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

A For the 2012 calendar year, or tax year beginning 07-01-2012 , 2012, and ending 06-30-2013			
B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization Jefferson Hospital Association Inc		D Employer identification number 71-0329353
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) 1600 West 40th Avenue Suite	Room/suite	E Telephone number (870) 541-7100
	City or town, state or country, and ZIP + 4 Pine Bluff, AR 71603		G Gross receipts \$ 180,717,129
	F Name and address of principal officer WALTER JOHNSON 1600 WEST 40TH AVENUE PINE BLUFF,AR 71603		
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () (Insert no) ☐ 4947(a)(1) or ☐ 527		H(a) Is this a group return for affiliates? ☐ Yes ☒ No H(b) Are all affiliates included? ☐ Yes ☐ No If "No," attach a list (see instructions)	
J Website: WWW JRMC ORG		H(c) Group exemption number	
K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other		L Year of formation 1959	M State of legal domicile AR

Part I	Summary
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Activities & Governance	1 Briefly describe the organization's mission or most significant activities JEFFERSON HOSPITAL ASSOCIATION, INC PROVIDES A WIDE RANGE OF HEALTH CARE SERVICES TO PATIENTS FROM JEFFERSON COUNTY AND SURROUNDING AREAS IN SOUTHEAST ARKANSAS		
	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	15
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	5
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	2,214
	6 Total number of volunteers (estimate if necessary)	6	61
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	166,172
b Net unrelated business taxable income from Form 990-T, line 34	7b	-34,992	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	1,419,947	1,537,684
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	176,078,282	170,702,750
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,465,169	3,533,843
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	8,839,559	4,842,247
		188,802,957	180,616,524
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	366,572	554,025
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	89,619,300	93,907,944
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ☐ 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	90,215,463	85,872,702
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	180,201,335	180,334,671
	19 Revenue less expenses Subtract line 18 from line 12	8,601,622	281,853
	Net Assets or Fund Balances		Beginning of Current Year
20 Total assets (Part X, line 16)		241,797,556	243,604,272
21 Total liabilities (Part X, line 26)		64,420,486	63,603,958
22 Net assets or fund balances Subtract line 21 from line 20		177,377,070	180,000,314

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

Sign Here	***** Signature of officer			2014-05-15 Date			
	BRYAN G JACKSON VP & CFO Type or print name and title						
Paid Preparer Use Only	Prnt/Type preparer's name		Preparer's signature		Date	Check ☐ if self-employed	PTIN
	Firm's name ▶ BKD LLP					Firm's EIN ▶	
	Firm's address ▶ 2800 POST OAK BLVD SUITE 3200 HOUSTON, TX 77056					Phone no (713) 499-4600	

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

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

4d	Other program services (Describe in Schedule O)				
	(Expenses \$	including grants of \$	) (Revenue \$	)	

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	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? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

☐

		Yes	No			
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	196			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes			
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	2,214			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes			
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a				No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a				No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b				No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c				
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a				No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b				
7 Organizations that may receive deductible contributions under section 170(c).						
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a				No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b				
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8822?	7c				No
d	If "Yes," indicate the number of Forms 8822 filed during the year.	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e				No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f				No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g				
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h				
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8				
9 Sponsoring organizations maintaining donor advised funds.						
a	Did the organization make any taxable distributions under section 4966?	9a				
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b				
10 Section 501(c)(7) organizations. Enter						
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b				
11 Section 501(c)(12) organizations. Enter						
a	Gross income from members or shareholders.	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b				
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a				
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b				
13 Section 501(c)(29) qualified nonprofit health insurance issuers.						
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a				
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.	13b				
c	Enter the amount of reserves on hand.	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a				No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b				

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	15	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	5	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	Yes
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ 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 BRYAN G JACKSON 1600 WEST 40TH AVENUE PINE BLUFF, AR (870) 541-7100

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

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

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

- 1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid

List all of the organization's **current** key employees, if any See instructions for definition of "key employee "

List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) FRANK ANTHONY DIRECTOR	1 0 0 0	X						0	0	0
(2) DREW ATKINSON DIRECTOR	1 0 0 0	X						0		0
(3) JERREL BOAST DIRECTOR	1 0 0 0	X						0		0
(4) DAVID BROWN DIRECTOR	1 0 0 0	X								
(5) JAMES A CAMPBELL MD DIRECTOR	1 0 0 0	X								
(6) MARTY CASTEEL VICE CHAIRMAN	1 0 0 0	X		X						
(7) MICHELLE ECKERT MD FACS DIRECTOR	1 0 0 0	X						111,721		
(8) ANNETTE KLINE DIRECTOR	1 0 0 0	X								
(9) GEORGE MAKRIS CHAIRMAN	1 0 0 0	X		X						
(10) JOANN B MAYS MD DIRECTOR	1 0 0 0	X								
(11) CHUCK MORGAN SECRETARY	1 0 0 0	X		X						
(12) SCOTT PITTILO DIRECTOR	1 0 0 0	X								
(13) CLIFTON ROAF DDS DIRECTOR	1 0 0 0	X								
(14) HENRY FORD TROTTER III DIRECTOR	1 0 0 0	X								
(15) OT GORDON MD DIRECTOR/JRMC CHIEF OF STAFF	15 0 0 0	X						27,500		
(16) WALTER JOHNSON PRESIDENT/CEO	40 0 0 0	X		X				745,414		28,546
(17) THOMAS HARBUCK EXECUTIVE VP	40 0 0 0			X				629,962		31,146

