statements**

**June 30, 2013 and 2012**

### **1. Description of Organization and Summary of Significant Accounting Policies, Continued**

#### **E. Patient Accounts Receivable**

Patient accounts receivable for services rendered are reflected on the balance sheet net of allowances for estimated uncollectibles from patients, third-party payors and others. Contractual allowances of Hospital charges are given to Medicare, Medicaid and certain approved commercial health insurance providers and preferred provider organizations. These payers routinely review patient billings and deny or limit payments for certain charges that they deem medically unnecessary or performed without appropriate pre-authorization. Allowances and denials are recorded as reductions of net patient service revenue. Accounts receivable from these third-party payors have been adjusted to reflect the difference between charges and the estimated reimbursable amount. These allowances are determined based upon periodic review of account balances, including the age of the receivable, payor classifications and the application of historical experience with the payor based on insurance type and collection experience.

#### **F. Other Receivables**

Other receivables are reported at net realizable value. Other receivable balances are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon historical collection experience and management's assessment of their collectability.

#### **G. Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses unless the investments are trading securities. Donated investments are recorded at fair value at the date of receipt, which is then treated as cost.

#### **H. Assets Limited or Restricted as to Use**

Assets limited or restricted as to use primarily include assets held by trustees under loan agreements, set aside in accordance with agreements with third-party payors; and designated by the Board of Directors for future capital improvements and self-insurance reserves, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current obligations of the Hospital have been reclassified in the balance sheet at June 30, 2013 and 2012.

#### **I. Inventories**

Inventories are stated at lower of cost, determined primarily by the first-in, first-out method, or market. Inventories consist primarily of medical, surgical, and pharmaceutical supplies.

# COMMUNITY UNITED METHODIST HOSPITAL, INC.

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

### 1. Description of Organization and Summary of Significant Accounting Policies, Continued

#### J. Cost of Borrowing

Deferred financing costs associated with the issuance of the notes payable to Henderson County are being amortized on the straight line method over the term of the debt. Amortization expense charged to the statement of activities for the years ended June 30, 2013 and 2012 was \$20,142.

#### K. Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life, based on American Hospital Association guidelines, of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Capitalized interest is reduced by the amount of investment income earned on unexpended proceeds from project specific borrowings.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

#### L. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors and are to be maintained by the Hospital in perpetuity. As of June 30, 2013 and 2012, the Hospital had no permanently restricted net assets.

#### M. Excess (Deficiency) of Revenues Over Expenses

The statement of operations includes excess (deficiency) of revenues over expenses. Changes in unrestricted assets, which are excluded from the excess (deficiency) of revenues over expenses, 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, 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) and changes in the pension liability other than net periodic pension cost.

# **COMMUNITY UNITED METHODIST HOSPITAL, INC.**

## **Notes to Consolidated Financial Statements**

**June 30, 2013 and 2012**

### **1. Description of Organization and Summary of Significant Accounting Policies, Continued**

#### **N. Net Patient Service Revenue**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

#### **O. Donor-Restricted Gifts**

Unconditional promises to give cash and other assets to the Hospital 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. 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. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

#### **P. 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 or receivables.

The amount of charges foregone for services and supplies under the Hospital's charity care policy aggregated to \$9,973,737 and \$5,847,724 in the years ended June 30, 2013 and 2012, respectively.

#### **Q. Compensated Absences**

Compensated absences are accrued when the employee's right to receive compensation for future absences is earned.

#### **R. Estimated Malpractice Costs**

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

# COMMUNITY UNITED METHODIST HOSPITAL, INC.

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

### 1. Description of Organization and Summary of Significant Accounting Policies, Continued

#### S. Income Taxes

The Hospital is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501(c) (3) of the Internal Revenue Code and applicable state law. The Hospital is entitled to rely on this determination as long as there are no substantial changes in their character, purposes or methods of operation. Management has concluded that there have been no such changes, and therefore the Hospital's status as exempt from federal income taxation remains in effect.

The state in which the Hospital operates also provides a general exemption from state income taxation for organizations that are exempt from federal income taxation. However, the Hospital is subject to federal and state income taxation at corporate tax rates on unrelated business income. Exemption from other state and local taxes, such as real and personal property taxes is separately determined.

The accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return, should be recorded in the financial statements. Under this guidance, the Hospital may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained in examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Hospital and various positions related to the potential sources of unrelated business taxable income (UBIT). The benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2013 and 2012.

The effect of the tax status of the Hospital's affiliates is not material to the consolidated financial statements. There were no income taxes paid on unrelated business activities in the years ended June 30, 2013 or 2012.

The Hospital files forms 990 in the U.S. Federal jurisdiction and the State of Kentucky. The Hospital is generally no longer subject to examination by the Internal Revenue Service for years before 2009.

#### T. Goodwill

Goodwill represents the excess of cost over the fair value of assets acquired. Long-lived assets are reviewed by management for impairment whenever events and changes in business circumstances indicate the carrying value of the assets may not be recoverable.

# COMMUNITY UNITED METHODIST HOSPITAL, INC.

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

### 1. Description of Organization and Summary of Significant Accounting Policies, Continued

#### U. Other Operating Revenues

The Hospital met compliance requirements to receive incentive payments for upgrading and implementing certified electronic health record (EHR) systems and becoming a meaningful user under the provisions of the American Recovery and Reinvestment Act of 2009. The Hospital recognized \$2,784,079 of meaningful use incentives during the fiscal year 2013 and reported this amount as other operating revenue in the accompanying consolidated statements of operations. The portion of the meaningful use incentive earned during fiscal year 2013 that was not yet received is \$857,564 and is recorded as other amounts receivable in the accompanying consolidated balance sheets.

#### V. Reclassifications

Certain items relating to prior year amounts have been reclassified in the financial statements to conform to current year's presentation. These reclassifications had no impact on the net assets previously reported.

#### W. Recent Changes in Accounting Standards

Effective July 1, 2012, the Hospital adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities*. ASU 2011-07 affects entities within the scope of Topic 954, Healthcare Entities that recognize significant amounts of patient service revenue at the time services are rendered even though the entities do not assess a patient's ability to pay. ASU 2011-07 required certain healthcare entities to change the presentation of their statements of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from net patient service revenue. Management has adopted this change in the accounting for fiscal year 2013 and retrospectively for 2012.

### 2. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

#### A. Medicare

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and defined capital and medical education costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

# COMMUNITY UNITED METHODIST HOSPITAL, INC.

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

### 2. Net Patient Service Revenue, Continued

These cost reports have been audited and final settled for Methodist Hospital through June 30, 2007 and Union County Methodist Hospital through June 30, 2009. Methodist Hospital had cost reports reopened for the years 2006, 2008 and 2009 for additional bad debt inclusion.

#### B. Medicaid

The Department of Medicaid services has adopted the Medicare Prospective Payment System approach and implemented the Medicaid DRG payment system for inpatient services as of April 1, 2003. Prior to this date reimbursement was on a per diem basis. Outpatient services continue under the cost reimbursement methodology with the exception of emergency room services. They now pay on a three tier fixed price basis with final settlement determined after the submission and audit of annual cost reports.

These cost reports have been audited and final settled for Methodist Hospital through June 30, 2008 and Union County Methodist Hospital through June 30, 2011.

#### C. Other

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

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates may change by an unknown amount in the near term. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future governmental review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. The Hospital's classification of patients and the appropriateness of their care are subject to review by the fiscal intermediaries administering the Medicare and Medicaid programs.