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	5,089,869	0	318,277

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 64

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
EMURGENT CARE INC , 8 SHACKLEFORD PLAZA LITTLE ROCK AR 72211	PHYSICIAN SERVICES	3,766,608
REHAB CARE GROUP INC , PO BOX 502096 ST LOUIS MO 63150	THERAPY SERVICES	3,119,182
SODEXHO INC AFFILIATES , PO BOX 536922 ATLANTA GA 30353	NUTRITIONAL SERVICES	2,646,126
UAMS - AHEC , 4010 MULBERRY ST PINE BLUFF AR 71603	PHYSICIAN SERVICES	1,980,428
JEFFERSON ANESTHESIOLOGY , PO BOX 1272 PINE BLUFF AR 71613	PROFESSIONAL SERVICE	1,855,987

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 ▶51

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations 1d				
	e	Government grants (contributions) 1e 1,140,454				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f 397,230				
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f	1,537,684			
Program Service Revenue	2a	PATIENT SERVICE REVENUE	Business Code			
			621400	169,040,483	169,040,483	
	b	EHR INCENTIVE REVENUE	900099	1,662,267	1,662,267	
	c					
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a–2f	170,702,750			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	3,511,372		13,572	3,497,800
	4	Income from investment of tax-exempt bond proceeds	0			
	5	Royalties	0			
	6a	Gross rents	(i) Real	(ii) Personal		
			545,425			
			545,425	0		
	b	Less rental expenses				
	c	Rental income or (loss)				
	d	Net rental income or (loss)	545,425		2,400	543,025
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other		
			106,397	10,410		
			52,212	42,124		
	b	Less cost or other basis and sales expenses				
	c	Gain or (loss)	54,185	-31,714		
	d	Net gain or (loss)	22,471			22,471
	8a	Gross income from fundraising events (not including \$ of contributions reported on line 1c) See Part IV, line 18				
		a	13,536			
	b	Less direct expenses b	6,269			
	c	Net income or (loss) from fundraising events	7,267			7,267
	9a	Gross income from gaming activities See Part IV, line 19				
		a				
	b	Less direct expenses b				
	c	Net income or (loss) from gaming activities	0			
	10a	Gross sales of inventory, less returns and allowances				
		a				
	b	Less cost of goods sold b				
	c	Net income or (loss) from sales of inventory	0			
	Miscellaneous Revenue		Business Code			
	11a	CAFETERIA	722320	1,289,901		1,289,901
	b	WELLNESS CENTER	713940	944,510		944,510
	c	PATHOLOGY/OUTSIDE LAB BILLING	900099	150,200	150,200	
	d	All other revenue		1,904,944		1,904,944
	e	Total. Add lines 11a–11d	4,289,555			
	12	Total revenue. See Instructions	180,616,524	170,702,750	166,172	8,209,918