A summary of gross and net patient service revenues for the fiscal years ended June 30, 2013 and 2012 follows:

|                                     | 2013               | 2012               |
|-------------------------------------|--------------------|--------------------|
| Inpatient services revenues         | \$ 130,460,668     | \$ 118,938,060     |
| Outpatient service revenues         | 270,391,774        | 234,992,863        |
| <br>Gross patient revenue           | <br>400,852,442    | <br>353,930,923    |
| Less: deductions from gross revenue | 238,876,594        | 196,031,552        |
| <br>Net patient service revenue     | <br>\$ 161,975,848 | <br>\$ 157,899,371 |

# COMMUNITY UNITED METHODIST HOSPITAL, INC.

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

### 2. Net Patient Service Revenue, Continued

A summary of Medicare, Medicaid, other third party and patient payor utilization percentages, based upon gross patient service revenues, is as follows:

|                     | 2013          | 2012          |
|---------------------|---------------|---------------|
| Medicare            | 45.1%         | 43.4%         |
| Medicaid            | 16.5%         | 16.5%         |
| Blue Cross          | 13.7%         | 13.5%         |
| Private pay         | 8.9%          | 9.2%          |
| Other third parties | 15.8%         | 17.4%         |
|                     | <u>100.0%</u> | <u>100.0%</u> |

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of patients' accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowances 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 doubtful 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 doubtful accounts and a provision for bad debts, if necessary (e.g., for expected uncollectible deductibles and co-payments 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 private pay patients (which includes both patients without insurance and patients with deductible and co-payment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant 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 doubtful accounts.

The Hospital's allowance for uncollectible accounts for private pay patients decreased from 92.8% of private pay accounts receivable at June 30, 2012, to 89.1% of private pay accounts receivable at June 30, 2013. In addition, the Hospital's private pay write-offs increased approximately \$1.0 million from \$30,527,075 for fiscal year 2012 to \$31,499,102 for fiscal year 2013. Both changes were the result of current trends experienced in the collection of amounts from private pay patients in fiscal year 2013. The Hospital has not substantially changed its charity care or uninsured discount policies during the fiscal years 2012 or 2013. 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.

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided.

**COMMUNITY UNITED METHODIST HOSPITAL, INC.**

**Notes to Consolidated Financial Statements**

**June 30, 2013 and 2012**

**2. Net Patient Service Revenue, Continued**

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, was as follows:

|                     | <b>2013</b>                  | <b>2012</b>                  |
|---------------------|------------------------------|------------------------------|
| Medicare            | \$ 48,648,589                | \$ 42,383,961                |
| Medicaid            | 16,056,037                   | 17,182,003                   |
| Blue Cross          | 28,070,254                   | 25,818,745                   |
| Private pay         | 24,368,258                   | 25,885,803                   |
| Other third parties | <u>44,832,710</u>            | <u>46,628,859</u>            |
|                     | <u><u>\$ 161,975,848</u></u> | <u><u>\$ 157,899,371</u></u> |

**3. Concentration of Credit Risk**

The Hospital operates an acute care hospital located in Henderson and a critical access hospital in Morganfield, Kentucky. The Hospital grants credit without collateral to its patients, most of who are local residents. The Hospital does not require collateral or other security in extending credit to patients; however they routinely obtain assignment of (or are otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies (e.g. Medicare, Medicaid, Blue Cross and other commercial insurance policies).

The mix of receivables from patients and third-party payors at June 30, 2013 and 2012, was as follows:

| <b>Receivables at June 30</b>            | <b>2013</b>          | <b>2012</b>          |
|--|----------------------|----------------------|
| Medicare                                 | 30.0%                | 25.1%                |
| Medicaid                                 | 15.4%                | 19.1%                |
| Other third-party payors (none over 10%) | 16.2%                | 15.6%                |
| Private pay                              | <u>38.4%</u>         | <u>40.2%</u>         |
|  | <u><u>100.0%</u></u> | <u><u>100.0%</u></u> |

**4. Investments**

**Assets Limited or Restricted as to Use**

The composition of assets whose use is limited at June 30, 2013 and 2012 is set forth below. Investments are stated at fair value.

|  | <b>2013</b>                | <b>2012</b>                |
|--|----------------------------|----------------------------|
| Self-insurance fund:                           |                            |                            |
| Cash and cash equivalents                      | \$ 4,012,154               | \$ 4,302,112               |
| Internally designated for capital acquisition: |                            |                            |
| Cash and cash equivalents                      | 1,099,856                  | -                          |
| Total assets whose use is limited              | <u><u>\$ 5,112,010</u></u> | <u><u>\$ 4,302,112</u></u> |

**COMMUNITY UNITED METHODIST HOSPITAL, INC.****Notes to Consolidated Financial Statements****June 30, 2013 and 2012****4. Investments, Continued****Other Investments****Other investments, stated at fair value, at June 30, 2013 and 2012, include:**

|                                   | <u>2013</u>                | <u>2012</u>                |
|-----------------------------------|----------------------------|----------------------------|
| <b>Cash and cash equivalents:</b> |                            |                            |
| Certificates of deposit           | \$ 7,436,028               | \$ 7,431,895               |
| Repurchase agreements             | 1,426,896                  | 1,420,303                  |
| Interest receivable               | <u>4,446</u>               | <u>5,610</u>               |
| <b>Total investments</b>          | <b><u>\$ 8,867,370</u></b> | <b><u>\$ 8,857,808</u></b> |

Investment income of \$419,246 and \$354,969, for the years ending June 30, 2013 and 2012, respectively, consisted entirely of interest income.

**5. Property and Equipment**

A summary of property and equipment at June 30, 2013 and 2012 follows:

|  | <u>2013</u>                 | <u>2012</u>                 |
|--|-----------------------------|-----------------------------|
| Land   | \$ 800,816                  | \$ 884,356                  |
| Land improvements                                      | 1,861,628                   | 1,857,748                   |
| Building and improvements                              | 104,843,164                 | 99,300,912                  |
| Equipment and furniture                                | <u>70,148,298</u>           | <u>67,529,271</u>           |
|  | 177,653,906                 | 169,572,287                 |
| <b>Less: accumulated depreciation and amortization</b> | <b><u>96,181,690</u></b>    | <b><u>89,030,928</u></b>    |
|  | 81,472,216                  | 80,541,359                  |
| <b>Construction in progress</b>                        | <b><u>4,307,206</u></b>     | <b><u>5,957,136</u></b>     |
| <b>Property and equipment, net</b>                     | <b><u>\$ 85,779,422</u></b> | <b><u>\$ 86,498,495</u></b> |

Depreciation expense for the years ended June 30, 2013 and 2012 amounted to \$7,560,102 and \$7,497,420, respectively.

# COMMUNITY UNITED METHODIST HOSPITAL, INC.

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

### 6. Debt and Obligations Under Capital Leases

#### A. Long-Term Debt

On December 30, 2009 and January 1, 2010, the County of Henderson, Kentucky issued Bonds in the principal sums of \$18,000,000 (Series 2009 B) and \$14,210,000 (Series 2010 A). The proceeds from these bonds were loaned by the County of Henderson, Kentucky to Community United Methodist Hospital, Inc. ("the Hospital") by promissory notes dated December 30, 2009 and February 16, 2010. These promissory notes were executed pursuant to loan agreements dated December 1, 2009 and January 1, 2010, respectively, between the lender and the Hospital. The proceeds of these issues were used by the Hospital to currently refund the outstanding principal balance of the County of Henderson, Kentucky Health Facilities Revenue Bonds, Series 2003 B and to pay for costs of issuance.

Under these agreements, the lender has agreed to loan to the Hospital the principal proceeds received from the sale of Health Facilities Refunding Revenue Bonds, Series 2009 B, and Health Facilities Revenue Bonds, Series 2010 A dated as of December 30, 2009 and January 1, 2010, respectively, to assist the borrower in the refunding of all outstanding Series 2003 B Revenue Bonds and in the financing of costs of the Project (as defined in the Agreement). The Hospital has agreed to repay such loans by making payments at the times and in the amounts set forth in the Note. The bonds are secured by, the Master Trust Indenture (the "Indenture"), dated as of December 1, 2009, between the lender and The Bank of New York Mellon Trust, Louisville, Kentucky, as trustee (the "Trustee"). The notes shall bear interest from their respective dates at a variable rate (adjusted weekly), payable on the 1<sup>st</sup> day of each month, commencing March 1, 2010. The Bonds shall mature on December 1 in the years and in the respective principal amounts set forth in the loan agreements.

On January 1, 2013, the County of Henderson, Kentucky issued Bonds in the principal sums of \$7,000,000 (Series 2013A). The proceeds from these bonds were loaned by the County of Henderson, Kentucky to Community United Methodist Hospital, Inc. ("the Hospital") by promissory notes dated January 1, 2013. These promissory notes were executed pursuant to loan agreements dated January 1, 2013 between the lender and the Hospital. The proceeds of these issues were used by the Hospital to refinance the outstanding principal balance of \$5 million of a taxable promissory note dated June 29, 2012 which were used for the acquisition, construction, equipping and installation of an air handling system, to acquire, equip and install certain medical equipment and other improvements related to the electronic medical record system and to pay for costs of issuance.

# COMMUNITY UNITED METHODIST HOSPITAL, INC.

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

### 6. Debt and Obligations Under Capital Leases, Continued

#### A. Long-Term Debt, Continued

A summary of long-term debt obligations at June 30, 2013 and 2012 is as follows:

|  | <u>2013</u>          | <u>2012</u>          |
|--|----------------------|----------------------|
| Note payable to Henderson County, Kentucky, Series 2009A, bears interest at 5.75%, due in monthly installments of \$131,744. Final scheduled maturity on January 1, 2020. (1)  | \$ 8,557,263         | \$ 9,612,979         |
| Note payable to Henderson County, Kentucky, Series 2009B, variable interest due monthly, principal amounts ranging from \$62,000 to \$137,000 due annually. Final scheduled maturity December 1, 2025. (1)                         | 15,293,000           | 16,153,000           |
| Note payable to Henderson County, Kentucky, Series 2010A, variable interest due monthly, principal amounts ranging from \$49,000 to \$108,000 due annually. Final scheduled maturity December 1, 2025. (1)                         | 12,048,000           | 12,725,000           |
| Note payable to Henderson County, bears interest at 4.95%, due in monthly installments of \$104,417. Final scheduled maturity is June 8, 2014.   | 1,220,046            | 2,381,290            |
| Note payable to Henderson County, Kentucky, Series 2013A, bears interest at 2.67%, due in monthly installments of \$83,204 thru February 1, 2018 and \$47,544 from March 1, 2018. Final scheduled maturity is February 1, 2023 (1) | 6,731,715            | -                    |
| Current Portion  | <u>43,850,024</u>    | <u>40,872,269</u>    |
| Long-term notes payable  | <u>\$ 39,163,764</u> | <u>\$ 37,208,618</u> |

(1) The loan agreements with Henderson County also require the Hospital to comply with certain restrictive covenants. The notes are secured by a first security interest in all of the Hospital's gross receipts, all patient accounts, deposit accounts, investments, equipment and inventory.

# COMMUNITY UNITED METHODIST HOSPITAL, INC.

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

### 6. Debt and Obligations Under Capital Leases, Continued

#### A. Long-Term Debt, Continued

Scheduled principal maturities on long-term debt for years ending June 30 are as follows:

| <u>Year ending June 30,</u> | <u>Amounts</u>       |
|-----------------------------|----------------------|
| 2014                        | \$ 4,686,260         |
| 2015                        | 3,727,618            |
| 2016                        | 3,907,198            |
| 2017                        | 4,094,509            |
| 2018                        | 4,151,687            |
| 2019-2023                   | 16,373,752           |
| 2024-2026                   | <u>6,909,000</u>     |
|                             | <u>\$ 43,850,024</u> |

#### B. Notes Payable

Short-term notes payable consist of the following at June 30, 2013 and 2012:

|       | <u>2013</u> | <u>2012</u>  |
|-------|-------------|--------------|
| Banks | \$ -        | \$ 5,000,000 |

Notes payable to banks bear variable interest and are unsecured.

#### C. Obligations Under Capital Leases

The Hospital occasionally leases various medical equipment under capital lease agreements. The related assets and liabilities under the agreements are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The recorded cost of assets is being amortized over the term of the leases. All capital leases fully matured in current year.

### 7. Employee Benefits

#### A. Defined Benefit Pension Plan

The Hospital has a defined benefit pension plan covering substantially all of its employees hired before October 1, 2009. The plan benefits are based on years of service and the employee's compensation. Contributions are intended to provide not only for benefits attributed for service to date but also for those expected to be earned in the future.

# COMMUNITY UNITED METHODIST HOSPITAL, INC.

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

### 7. Employee Benefits, Continued

#### A. Defined Benefit Pension Plan, Continued

##### **Obligations and Funded Status:**

The following table sets forth the Plan's funded status and amounts recognized in the Hospital's financial statements at June 30, 2013 and 2012:

|                               | <b>2013</b>                  | <b>2012</b>                   |
|-------------------------------|------------------------------|-------------------------------|
| Benefit obligation at June 30 | \$ 55,596,364                | \$ 70,579,250                 |
| Fair value of plan assets     | <u>47,784,580</u>            | <u>43,776,104</u>             |
| Funded status                 | <u><u>\$ (7,811,784)</u></u> | <u><u>\$ (26,803,146)</u></u> |

##### **Amounts recognized in the balance sheet consist of:**

|                        | <b>2013</b>                  | <b>2012</b>                   |
|------------------------|------------------------------|-------------------------------|
| Current liabilities    | \$ -                         | \$ -                          |
| Noncurrent liabilities | <u>(7,811,784)</u>           | <u>(26,803,146)</u>           |
| Total                  | <u><u>\$ (7,811,784)</u></u> | <u><u>\$ (26,803,146)</u></u> |

##### **Amounts recognized in the statement of operations consist of:**

|                             | <b>2013</b>                | <b>2012</b>                 |
|-----------------------------|----------------------------|-----------------------------|
| Net loss (gain)             | \$ 7,698,582               | \$ 27,509,794               |
| Prior service cost (credit) | <u>-</u>                   | <u>416,842</u>              |
| Total                       | <u><u>\$ 7,698,582</u></u> | <u><u>\$ 27,926,636</u></u> |

The accumulated benefit obligation was \$55,596,364 and \$57,950,347 at June 30, 2013 and 2012, respectively.

|                                  | <b>2013</b>  | <b>2012</b>  |
|----------------------------------|--------------|--------------|
| Net periodic benefit cost        | \$ 3,891,012 | \$ 1,953,172 |
| Employer contributions           | 2,654,320    | 3,500,185    |
| Plan participants' contributions | <u>-</u>     | <u>-</u>     |
| Benefits paid                    | 4,043,147    | 2,373,604    |

##### **Components of Net Periodic Benefit Cost:**

|                                       | <b>2013</b>                | <b>2012</b>                |
|---------------------------------------|----------------------------|----------------------------|
| Service cost                          | \$ 2,029,635               | \$ 1,614,350               |
| Interest cost                         | 3,259,798                  | 3,156,545                  |
| Expected return on plan assets        | <u>(3,388,484)</u>         | <u>(3,332,184)</u>         |
| Amortization of prior service cost    | 200,522                    | 200,522                    |
| Amortization of net (gain) loss       | 1,573,221                  | 313,939                    |
| Curtailment charge due to plan freeze | <u>216,320</u>             | <u>-</u>                   |
| Net periodic benefit cost             | <u><u>\$ 3,891,012</u></u> | <u><u>\$ 1,953,172</u></u> |

**COMMUNITY UNITED METHODIST HOSPITAL, INC.****Notes to Consolidated Financial Statements****June 30, 2013 and 2012****7. Employee Benefits, Continued****A. Defined Benefit Pension Plan, Continued**

The estimated net loss (gain) and prior service cost (credit) for the defined benefit pension plan that will be amortized into net periodic benefit cost over the next fiscal year are \$63,113 and \$0, respectively.

|  | <u>2013</u>                | <u>2012</u>                |
|--|----------------------------|----------------------------|
| <b>Reconciliation of Prepaid (Accrued) Benefit Cost:</b> |                            |                            |
| Funded status  | \$ (7,811,784)             | \$ (26,803,146)            |
| Unrecognized net actuarial loss (gain)                   | 7,698,582                  | 27,509,794                 |
| Unrecognized prior service cost (benefit)                | <u>-</u>                   | <u>416,842</u>             |
| <b>Prepaid (accrued) benefit cost</b>                    | <b><u>\$ (113,202)</u></b> | <b><u>\$ 1,123,490</u></b> |

**Assumptions:**

Weighted-average assumptions used to determine net periodic benefit cost and benefit obligations for the years ended June 30 were as follows:

|  | <u>2013</u> | <u>2012</u> |
|--|-------------|-------------|
| <b><u>Benefit Obligations:</u></b>       |             |             |
| Discount rate                            | 5.25%       | 4.75%       |
| Average rates of compensation increase   | 3.50%       | 3.50%       |
| <b><u>Net Periodic Benefit Cost:</u></b> |             |             |
| Discount rate                            | 4.75%       | 6.25%       |
| Average rates of compensation increase   | 3.50%       | 3.50%       |
| Expected long-term return on plan assets | 8.00%       | 8.00%       |

**Contributions:**

The amount of employer's contribution expected to be paid during the year ended June 30, 2013 is \$309,540.