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.	122,361	122,361		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	431,664	431,664		
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	2,892,759	383,275	2,509,484	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	210,297	189,395	20,902	
7	Other salaries and wages.	75,650,500	68,407,156	7,243,344	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	2,411,285	2,110,875	300,410	
9	Other employee benefits.	7,198,313	6,267,958	930,355	
10	Payroll taxes.	5,544,790	4,853,991	690,799	
11	Fees for services (non-employees):				
a	Management.	4,144,967	3,757,631	387,336	
b	Legal.	219,331	145,560	73,771	
c	Accounting.	194,770		194,770	
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	26,408,832	24,114,965	2,293,867	
12	Advertising and promotion.	69,645	20,492	49,153	
13	Office expenses.	6,438,344	4,570,728	1,867,616	
14	Information technology.	1,529,168	1,276,235	252,933	
15	Royalties.	0			
16	Occupancy.	2,594,269	2,340,990	253,279	
17	Travel.	308,494	190,566	117,928	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	173,135	156,941	16,194	
20	Interest.	995,673	958,061	37,612	
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	8,883,258	8,547,685	335,573	
23	Insurance.	1,999,743	1,954,552	45,191	
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	DUES & FEES	443,748	170,465	273,283	
b	MEDICAL SUPPLIES	27,014,637	27,014,637		
c	PAYMENTS TO RELATED PARTIES	1,774,546	1,735,000	39,546	
d	LICENSES & TAXES	2,683,074	2,660,831	22,243	
e	All other expenses	-2,932	-10,188	7,256	
25	Total functional expenses. Add lines 1 through 24e.	180,334,671	162,371,826	17,962,845	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		18,572,418	1	-361,052
	2	Savings and temporary cash investments		0	2	10,893,481
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		22,929,527	4	23,934,247
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		1,812,431	7	1,467,006
	8	Inventories for sale or use		4,941,179	8	4,724,705
	9	Prepaid expenses and deferred charges		2,797,891	9	2,999,683
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a200,791,469			
	b	Less accumulated depreciation	10b145,320,665	58,914,277	10c	55,470,804
	11	Investments—publicly traded securities		97,514,664	11	108,576,141
	12	Investments—other securities See Part IV, line 11		2,278,826	12	2,220,107
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		32,036,343	15	33,679,150
	16	Total assets. Add lines 1 through 15 (must equal line 34)		241,797,556	16	243,604,272
Liabilities	17	Accounts payable and accrued expenses		34,845,472	17	35,871,605
	18	Grants payable		0	18	0
	19	Deferred revenue		3,355,512	19	2,714,498
	20	Tax-exempt bond liabilities		25,483,245	20	24,181,006
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		736,257	25	836,849
	26	Total liabilities. Add lines 17 through 25		64,420,486	26	63,603,958
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		177,377,070	27	180,000,314
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		177,377,070	33	180,000,314
	34	Total liabilities and net assets/fund balances		241,797,556	34	243,604,272

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	180,616,524
2	Total expenses (must equal Part IX, column (A), line 25)	2	180,334,671
3	Revenue less expenses Subtract line 2 from line 1	3	281,853
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	177,377,070
5	Net unrealized gains (losses) on investments	5	1,756,352
6	Donated services and use of facilities	6	585,039
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	180,000,314

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis	2a	No
b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis	2b	Yes
c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	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?	3a	Yes
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	Yes

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

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.

Department of the Treasury
Internal Revenue Service

Name of the organization
Jefferson Hospital Association Inc

Employer identification number
71-0329353

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

a ☐ Type I b ☐ Type II c ☐ Type III - Functionally integrated d ☐ Type III - Non-functionally integrated
- e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f ☐ If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

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

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

(iii) A 35% controlled entity of a person described in (i) or (ii) above?
- h Provide the following information about the supported organization(s)

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

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

Part II

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

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

Part IIISupport Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		

Part IV **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

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

▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization Jefferson Hospital Association Inc	Employer identification number 71-0329353
--	--

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

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

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

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

Part II-B

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

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?	Yes		0
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		28,721
j	Total. Add lines 1c through 1i.			28,721
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
LOBBYING ACTIVITIES	SCHEDULE C, PART II-B, LINE 1I	A PORTION OF DUES PAID TO ARKANSAS HOSPITAL ASSOCIATION and AMERICAN HOSPITAL ASSOCIATION ARE USED FOR LOBBYING EXPENSES. Additional lobbying expenses were paid to McDermott Will & Emory for the Sole Community Hospital Coalition and related media advocacy.

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Jefferson Hospital Association Inc

Employer identification number
71-0329353

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

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

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

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

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

	Held at the End of the Year
a Total number of conservation easements	2a
b Total acreage restricted by conservation easements	2b
c Number of conservation easements on a certified historic structure included in (a)	2c
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ \$ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ \$ _____

(ii) Assets included in Form 990, Part X ▶ \$ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ \$ _____

b Assets included in Form 990, Part X ▶ \$ _____

Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3

Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII and complete the following table

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

☐

Part V

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2

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

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment

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

3a

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

(i) unrelated organizations

(ii) related organizations

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

b

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

3b

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		4,805,853		4,805,853
b Buildings		82,610,077	55,956,339	26,653,738
c Leasehold improvements		1,739,592	1,323,880	415,712
d Equipment		110,504,787	88,040,446	22,464,341
e Other		1,131,160		1,131,160
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				55,470,804

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	
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		
e	Add lines 2a through 2d		2e	
3	Subtract line 2e from line 1		3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIII)	4b		
c	Add lines 4a and 4b		4c	
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)		5	

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

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

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
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SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Jefferson Hospital Association Inc

Employer identification number
71-0329353

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☒ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☒ 150% ☐ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☒ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b	Yes	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.			

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		8,257	13,009,395		13,009,395	7 210 %
b Medicaid (from Worksheet 3, column a)		10,832	1,985,951		1,985,951	1 100 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs		19,089	14,995,346		14,995,346	8 310 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			81,125	8,400	72,725	0 040 %
f Health professions education (from Worksheet 5)			6,284,747	2,527,443	3,757,304	2 080 %
g Subsidized health services (from Worksheet 6)			2,951,871	908,583	2,043,288	1 130 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			554,025	431,664	122,361	0 070 %
j Total Other Benefits			9,871,768	3,876,090	5,995,678	3 320 %
k Total. Add lines 7d and 7j		19,089	24,867,114	3,876,090	20,991,024	11 630 %

Part IICommunity 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
1Physical improvements and housing						
2Economic development						
3Community support			201,515	1,381	200,134	0 110 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total			201,515	1,381	200,134	0 110 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1Yes

2Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

210,910,082

3Enter 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.