**Plan Assets:**

FASB ASC 820 (formerly Statement No. 157, *Fair Value Measurements and Disclosures*), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

# COMMUNITY UNITED METHODIST HOSPITAL, INC.

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

### 7. Employee Benefits, Continued

#### A. Defined Benefit Pension Plan, Continued

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 Plan has the ability to access.

**Level 2** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset 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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Common stocks, corporate bonds and U.S. government securities.* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds.* Valued at the net asset value (NAV) of shares held by the Plan at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**COMMUNITY UNITED METHODIST HOSPITAL, INC.**

**Notes to Consolidated Financial Statements**

**June 30, 2013 and 2012**

**7. Employee Benefits, Continued**

**A. Defined Benefit Pension Plan, Continued**

The following tables sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2013 and 2012:

**Assets at Fair Value as of June 30, 2013**

|  | <b>Level 1</b>       | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>         | <b>%</b>      |
|--|----------------------|----------------|----------------|----------------------|---------------|
| U.S. Government and agency obligations | \$ 854,867           | \$ -           | \$ -           | \$ 854,867           | 1.8%          |
| Municipal bonds and debentures         | 6,932,137            | -              | -              | 6,932,137            | 14.5%         |
| Corporate bonds and debentures         | 5,397,367            | -              | -              | 5,397,367            | 11.3%         |
| Common stocks                          | 20,963,521           | -              | -              | 20,963,521           | 43.9%         |
| Preferred stocks                       | 996,646              | -              | -              | 996,646              | 2.1%          |
| Mutual funds                           | 11,920,929           | -              | -              | 11,920,929           | 24.9%         |
| Certificates of deposit                | 228,702              | -              | -              | 228,702              | 0.5%          |
| Cash and cash equivalents              | 490,411              | -              | -              | 490,411              | 1.0%          |
| <b>Total assets at fair value</b>      | <b>\$ 47,784,580</b> | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ 47,784,580</b> | <b>100.0%</b> |

**Assets at Fair Value as of June 30, 2012**

|  | <b>Level 1</b>       | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>         | <b>%</b>     |
|--|----------------------|----------------|----------------|----------------------|--------------|
| U.S. Government and agency obligations | \$ 1,797,008         | \$ -           | \$ -           | \$ 1,797,008         | 4.1%         |
| Municipal bonds and debentures         | 6,672,422            | -              | -              | 6,672,422            | 15.2%        |
| Corporate bonds and debentures         | 5,688,660            | -              | -              | 5,688,660            | 13.0%        |
| Common stocks                          | 18,557,308           | -              | -              | 18,557,308           | 42.4%        |
| Preferred stocks                       | 740,503              | -              | -              | 740,503              | 1.7%         |
| Mutual funds                           | 8,961,142            | -              | -              | 8,961,142            | 20.5%        |
| Certificates of deposit                | 384,490              | -              | -              | 384,490              | 0.7%         |
| Cash and cash equivalents              | 974,571              | -              | -              | 974,571              | 2.2%         |
| <b>Total assets at fair value</b>      | <b>\$ 43,776,104</b> | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ 43,776,104</b> | <b>99.8%</b> |

The primary objective for all investment assets shall be preservation of principal with emphasis on long-term growth without undue exposure to risk. The Hospital coordinates with investment managers and provides direction to allow for assets to be within a range of targeted percentages (60% equity securities, 40% debt securities). To reduce risk, a diverse portfolio of investments is used for each asset classifications. In addition, to mitigate volatility, multiple managers are used.

Plan assets include no Hospital securities at June 30, 2013 and 2012, respectively.

**COMMUNITY UNITED METHODIST HOSPITAL, INC.****Notes to Consolidated Financial Statements****June 30, 2013 and 2012****7. Employee Benefits, Continued****A. Defined Benefit Pension Plan, Continued****Estimated Future Benefit Payments:**

As of June 30, 2013, the amount of benefits expected to be paid, based on the same assumptions used to measure the benefit obligation (including, when applicable, benefits attributable to estimated future services) were as follows:

| <u>Year ending June 30,</u> | <u>Amounts</u> |
|-----------------------------|----------------|
| 2014                        | \$ 4,033,216   |
| 2015                        | 2,435,492      |
| 2016                        | 3,362,582      |
| 2017                        | 2,721,138      |
| 2018                        | 3,223,711      |
| 2019-2023                   | 13,911,892     |

**Amendment**

The plan was amended, effective July 1, 2013, to freeze all benefit accruals under the plan after June 30, 2013. Effective with this amendment, no plan member will accrue any credited service for purposes of determining accrued benefits nor will any covered compensation be included in calculating benefits after June 30, 2013. Employees affected by the amendment will be transitioned to a defined contribution plan.

**B. Defined Contribution Pension Plan**

The Hospital has various defined contribution pension plans covering substantially all of its employees. Total expenses for these defined contribution pension plans for the years ended June 30, 2013 and 2012 were \$1,107,808 and \$913,259, respectively.

**8. Commitments and Contingencies****A. Litigation**

The Hospital is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position or results from operations.

**B. Letter of Credit**

The Hospital has signed an unsecured letter of credit in the amount of \$2,016,821 with Ohio Valley Financial Group. The letter of credit satisfies the state certification requirement as an individual self-insured company with the Commonwealth of Kentucky. At June 30, 2013 and 2012, the balance was zero, respectively.

# COMMUNITY UNITED METHODIST HOSPITAL, INC.

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

### 8. Commitments and Contingencies, Continued

#### C. Operating Leases

The Hospital leases various buildings and equipment under operating leases expiring at various dates through 2019. Total rental expense for the years ended June 30, 2013 and 2012 was approximately \$1,414,534 and \$1,718,013, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2013, that have an initial or remaining lease term in excess of one year.

| Year ending<br>June 30,                     | Amount to<br>be Paid |
|---|----------------------|
| 2014  | \$ 714,694           |
| 2015  | 628,482              |
| 2016  | 519,116              |
| 2017  | 373,133              |
| 2018  | 308,254              |
| 2019  | 16,013               |
| <b>Total minimum future rental payments</b> | <b>\$ 2,559,692</b>  |

### 9. Related Party Transactions

The following entities are owned or controlled by members of the Board of Directors or their immediate families and transacted business with the Hospital during the fiscal year ended June 30, 2013 as follows:

| Related Party                       | Type of Transaction           | Amount    |
|-------------------------------------|-------------------------------|-----------|
| Home Oil & Gas                      | Gas and oil purchases         | \$ 41,357 |
| Ohio Valley Financial Group         | Trust fees (pension & thrift) | 267,577   |
| Royal Crown Bottling Corporation    | Beverage purchases            | 92,171    |
| The Journal Enterprise              | Advertising                   | 4,378     |
| Bruce Woodring Auto Sales & Leasing | Vehicle purchase/leasing      | 44,430    |
| Dempewolf Ford                      | Auto repair                   | 6,230     |
| E.M. Ford & Co. (Agent)             | Property and Auto Insurance   | 297,718   |

In the ordinary course of business the Hospital maintains various bank and investment accounts with financial institutions whose officers are members of the Hospital Board of Directors. These institutions include Ohio Valley Financial Group, Bank Trust Financial, and United Community Bank of West Kentucky, Inc.