30

4Provide 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

5Enter total revenue received from Medicare (including DSH and IME).

556,190,930

6Enter Medicare allowable costs of care relating to payments on line 5.

657,699,479

7Subtract line 6 from line 5. This is the surplus (or shortfall).

7-1,508,549

8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.

☒ Cost accounting system

☐ Cost to charge ratio

☐ Other

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?

9aYes

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

9bYes

Part IVManagement Companies and Joint Ventures

(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 %
1JEFFERSON SURGERY				
2CENTER PLLC	AMBULATORY SURGERY CENTER	61 000 %	2 000 %	37 000 %
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

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

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	JEFFERSON REGIONAL MEDICAL CENTER 1600 W 40TH AVENUE PINE BLUFF, AR 71603	X	X		X			X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

JEFFERSON REGIONAL MEDICAL CENTER

Name of hospital facility or facility reporting group

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

1

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a ☒ A definition of the community served by the hospital facility		
b ☒ Demographics of the community		
c ☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d ☒ How data was obtained		
e ☒ The health needs of the community		
f ☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g ☒ The process for identifying and prioritizing community health needs and services to meet the community health needs		
h ☒ The process for consulting with persons representing the community's interests		
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j ☐ Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	No
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a ☒ Hospital facility's website		
b ☒ Available upon request from the hospital facility		
c ☐ Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a ☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b ☒ Execution of the implementation strategy		
c ☐ Participation in the development of a community-wide plan		
d ☐ Participation in the execution of a community-wide plan		
e ☐ Inclusion of a community benefit section in operational plans		
f ☒ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g ☒ Prioritization of health needs in its community		
h ☒ Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>150</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a ☒ Income level			
b ☒ Asset level			
c ☒ Medical indigency			
d ☒ Insurance status			
e ☐ Uninsured discount			
f ☒ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?		13	Yes
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
a ☒ The policy was posted on the hospital facility's website			
b ☒ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☒ The policy was posted in the hospital facility's admissions offices			
e ☒ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☒ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged		17	No
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

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

☒

Notified individuals of the financial assistance policy on admission
- b

☒

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

☒

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

☒

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

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

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

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	☒ Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

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

(list in order of size, from largest to smallest)

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

9

Name and address	Type of Facility (describe)
1HEALTH CARE PLUS 209 N BLAKE PINE BLUFF,AR 71603	PHYSICIAN CLINIC
2CENTER On AGING 4747 DUSTY LAKE DR SUITE 101 PINE BLUFF,AR 71603	PHYSICIAN CLINIC
3RHUEMATOLOGY CLINIC 1609 W 40TH SUITE 207 PINE BLUFF,AR 71603	PHYSICIAN CLINIC
4PINE BLUFF SPECIALTY CLINIC 1601 W 40TH SUITE 301 PINE BLUFF,AR 71603	PHYSICIAN CLINIC
5CARDIOLOGY ASSOCIATES 1601 W 40TH SUITE 301 PINE BLUFF,AR 71603	PHYSICIAN CLINIC
6ENDOCRINOLOGY OF SOUTH ARKANSAS 7500 DOLLARWAY RD WHITE HALL,AR 71603	PHYSICIAN CLINIC
7SOUTH ARKANSAS ORTHOPEADICS CENTER 1609 W 40TH SUITE 501 PINE BLUFF,AR 71603	PHYSICIAN CLINIC
8SOUTH ARKANSAS CARDIOVASCULAR SURGERY 1609 W 40TH AVE PINE BLUFF,AR 71603	PHYSICIAN CLINIC
9SURGICAL ASSOCIATES OF SOUTHEAST AR 1609 W 40TH AVE PINE BLUFF,AR 71603	PHYSICIAN CLINIC
10	

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
AVAILABILITY OF COMMUNITY BENEFIT REPORT	SCHEDULE H, PART I, LINE 6B	THE ORGANIZATION MAKES ITS ANNUAL COMMUNITY BENEFIT REPORT AVAILABLE ON THE ORGANIZATION'S WEBSITE and UPON REQUEST
COMMUNITY BUILDING ACTIVITIES	SCHEDULE H, PART II	SEE STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS ON FORM 990, PART III, LINE 4A