Henderson Regional Hospital Foundation, Inc. and Union County Methodist Hospital Foundation, Inc. were established to solicit contributions from the general public solely for the funding of capital acquisitions by the Hospital. Funds are distributed to the Hospital as determined by the Foundations' Board of Directors. The Hospital's interest in the net assets of the Foundations is reported as a non-current asset on the balance sheet.

# COMMUNITY UNITED METHODIST HOSPITAL, INC.

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

### 9. Related Party Transactions, Continued

A summary of the Foundations' assets, liabilities, net assets, results of operations, and changes in net assets at June 30, 2013 and 2012 follows:

|   | 2013                | 2012              |
|---|---------------------|-------------------|
| Assets, primarily cash and investments                                | <u>\$ 1,099,110</u> | <u>\$ 996,540</u> |
| Liabilities   | 15,000              | 10,151            |
| Net assets  | <u>1,084,110</u>    | <u>986,389</u>    |
| Total liabilities and net assets                                      | <u>\$ 1,099,110</u> | <u>\$ 996,540</u> |
| Revenues, gains, and other support                                    | <u>\$ 184,584</u>   | <u>\$ 234,086</u> |
| Expenses:   |                     |                   |
| Distributions to Hospital   | 43,477              | 95,026            |
| Other   | <u>43,386</u>       | <u>61,645</u>     |
| Total Expenses  | <u>86,863</u>       | <u>. 156,671</u>  |
| Excess(deficiency) of revenues, gains and other support over expenses | 97,721              | 77,415            |
| Net assets, beginning of year   | <u>986,389</u>      | <u>908,974</u>    |
| Net assets, end of year   | <u>\$ 1,084,110</u> | <u>\$ 986,389</u> |

### 10. Other Non-Current Assets

Other non-current assets consisted of the following as of June 30, 2013 and 2012:

|                              | 2013              | 2012              |
|------------------------------|-------------------|-------------------|
| Goodwill                     | \$ 326,139        | \$ 326,139        |
| Deferred debt issuance costs | 237,219           | 257,360           |
| Other assets                 | <u>330,343</u>    | <u>330,343</u>    |
|                              | <u>\$ 893,701</u> | <u>\$ 913,842</u> |

### 11. Ambulance Service

The Hospital has agreements with the City of Henderson, Henderson County Fiscal Court, and Union County Fiscal Court to operate their respective county-wide ambulance services. The agreements provide for the Hospital to be reimbursed for any excess of the costs of operations over revenues earned. The receivable from local governments at June 30, 2013 and 2012 (included in "other receivables" on the balance sheets) is \$367,388 and \$277,691, respectively.

### 12. Fair Value of Financial Instruments

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

**Cash and cash equivalents:** The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

# COMMUNITY UNITED METHODIST HOSPITAL, INC.

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

### 12. Fair Value of Financial Instruments, Continued

**Investments:** Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

**Assets limited as to use:** These assets consist primarily of cash and short-term investments and interest receivable. The fair value of these items was estimated using quoted market prices, for similar securities. The carrying amount reported in the balance sheet is fair value.

**Derivative asset/liability:** The carrying amount of the Hospital's derivative asset/ liability (which is used for hedging purposes) as reported in the balance sheet approximates its fair value and is based on the issuing financial institutions valuation.

**Accounts payable, accrued expenses, deferred revenue and gains, estimated malpractice costs and self-insurance liability:** The carrying amount reported in the balance sheet for accounts payable, accrued expenses, deferred revenue and gains, estimated malpractice costs and self-insurance liability approximates its fair value.

**Estimated third-party payor settlements:** The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

**Long-term debt:** The carrying amount of the Hospital's long-term debt as reported in the financial statements approximates its fair value.

The carrying amounts and fair values of the Hospital's financial instruments at June 30, 2013 and 2012 are as follows:

|   | 2013            |               |  | 2012            |               |  |
|---|-----------------|---------------|--|-----------------|---------------|--|
|   | Carrying Amount | Fair Value    |  | Carrying Amount | Fair Value    |  |
| Cash and cash equivalents                                 | \$ 17,012,722   | \$ 17,012,722 |  | \$ 19,527,488   | \$ 19,527,488 |  |
| Investments   | 8,867,370       | 8,867,370     |  | 8,857,808       | 8,857,808     |  |
| Assets limited as to use                                  | 5,112,010       | 5,112,010     |  | 4,302,112       | 4,302,112     |  |
| Third party payor settlements                             | 4,181,942       | 4,181,942     |  | 313,612         | 313,612       |  |
| Accounts payable, accrued expenses, and other liabilities | 20,696,527      | 20,696,527    |  | 19,436,796      | 19,436,796    |  |
| Accrued retirement  | 7,811,784       | 7,811,784     |  | 26,803,146      | 26,803,146    |  |
| Derivative liability                                      | 1,735,445       | 1,735,445     |  | 2,610,580       | 2,610,580     |  |
| Payable for estimated third party payor settlements       | 2,642,497       | 2,642,497     |  | 3,542,951       | 3,542,951     |  |
| Debt and capital lease obligations                        | 43,850,024      | 43,850,024    |  | 45,897,556      | 45,897,556    |  |

FASB ASC 820 (formerly Statement No. 157, *Fair Value Measurements and Disclosures*), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

# COMMUNITY UNITED METHODIST HOSPITAL, INC.

## Notes to Consolidated Financial Statements

June 30, 2013 and 2012

### 12. Fair Value of Financial Instruments, Continued

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 Plan has the ability to access.

**Level 2** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset 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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables sets forth by level, within the fair value hierarchy, the Hospital's assets and liabilities valued at fair value as of June 30, 2013 and 2012:

#### Assets (Liabilities) at Fair Value as of June 30, 2013

|                                   | Level 1              | Level 2               | Level 3     | Total                |
|-----------------------------------|----------------------|-----------------------|-------------|----------------------|
| Cash and cash equivalents         | \$ 17,014,707        | \$ -                  | \$ -        | \$ 17,014,707        |
| Investments                       | 8,867,370            | -                     | -           | 8,867,370            |
| Assets limited as to use          | 5,112,010            | -                     | -           | 5,112,010            |
| Derivative liability              | -                    | (1,735,445)           | -           | (1,735,445)          |
| <b>Total assets at fair value</b> | <b>\$ 30,994,087</b> | <b>\$ (1,735,445)</b> | <b>\$ -</b> | <b>\$ 29,258,642</b> |

**COMMUNITY UNITED METHODIST HOSPITAL, INC.**

**Notes to Consolidated Financial Statements**

**June 30, 2013 and 2012**

**12. Fair Value of Financial Instruments, Continued**

| <b>Assets (Liabilities) at Fair Value as of June 30, 2012</b> |                      |                       |                |                      |
|---|----------------------|-----------------------|----------------|----------------------|
|   | <b>Level 1</b>       | <b>Level 2</b>        | <b>Level 3</b> | <b>Total</b>         |
| Cash and cash equivalents                                     | \$ 19,527,488        | \$ -                  | \$ -           | \$ 19,527,488        |
| Investments   | 8,857,808            | -                     | -              | 8,857,808            |
| Assets limited as to use                                      | 4,302,112            | -                     | -              | 4,302,112            |
| Derivative liability  | -                    | (2,610,580)           | -              | (2,610,580)          |
| <b>Total assets at fair value</b>                             | <b>\$ 32,687,408</b> | <b>\$ (2,610,580)</b> | <b>\$ -</b>    | <b>\$ 30,076,828</b> |

**13. Physician Receivables**

The Hospital has contracted with various physicians and physician groups to advance funds for office renovations, assistance with malpractice insurance premiums, education loan payoffs, and income guarantee agreements. The Hospital provides income guarantee agreements to certain physicians who agree to relocate to the community to fill a need in the Hospital's service area and commit to remain in practice there. Under such agreements the Hospital is required to make payments to the physicians in excess of the amounts they earn in their practice up to the amount of the income guarantee. The income guarantee periods are typically two years. Such payments are recoverable from the physicians if they do not fulfill their commitment period to the community, which is typically three years. At June 30, 2013, the maximum potential amount of future payments under these agreements was approximately \$0.