Identifier	ReturnReference	Explanation
BAD DEBT METHODOLOGY	SCHEDULE H, PART III, LINE 2	THE AMOUNT REPORTED ON LINE 2 IS BASED ON BAD DEBTS PER THE AUDITED FINANCIAL STATEMENTS
BAD DEBT ATTRIBUTABLE TO PATIENTS ELIGIBLE FOR FINANCIAL ASSISTANCE	SCHEDULE H, PART III, LINE 3	THE ORGANIZATION HAS ESTIMATED THE AMOUNT OF BAD DEBT EXPENSE OTHERWISE ATTRIBUTABLE TO ACCOUNTS WHO MAY QUALIFY FOR FINANCIAL ASSISTANCE UTILIZING HISTORIC INFORMATION AND HAS EXCLUDED THESE AMOUNTS FROM BAD DEBT EXPENSE, OFFSETTING NET PATIENT SERVICE REVENUE ACCORDINGLY

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE	SCHEDULE H, PART III, LINE 4	Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Association analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Association analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Association records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. For the years ended June 30, 2013 and 2012, there were no significant changes in the underlying assumptions used in estimating the allowance for uncollectible and charity accounts or in the policies regarding uncollectible accounts for charity care.
MEDICARE SHORTFALL and costing methodology	SCHEDULE H, PART III, LINE 8	THE ORGANIZATION MAINTAINS A COST ACCOUNTING SYSTEM THAT COMPUTES COSTS AT THE PATIENT LEVEL. THE COSTING METHODOLOGIES ARE APPLIED TO THE ORGANIZATION'S MEDICARE PATIENTS TO DETERMINE THE COST OF PROVIDING CARE. AS A SAFETY NET HOSPITAL, THE ORGANIZATION PROVIDES CARE TO ALL PATIENTS REGARDLESS OF SOURCE OF PAYMENT, THEREFORE, COSTS TO PROVIDE CARE TO MEDICARE PATIENTS SHOULD BE CONSIDERED A COMMUNITY BENEFIT TO THE EXTENT COSTS EXCEED MEDICARE REIMBURSEMENT.

Identifier	ReturnReference	Explanation
COLLECTIONS POLICY	SCHEDULE H, PART III, LINE 9B	PATIENT ACCOUNTS QUALIFYING FOR CHARITY CARE WOULD NOT INTENTIONALLY BE PLACED WITH A DEBT COLLECTION SERVICE FROM TIME TO TIME, INFORMATION THAT RESULTS IN THE DETERMINATION OF CHARITY QUALIFICATION IS OBTAINED SUBSEQUENT TO A PATIENTS ACCOUNT BEING PLACED WITH A DEBT COLLECTION AGENCY THE ORGANIZATIONS "COLLECTION AGENCY POLICY" REQUIRES CONTRACTED COLLECTION AGENTS, IN ADDITION TO MANY OTHER PRUDENT PROCEDURES, TO INFORM THE DEBTOR OF THE APPROPRIATE HOSPITAL FINANCIAL ASSISTANCE PROFESSIONAL TO CONTACT IF THE COLLECTION AGENT IS MADE AWARE OF A PATIENTS FINANCIAL HARDSHIP THE COLLECTION AGENT IS ALSO REQUIRED TO NOTIFY THE ORGANIZATION OF THE PATIENTS FINANCIAL HARDSHIP SO THE ORGANIZATION CAN ASSIST THE PATIENT IN ACCESSING THE ORGANIZATION'S FINANCIAL ASSISTANCE PROGRAMS
FINANCIAL ASSISTANCE POLICY ELIGIBILITY	SCHEDULE H, PART V, SECTION B, LINE 20	AMOUNTS CHARGED TO PATIENTS ELIGIBLE FOR FINANCIAL ASSISTANCE UNDER THE ORGANIZATIONS FINANCIAL ASSISTANCE POLICY ARE DETERMINED BASED ON A SLIDING-SCALE THAT CONSIDERS INCOME AS COMPARED TO FEDERAL POVERTY GUIDeLINES

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	SCHEDULE H, PART VI, LINE 2	SEE STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS ON FORM 990, PART III, LINE 4A PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE SCHEDULE H, PART VI, LINE 3 A FINANCIAL COUNSELOR INITIATES A FINANCIAL SCREENING ON ALL INPATIENTS, OBSERVATION PATIENTS AND OUTPATIENTS OCCUPYING A BED HAVING NO INSURANCE INDICATED ON THEIR ACCOUNT THIS PROCESS INCLUDES SCREENING FOR CHARITY CARE ASSISTANCE, MEDICAID COVERAGE AND OTHER THIRD PARTY COVERAGE OUTPATIENTS RECEIVE A FINANCIAL ASSISTANCE GUIDE SHEET SUMMARIZING ASSISTANCE OFFERED BY JRMC AT THE TIME OF REGISTRATION
COMMUNITY INFORMATION	SCHEDULE H, PART VI, LINE 4	SEE STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS ON FORM 990, PART III, LINE 4A