Management estimates these advances (net of estimated uncollectibles of \$0 at June 30, 2013 and 2012, respectively) will be fully recovered in future periods.

The activity during the years ended June 30, 2013 and 2012 was as follows:

|   | <b>2013</b>         | <b>2012</b>         |
|---|---------------------|---------------------|
| Balance, July 1   | \$ 2,306,026        | \$ 3,003,504        |
| Increases:  |                     |                     |
| Advances  | 281,337             | 179,531             |
| Interest accrued  | 19,681              | 27,093              |
| Decreases:  |                     |                     |
| Collections   | (29,631)            | (42,741)            |
| Reduction due to satisfaction of<br>contract provisions | (906,667)           | (861,361)           |
| Balance, June 30  | <b>\$ 1,670,746</b> | <b>\$ 2,306,026</b> |

These balances are included in "other receivables" and "other long-term receivables" on the balance sheet. Long-term portions were approximately \$0.8 million and \$1.6 million at June 30, 2013 and 2012, respectively.

**COMMUNITY UNITED METHODIST HOSPITAL, INC.****Notes to Consolidated Financial Statements****June 30, 2013 and 2012****14. Functional Expenses**

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

|                                    | <b>2013</b>                  | <b>2012</b>                  |
|------------------------------------|------------------------------|------------------------------|
| Nursing Services                   | \$ 30,149,774                | \$ 28,720,947                |
| Other professional services        | 47,439,402                   | 45,104,849                   |
| General services                   | 9,000,736                    | 8,585,056                    |
| Administrative and fiscal services | 16,839,186                   | 15,155,310                   |
| Non-classified expenses:           |                              |                              |
| Employee benefits                  | 18,680,196                   | 17,686,110                   |
| Depreciation and amortization      | 7,580,244                    | 7,517,562                    |
| Interest                           | 2,666,006                    | 2,794,162                    |
| Other                              | 3,469,459                    | 3,367,753                    |
|                                    | <b><u>\$ 135,825,003</u></b> | <b><u>\$ 128,931,749</u></b> |

**15. Advertising Costs**

Advertising costs are charged to expense as incurred. Advertising expenses for the year ended June 30, 2013 and 2012 were \$794,257 and \$811,129, respectively.

**16. Facility Renovation and Expansion**

The Board of Directors approved the complete replacement of the HVAC system in the main hospital building and to create a backup hot water system for the North Tower. This work was completed during the first quarter of fiscal year 2013 at an estimated total cost of \$4,096,000.

Ongoing planning, development and implementation of various internal renovations and relocations continued during the 2013 fiscal year. Approximately \$2 million was invested during the year to upgrade and expand information systems technology as part of the Board of Directors initiative to fully implement an electronic medical record system. There were no additional significant project expenditures in fiscal year 2013.

## COMMUNITY UNITED METHODIST HOSPITAL, INC.

### Notes to Consolidated Financial Statements

June 30, 2013 and 2012

#### 17. Derivative

The Hospital entered into a “cash flow hedge interest rate swap” agreement with a notional amount of \$40,000,000 during the fiscal year ended June 30, 2006 with a financial institution. On February 16, 2010, the swap was amended to correspond with the Hospital’s debt restructuring. The amended swap agreement was effective February 16, 2010, contains an outstanding notional value as of June 30, 2013 in the amount of \$27,341,000 and matures July 1, 2015. Based on the amended agreement the Hospital pays a monthly fixed interest rate of 3.475% and the financial institution pays a variable rate based on the variable rate index of “LIBOR” multiplied by 65% over the term of the agreement.

The Hospital entered into a cancellation agreement effective February 16, 2010 with the financial institution in order to cancel the Hospital’s obligations under the original agreement and transition it’s obligations to the amended swap agreement effective February 16, 2010. The Hospital incurred an early termination cost of \$183,835 which was paid on February 19, 2010. The remainder of the early termination cost was blended into the new amended swap agreement.

The Hospital’s objective is to provide protection against market driven increases in variable interest rates. The fair value of the agreement was determined by the financial institution using the present value of the estimated projected cash flows. The Hospital is in a liability position as of June 30, 2013 and 2012 due to the present value of its estimated projected cash flows being more than the financial institution’s present value of estimated projected cash flows. The derivative liability for the Hospital amounted to \$1,735,445 as of June 30, 2013 and \$2,610,580 as of June 30, 2012.

The total unrealized derivative gain recognized on the financial statements were \$875,135 and \$229,390 for the years ended June 30, 2013 and 2012, respectively. Upon termination of the agreement by the Hospital, prior to maturity, the gain or loss determined by the derivative fair value on that date would be realized.

#### 17. Self-Insurance

The Hospital’s Board of Director’s elected to self-insure its professional liability and general liability as of November 1, 2003. Each Hospital (Methodist and Union County) is allocated and accrues its proportionate share of these liabilities.

For professional liability, the Hospital had \$1,000,000/\$3,000,000 aggregate self-insurance retention in 2013 and 2012. To pay claims in excess of the self-insured retention, the Hospital purchased an excess professional liability policy (claims-made basis). Losses from asserted claims and from unasserted claims identified under the Hospital’s incident reporting system are accrued based on estimates that incorporate the Hospital’s past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors and incidents that may have occurred but have not been identified under the incident reporting system. As of June 30, 2013 and 2012, the Hospital had accrued approximately \$3,990,999 and \$4,281,515, respectively, which in the opinion of management, based on historical experience and current actuarial analysis, is sufficient to cover reported claims and claims incurred but not reported. The accrued professional liability has been discounted at a rate of 5.0 percent in 2013 and 2012.

**COMMUNITY UNITED METHODIST HOSPITAL, INC.**

**Notes to Consolidated Financial Statements**

**June 30, 2013 and 2012**

**18. Subsequent Events**

The date to which events occurring after June 30, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is November 27, 2013, which is the date on which the financial statements were available to be issued.

The Hospital owned a less than 1% interest in Premier Healthcare Solutions, Inc. and Premier Purchasing Partners, L.P. as of June 30, 2013. This investment was reported at the original cost of \$137,817 as of June 30, 2013. These entities sold an initial public offering in October 2013. The Hospital received cash of \$397,781 and an equity interest in the new publicly traded entity valued at \$2,223,774 on the initial date of trading.

**SUPPLEMENTAL INFORMATION**

COMMUNITY UNITED METHODIST HOSPITAL, INC.

Schedule of Patient Service Revenue by Department

Years Ended June 30, 2013 and 2012

|   | <u>2013</u>        | <u>2012</u>        |
|---|--------------------|--------------------|
| <b><u>Inpatient service revenues:</u></b> |                    |                    |
| Medical and surgical                      | \$ 14,359,570      | \$ 12,387,727      |
| Pediatrics                                | 642,515            | 668,670            |
| Obstetrics                                | 4,096,841          | 3,224,721          |
| Nursery                                   | 973,632            | 711,222            |
| NICU                                      | 1,263,308          | 1,294,455          |
| Intensive care                            | 3,837,873          | 2,974,586          |
| Telemetry                                 | 6,004,087          | 4,883,285          |
| Operating rooms                           | 9,079,295          | 9,226,538          |
| Endoscopy                                 | 1,316,581          | 1,494,139          |
| Recovery rooms                            | 1,538,333          | 1,358,828          |
| Emergency services                        | 5,791,251          | 4,431,154          |
| Sterile processing                        | 3,091,415          | 2,722,952          |
| Hospitalist program                       | 392,894            | -                  |
| Laboratories                              | 17,851,934         | 16,321,912         |
| Neurology                                 | 3,239,930          | 3,418,303          |
| Radiology                                 | 5,840,390          | 6,027,822          |
| MRI services                              | 1,967,868          | 2,059,099          |
| CT scans                                  | 7,518,509          | 7,007,473          |
| Cardiac catheterization                   | 282,409            | 859,329            |
| Pharmacy                                  | 21,900,628         | 21,097,025         |
| Intravenous solutions                     | 4,710,161          | 4,188,852          |
| Anesthesiology                            | 3,497,536          | 2,727,901          |
| Therapy services                          | 3,143,382          | 2,434,142          |
| Respiratory therapy                       | 8,094,933          | 7,368,664          |
| Other                                     | 25,393             | 49,261             |
|   | <u>130,460,668</u> | <u>118,938,060</u> |