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, LINE 5	SEE STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS ON FORM 990, PART III, LINE 4A
AFFILIATED HEALTH CARE SYSTEM	SCHEDULE H, PART VI, LINE 6	THIS IS NOT APPLICABLE FOR TAX YEAR 2012 STATE FILING of COMMUNITY BENEFIT REPORT SCHEDULE H, PART VI, LINE 7 ARKANSAS

Identifier	ReturnReference	Explanation
CONSULTING REPRESENTATIVES OF THE COMMUNITY	SCHEDULE H, PART V, SECTION B, LINE 3	THE HOSPITAL took into account input from all three groups outlined in IRS notice 2011-52 The hospital consulted individuals from the following organizations the Center for Business and Economic Research, SAM M WALTON COLLEGE OF BUSINESS,UNIVERSITY OF ARKANSAS, the Arkansas Department of Health, and the Centers for Medicare and Medicaid Services The hospital also engaged FIVE focus groups with business and Community leaders, Health care Consumers, Southeast Arkansas community members, and Physicians from its primary and secondary service areas There were over 100 individuals consulted Their names can be found in the chna report
Needs not addressed From CHNA	Schedule H, part v, section b, Line 7	ONE COMMUNITY HEALTH NEED IDENTIFIED IN THE CHNA WAS DETERMINED TO BE OUTSIDE THE SCOPE OF THE ORGANIZATION OTHER ORGANIZATIONS, INCLUDING THE ARKANSAS DEPARTMENT OF HEALTH, SCHOOLS AND OTHER HEALTHCARE ORGANIZATIONS HAVE TAKEN ON THE RESPONSIBILITY OF EDUCATION AND PREVENTION OF SEXUALLY TRANSMITTED DISEASES IN THE YOUTH OF THE COMMUNITY

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization
Jefferson Hospital Association Inc

Employer identification number
71-0329353

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) UNIVERSITY OF AR - PINE BLUFF 1200 N UNIVERSITY MAIL SLOT 4891 PINE BLUFF,AR 71601	71-6010030	501(C)(3)	50,000				SPONSORSHIPS 2011-2012 AND 2010-2011
(2) UNITED WAY OF SE ARKANSAS PO BOX 8702 PINE BLUFF,AR 71611	71-0236869	501(C)(3)	44,485				2011 CAMPAIGN PLEDGE
(3) ARTS & SCIENCE CENTER FOR SE ARKANSAS 701 MAIN STREET PINE BLUFF,AR 71601	71-0401966	501(C)(3)	15,000				PROGRAM SPONSORSHIP

2

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

3

3

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

Part III

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

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance
(1) FEDERAL PELL GRANT (US DEPT OF EDUCATION)	73	349,979			
(2) ACADEMIC CHALLENGE SCHOLARSHIPS (STATE OF AR)	3	5,250			
(3) REHABILITATION GRANTS (STATE OF AR)	12	33,701			
(4) WIA ADULT PROGRAM GRANTS (US DEPT OF LABOR)	15	24,134			
(5) GO ¹ OPPORTUNITIES GRANTS (STATE OF AR)	12	5,250			

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
PROCEDURES FOR MONITORING GRANTS	SCHEDULE I, PART I, LINE 2	JEFFERSON HOSPITAL ASSOCIATION, INC MAINTAINED RECORDS TO SUBSTANTIATE THE AMOUNT OF THE GRANTS OR ASSISTANCE, THE GRANTEEES' ELIGIBILITY FOR THE GRANTS OR ASSISTANCE, AND THE SELECTION CRITERIA USED TO AWARD GRANTS OR ASSISTANCE
DIFFERENCE BETWEEN SCHEDULE I AND STATEMENT OF FUNCTIONAL EXPENSES	FORM 990, PART IX, LINE 1 & SCHEDULE I, PART II, LINE 1	THE ORGANIZATION IS REPORTING THE CONTRIBUTIONS PAID ON SCHEDULE I, WHICH IS NOT NECESSARILY ON THE ACCRUAL BASIS BECAUSE THE ORGANIZATION RECORDS LONG-TERM PLEDGES AT THEIR NPV AND RECORDS ACCRETION OF INTEREST OVER TIME THE PLEDGES, WHEN PAID, ARE A REDUCTION OF THIS LIABILITY AND NOT CURRENT YEAR EXPENSE WHICH MAY CAUSE A DIFFERENCE BETWEEN AMOUNT REPORTED ON FORM 990, PAGE 10 AND SCHEDULE I, PART II

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Jefferson Hospital Association Inc

Employer identification number
71-0329353

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

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

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii) Do not list any individuals that are not listed on Form 990, Part VII
Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual

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

Part IIISupplemental Information

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

Identifier	Return Reference	Explanation
SCHEDULE J, PART I, LINE 1A		- Tax gross-up payments are included in the supplemental nonqualified retirement plan identified below - A discretionary spending account is provided for the CEO - COUNTRY CLUB MEMBERSHIPS ARE MAINTAINED BY THE ORGANIZATION FOR THE USE OF SPECIFIC EMPLOYEES AS DESIGNATED BY THE BOARD OF DIRECTORS
SCHEDULE J, PART I, LINE 1B		There is no written policy regarding provision of country club memberships. The Board of Directors designates which employees may use memberships maintained by the organization.
PARTICIPANTS IN SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN	SCHEDULE J, PART I, LINE 4B	PARTICIPANTS IN SERP PLAN REPORTED IN W-2 ----- WALTER JOHNSON \$122,422 THOMAS HARBUCK \$104,699 BRIAN THOMAS \$49,671 LOUISE HICKMAN \$52,868 BRYAN JACKSON NONE
NON-FIXED PAYMENTS	SCHEDULE J, PART I, LINE 7	THE ORGANIZATION PROVIDES DEFINED MEMBERS OF MANAGEMENT A NON-FIXED PERFORMANCE BASED INCENTIVE PLAN. THE PLAN'S COMPONENTS ARE ESTABLISHED AND EVALUATED BY THE ORGANIZATION'S EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS.

Software ID:
Software Version:
EIN: 71-0329353
Name: Jefferson Hospital Association 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				
WALTER JOHNSON	(i) (ii)	367,243	109,200	268,971	10,794 0	20,164 0	776,372 0	0 0
THOMAS HARBUCK	(i) (ii)	317,216	99,053	213,693	10,794 0	22,600 0	663,356 0	0 0
BRIAN THOMAS	(i) (ii)	228,007	56,517	91,826	10,794 0	20,369 0	407,513 0	0 0
BRYAN G JACKSON	(i) (ii)	189,931	45,000	50,628	60,359 0	20,565 0	366,483 0	0 0
LOUISE HICKMAN	(i) (ii)	167,172	41,408	107,298	10,794 0	18,113 0	344,785 0	0 0
AARON KUPERMAN	(i) (ii)	314,658	98,004	17,166	10,669 0	8,162 0	448,659 0	0 0
ALI ALNASHIF	(i) (ii)	408,321	16,000	17,339	10,794 0	14,513 0	466,967 0	0 0
CHARLES HOFFLER	(i) (ii)	433,180	51,823	1,599	4,905 0	21,316 0	512,823 0	0 0
JAMES ALAN POLLARD	(i) (ii)	298,120	166,696	11,949	11,114 0	13,976 0	501,855 0	0 0
JOHN O LYTTLE	(i) (ii)	223,646	516,388	22,596	10,794 0	24,548 0	797,972 0	0 0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Jefferson Hospital Association Inc

Supplemental Information on Tax Exempt Bonds

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Employer identification number
71-0329353

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 JEFFERSON COUNTY AR	71-6009958	472705DF6	12-15-2011	26,013,416	REFUND 2001 BONDS		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	510,000							
2	Amount of bonds legally defeased	0							
3	Total proceeds of issue	26,013,416							
4	Gross proceeds in reserve funds	0							
5	Capitalized interest from proceeds	0							
6	Proceeds in refunding escrows	25,395,168							
7	Issuance costs from proceeds	372,172							
8	Credit enhancement from proceeds	246,076							
9	Working capital expenditures from proceeds	0							
10	Capital expenditures from proceeds	0							
11	Other spent proceeds	0							
12	Other unspent proceeds	0							
13	Year of substantial completion	2012							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?		X						
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

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

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?	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
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Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

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

OMB No 1545-0047
2012
Open to Public Inspection

Name of the organization Jefferson Hospital Association Inc	Employer identification number 71-0329353
--	--

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

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

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

Software ID:
Software Version:
EIN: 71-0329353
Name: Jefferson Hospital Association 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) RICHARD MORGAN	See Schedule O	0	See Schedule O		No
(2) Simmons First National Bank	See Schedule O	0	See Schedule O		No
(3) CENTRAL MOLONEY	See Schedule O	0	See Schedule O		No
(4) LINDSAY MAKRIS	See Schedule O	0	See Schedule O		No
(5) ARKANSAS HOSPITAL ASSOCIATION	See Schedule O	0	See Schedule O		No
(6) REBECCA PITILLO	See Schedule O	0	See Schedule O		No
(7) STRONG MANUFACTURING	See Schedule O	0	See Schedule O		No

SCHEDULE O
(Form 990 or 990-EZ)Department of the Treasury
Internal Revenue Service**Supplemental Information to Form 990 or 990-EZ****Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.**
▶ **Attach to Form 990 or 990-EZ.**

OMB No 1545-0047

2012**Open to Public
Inspection**Name of the organization
Jefferson Hospital Association Inc**Employer identification number**