**Outpatients service revenues:**

|                      |           |           |
|----------------------|-----------|-----------|
| Medical and surgical | 9,687,269 | 7,652,990 |
| Pediatrics           | 944,036   | 704,857   |
| Obstetrics           | 2,178,497 | 1,687,664 |
| Nursery              | 2,436     | 2,269     |
| Intensive care       | 377,488   | 459,639   |
| Telemetry            | 2,533,129 | 1,806,526 |

COMMUNITY UNITED METHODIST HOSPITAL, INC.  
 Schedule of Patient Service Revenue by Department  
 Years Ended June 30, 2013 and 2012

|  | <u>2013</u>   | <u>2012</u>   |
|--|---------------|---------------|
| <b><u>Outpatients service revenues, continued:</u></b> |               |               |
| Operating rooms  | \$ 20,506,730 | \$ 19,883,959 |
| Endoscopy  | 4,352,035     | 4,123,824     |
| Recovery rooms   | 7,950,797     | 7,193,282     |
| Emergency services                                     | 35,428,407    | 27,917,167    |
| Sterile processing                                     | 2,972,030     | 2,458,229     |
| Hospitalist program                                    | 104,076       | -             |
| Laboratories   | 35,204,224    | 30,499,052    |
| Neurology  | 7,630,715     | 7,467,541     |
| Radiology  | 23,929,205    | 21,405,531    |
| MRI services   | 9,433,098     | 9,185,303     |
| CT scans   | 28,253,010    | 24,675,253    |
| Cardiac catheterization                                | 817,502       | 1,082,293     |
| Lithotripsy  | 561,565       | 728,999       |
| Pharmacy   | 29,541,566    | 24,759,087    |
| Intravenous solutions                                  | 5,451,774     | 4,492,535     |
| Anesthesiology   | 7,122,407     | 5,536,560     |
| Therapy services                                       | 4,169,180     | 4,137,143     |
| Respiratory therapy                                    | 2,317,468     | 1,976,899     |
| Pain Clinic  | 2,744,794     | 826,410       |
| Wound Care Clinic                                      | 5,379,092     | 2,350,537     |
| Home Medical Equipment                                 | 2,086,897     | 1,989,917     |
| Methodist Women's Services                             | 2,636,659     | 2,618,721     |
| Methodist Comprehensive Care                           | 1,878,045     | 2,955,631     |
| Methodist Pediatrics                                   | 39,575        | -             |
| <b>Methodist Family Medicine Clinics:</b>              |               |               |
| Webster County   | 397,683       | 406,193       |
| Sebree   | 673,063       | 488,552       |
| Morganfield Family Practice                            | 2,858,064     | 3,025,289     |
| East   | 43            | 33,954        |
| Imperial Building                                      | 1,342,681     | 1,246,999     |
| Sturgis  | 1,253,023     | 1,212,395     |
| Elm  | 147,757       | 511,060       |
| 8th Street Suite # 1                                   | 648,421       | 567,595       |
| Barrett Blvd   | 1,189,994     | 848,630       |

COMMUNITY UNITED METHODIST HOSPITAL, INC.  
 Schedule of Patient Service Revenue by Department  
 Years Ended June 30, 2013 and 2012

|  | <u>2013</u>           | <u>2012</u>           |
|--|-----------------------|-----------------------|
| <b><u>Outpatients service revenues, continued:</u></b> |                       |                       |
| Methodist Hematology/Oncology                          | 459,373               | 338,378               |
| Methodist Surgical Services                            | 1,198,013             | 1,216,982             |
| Methodist Henry & Henry                                | 81,144                | 1,002,162             |
| Methodist Gastroenterology                             | 2,974,035             | 2,595,005             |
| Other  | 934,774               | 921,851               |
|  | <u>270,391,774</u>    | <u>234,992,863</u>    |
| Gross patient service revenue                          | 400,852,442           | 353,930,923           |
| Deductions from gross revenue                          | <u>238,876,594</u>    | <u>196,031,552</u>    |
| Net patient service revenue                            | <u>\$ 161,975,848</u> | <u>\$ 157,899,371</u> |

COMMUNITY UNITED METHODIST HOSPITAL, INC.

Schedule of Expenses by Department

Years Ended June 30, 2013 and 2012

|  | 2013               |                  |            | 2012               |                  |              |
|--|--------------------|------------------|------------|--------------------|------------------|--------------|
|  | Personnel Services | Supplies & Other | Total      | Personnel Services | Supplies & Other | Total        |
| <b><u>Nursing services:</u></b>            |                    |                  |            |                    |                  |              |
| Administrative                             | \$ 885,432         | \$ 113,773       | \$ 999,205 | \$ 962,685         | \$ 109,594       | \$ 1,072,279 |
| Education                                  | 486,770            | 125,622          | 612,392    | 503,021            | 116,017          | 619,038      |
| Medical and surgical                       | 6,059,104          | 716,632          | 6,775,736  | 5,749,727          | 458,855          | 6,208,582    |
| Pediatrics                                 | 529,411            | 40,575           | 569,986    | 545,530            | 32,823           | 578,353      |
| Obstetrics                                 | 1,881,308          | 169,907          | 2,051,215  | 1,641,905          | 145,158          | 1,787,063    |
| Nursery                                    | 884,907            | 54,420           | 939,327    | 837,464            | 47,745           | 885,209      |
| NICU                                       | 474,715            | 435,336          | 910,051    | 524,087            | 511,539          | 1,035,626    |
| Intensive care                             | 1,367,122          | 135,120          | 1,502,242  | 1,282,578          | 119,262          | 1,401,840    |
| Telemetry                                  | 2,090,460          | 221,420          | 2,311,880  | 2,109,431          | 181,588          | 2,291,019    |
| Operating rooms                            | 1,728,746          | 3,527,825        | 5,256,571  | 1,707,538          | 3,868,496        | 5,576,034    |
| Endoscopy                                  | 464,673            | 354,169          | 818,842    | 440,468            | 345,082          | 785,550      |
| Recovery rooms                             | 626,809            | 33,837           | 660,646    | 643,943            | 33,843           | 677,786      |
| Emergency services                         | 3,018,485          | 2,515,041        | 5,533,526  | 3,108,414          | 1,526,981        | 4,635,395    |
| Sterile processing                         | 372,642            | 835,513          | 1,208,155  | 367,827            | 799,346          | 1,167,173    |
|  | 20,870,584         | 9,279,190        | 30,149,774 | 20,424,618         | 8,296,329        | 28,720,947   |
| <b><u>Other professional services:</u></b> |                    |                  |            |                    |                  |              |
| Intravenous solutions                      | -                  | 391,402          | 391,402    | -                  | 403,245          | 403,245      |
| Laboratories                               | 2,158,017          | 3,121,960        | 5,279,977  | 2,124,974          | 3,059,065        | 5,184,039    |
| Neurology                                  | 396,658            | 598,617          | 995,275    | 402,455            | 605,222          | 1,007,677    |
| Radiology                                  | 1,894,472          | 1,555,912        | 3,450,384  | 1,821,378          | 1,457,153        | 3,278,531    |
| MRI services                               | 165,473            | 230,907          | 396,380    | 154,852            | 444,029          | 598,881      |
| CT scans                                   | 179,361            | 563,495          | 742,856    | 135,832            | 678,208          | 814,040      |
| Cardiac catheterization                    | 249,320            | 292,786          | 542,106    | 253,369            | 324,761          | 578,130      |
| Pharmacy                                   | 1,611,538          | 5,805,150        | 7,416,688  | 1,414,684          | 5,566,354        | 6,981,038    |
| Anesthesiology                             | -                  | 2,921,665        | 2,921,665  | -                  | 2,887,547        | 2,887,547    |
| Therapy services                           | 1,656,778          | 148,968          | 1,805,746  | 1,496,244          | 158,458          | 1,654,702    |
| Respiratory therapy                        | 1,176,987          | 277,926          | 1,454,913  | 1,144,038          | 279,199          | 1,423,237    |
| Hospitalist program                        | -                  | 153,741          | 153,741    | -                  | -                | -            |
| Pain Clinic                                | 93,561             | 559,964          | 653,525    | 27,628             | 202,215          | 229,843      |
| Wound Care Clinic                          | 141,726            | 864,012          | 1,005,738  | 44,392             | 546,781          | 591,173      |
| Home Medical Equipment                     | 373,840            | 596,663          | 970,503    | 385,734            | 566,754          | 952,488      |
| Methodist Women's Services                 | 1,560,153          | 800,209          | 2,360,362  | 1,493,660          | 628,024          | 2,121,684    |
| Methodist Comprehensive Care               | 1,344,372          | 459,809          | 1,804,181  | 1,816,500          | 465,474          | 2,281,974    |
| Methodist Pediatrics                       | 97,762             | 47,346           | 145,108    | -                  | -                | -            |
| <b>Methodist Family Medicine Clinics:</b>  |                    |                  |            |                    |                  |              |
| Webster County                             | 257,721            | 163,875          | 421,596    | 251,624            | 150,952          | 402,576      |
| Sebree                                     | 299,480            | 179,045          | 478,525    | 266,796            | 133,312          | 400,108      |
| Morganfield Family Practice                | 1,255,702          | 687,658          | 1,943,360  | 1,202,478          | 684,612          | 1,887,090    |
| East                                       | -                  | -                | -          | 108,600            | 43,352           | 151,952      |
| Imperial Building                          | 838,553            | 315,536          | 1,154,089  | 748,911            | 287,672          | 1,036,583    |
| Sturgis                                    | 555,021            | 238,300          | 793,321    | 550,300            | 236,478          | 786,778      |
| Elm  | 137,945            | 90,301           | 228,246    | 345,891            | 182,920          | 528,811      |
| 8th Street Suite # 1                       | 452,238            | 180,594          | 632,832    | 381,606            | 164,863          | 546,469      |
| Barrett Blvd                               | 815,578            | 381,889          | 1,197,467  | 718,509            | 309,708          | 1,028,217    |

Continued

COMMUNITY UNITED METHODIST HOSPITAL, INC.

Schedule of Expenses by Department

Years Ended June 30, 2013 and 2012

|   | 2013                |                       |                      | 2012                |                       |                      |
|---|---------------------|-----------------------|----------------------|---------------------|-----------------------|----------------------|
|   | Personnel Services  | Supplies & Other      | Total                | Personnel Services  | Supplies & Other      | Total                |
| <b><u>Other professional services, continued:</u></b> |                     |                       |                      |                     |                       |                      |
| Methodist Hematology/Oncology                         | \$ 709,236          | \$ 167,455            | \$ 876,691           | \$ 506,955          | \$ 506,955            | \$ 1,013,910         |
| Methodist Surgical Services                           | 675,522             | 239,237               | 914,759              | 687,460             | 687,460               | 1,374,920            |
| Methodist Henry & Henry                               | 102,498             | 55,628                | 158,126              | 634,245             | 634,245               | 1,268,490            |
| Methodist Gastroenterology                            | 1,088,214           | 254,141               | 1,342,355            | 863,254             | 863,254               | 1,726,508            |
| Other   | 2,289,555           | 2,517,930             | 4,807,485            | 1,986,832           | 1,809,546             | 3,796,378            |
|   | <u>22,577,281</u>   | <u>24,862,121</u>     | <u>47,439,402</u>    | <u>21,969,201</u>   | <u>23,135,648</u>     | <u>45,104,849</u>    |
| <b><u>General services:</u></b>                       |                     |                       |                      |                     |                       |                      |
| Food and nutrition services                           | 1,367,766           | 1,014,861             | 2,382,627            | 1,205,017           | 946,137               | 2,151,154            |
| Plant operations                                      | 1,342,629           | 2,070,970             | 3,413,599            | 1,220,604           | 2,029,573             | 3,250,177            |
| Security  | 220,088             | 140,329               | 360,417              | 208,176             | 139,763               | 347,939              |
| Environmental services                                | 1,193,436           | 305,522               | 1,498,958            | 1,196,004           | 319,414               | 1,515,418            |
| Patient ambassadors                                   | 282,702             | 4,292                 | 286,994              | 280,925             | 1,421                 | 282,346              |
| Laundry and linen                                     | 24,934              | 4,901                 | 29,835               | 24,896              | 8,057                 | 32,953               |
| Auxiliary units                                       | 55,269              | 85,489                | 140,758              | 53,795              | 101,547               | 155,342              |
| Materials management                                  | 345,934             | 98,349                | 444,283              | 351,195             | 74,643                | 425,838              |
| Child care  | 358,530             | 84,735                | 443,265              | 352,158             | 71,731                | 423,889              |
|   | <u>5,191,288</u>    | <u>3,809,448</u>      | <u>9,000,736</u>     | <u>4,892,770</u>    | <u>3,692,286</u>      | <u>8,585,056</u>     |
| <b><u>Administrative and fiscal services:</u></b>     |                     |                       |                      |                     |                       |                      |
| Accounting  | 494,938             | 24,943                | 519,881              | 486,262             | 29,012                | 515,274              |
| Legal services  | 152,300             | 243,835               | 396,135              | 216,406             | 390,322               | 606,728              |
| Information systems                                   | 754,114             | 725,447               | 1,479,561            | 706,652             | 628,552               | 1,335,204            |
| Planning, marketing and Foundation                    | 235,556             | 779,335               | 1,014,891            | -                   | 4,700                 | 4,700                |
| Medical staff   | 222,736             | 253,249               | 475,985              | -                   | 10,500                | 10,500               |
| Patient financial services                            | 1,699,410           | 2,204,991             | 3,904,401            | 1,596,457           | 1,163,313             | 2,759,770            |
| Administrative office                                 | 1,258,869           | 2,746,185             | 4,005,054            | 1,853,422           | 3,547,737             | 5,401,159            |
| Personnel   | 462,936             | 193,260               | 656,196              | 497,299             | 254,698               | 751,997              |
| Patient utilization service                           | 1,237,805           | 428,941               | 1,666,746            | 1,101,123           | 316,869               | 1,417,992            |
| Health information management                         | 1,166,300           | 469,536               | 1,635,836            | 1,139,401           | 441,638               | 1,581,039            |
| Other   | 810,379             | 274,121               | 1,084,500            | 693,385             | 77,562                | 770,947              |
|   | <u>\$ 8,495,343</u> | <u>\$ 8,343,843</u>   | <u>\$ 16,839,186</u> | <u>\$ 8,290,407</u> | <u>\$ 6,864,903</u>   | <u>\$ 15,155,310</u> |
| <b><u>Non-classified expenses:</u></b>                |                     |                       |                      |                     |                       |                      |
| Employee benefits                                     |                     | \$ 18,680,196         |                      |                     | \$ 17,686,110         |                      |
| Depreciation and amortization                         |                     | 7,580,244             |                      |                     | 7,517,562             |                      |
| Interest expense                                      |                     | 2,666,006             |                      |                     | 2,794,162             |                      |
| Kentucky provider tax                                 |                     | 2,279,568             |                      |                     | 2,279,568             |                      |
| Insurance   |                     | 1,189,891             |                      |                     | 1,088,185             |                      |
|   |                     | <u>32,395,905</u>     |                      |                     | <u>31,365,587</u>     |                      |
| Total expenses  |                     | <u>\$ 135,825,003</u> |                      |                     | <u>\$ 128,931,749</u> |                      |