71-0329353

Identifier	Return Reference	Explanation
DELEGATION OF AUTHORITY	FORM 990, PART VI, SECTION A, LINE 1A	AN EXECUTIVE COMMITTEE MAY BE ELECTED BY THE BOARD OF DIRECTORS TO CONSIST OF NOT LESS THAN THREE DIRECTORS THE COMMITTEE IS ABLE TO EXERCISE ALL AUTHORITY OF THE BOARD DURING INTERVALS BETWEEN MEETINGS OF THE BOARD WITH RESPECT TO THE AFFAIRS OF THE CORPORATION, BUT SHALL BE SUBJECT TO THE CONTROL AND DIRECTION OF THE FULL BOARD THE COMMITTEE SHALL ALSO CONDUCT AN EVALUATION OF THE CHIEF EXECUTIVE OFFICER ANNUALLY FOR THE FULL BOARD OF DIRECTORS TO REVIEW RELATIONSHIPS OF OFFICERS, DIRECTORS, AND TRUSTEES FORM 990, PART VI, SECTION A, LINE 2 Chuck Morgan (JHA Director) and Annette Kline (JHA Director) have a business relationship Marty Casteel (JHA Director) and Dr Clifton Roaf (JHA Director) have a business relationship George Makris (JHA Director) and Dr Clifton Roaf (JHA Director) have a business relationship George Makris (JHA Director) and Marty Casteel (JHA Director) have a business relationship H Ford Trotter III (JHA Director) and Dr Clifton Roaf (JHA Director) have a business relationship H Ford Trotter III (JHA Director) and Marty Casteel (JHA Director) have a business relationship H Ford Trotter III (JHA Director) and George Makris (JHA Director) have business relationships H Ford Trotter III (JHA Director) and David Brown (JHA Director) have a business relationship H Ford Trotter III (JHA Director) and Walter Johnson (JHA President and CEO) have a business relationship George Makris (JHA Director) and David Brown (JHA Director) have a business relationship Frank Anthony (JHA Director) and Walter Johnson (JHA President and CEO) have a business relationship Marty Casteel (JHA Director) and Chuck Morgan (JHA Director) have a business relationship Scott Pittillo (JHA Director) and Annette Kline (JHA Director) have a business relationship Scott Pittillo (JHA Director) and Chuck Morgan (JHA Director) have a business relationship Drew Atkinson (JHA Director) and Frank Anthony (JHA Director) have a business relationship Drew Atkinson (JHA Director) and Walter Johnson (JHA President & CEO) have a business relationship BRYAN JACKSON (JHA OFFICER) AND FRANK ANTHONY (JHA DIRECTOR) HAVE A BUSINESS RELATIONSHIP BRYAN JACKSON (JHA OFFICER) AND DREW ATKINSON (JHA DIRECTOR) HAVE A BUSINESS RELATIONSHIP

Identifier	Return Reference	Explanation
MEMBERS OR STOCKHOLDERS	FORM 990, PART VI, SECTION A, LINE 6	THE ORGANIZATION HAS A MEMBERSHIP CONSISTING OF 30 JEFFERSON COUNTY ARKANSAS RESIDENTS

Identifier	Return Reference	Explanation
POWER TO ELECT OR APPOINT MEMBERS OF GOVERNING BODY	FORM 990, PART VI, SECTION A, LINE 7A	THE MEMBERSHIP OF THE ORGANIZATION HAS THE RESPONSIBILITY OF ELECTING THE BOARD OF DIRECTORS AT THE ANNUAL MEMBERSHIP MEETING

Identifier	Return Reference	Explanation
DESCRIBE PROCESS TO REVIEW FORM 990	FORM 990, PART VI, SECTION B, LINE 11B	THE FORM 990 AND FORM 990-T ARE PREPARED AND REVIEWED UNDER THE DIRECTION OF THE CHIEF FINANCIAL OFFICER. FINAL DRAFTS OF THE RETURNS ARE PRESENTED TO THE GOVERNANCE COMMITTEE OF THE BOARD OF DIRECTORS, WHICH IS DESIGNATED BY THE BOARD OF DIRECTORS TO FULFILL THE FIDUCIARY RESPONSIBILITY OF THE GOVERNING BODY TO REVIEW AND APPROVE THE RETURNS BEFORE THEY ARE FILED WITH THE IRS. AFTER ANY FINAL REVISIONS ARE MADE AND THE RETURNS ARE APPROVED BY THE GOVERNANCE COMMITTEE AND THE BOARD OF DIRECTORS, A FINAL VERSION IS POSTED TO AN INTERNAL SECURE WEBSITE WITH A LINK E-MAILED TO EACH VOTING MEMBER OF THE BOARD OF DIRECTORS.

Identifier	Return Reference	Explanation
MONITOR AND ENFORCEMENT OF COMPLIANCE WITH POLICIES	FORM 990, PART VI, SECTION B, LINE 12C	THE ORGANIZATION REQUIRES NOT ONLY AN ANNUAL CONFLICT OF INTEREST DISCLOSURE, BUT ALSO disclosure WHEN SITUATIONS SUBSEQUENT TO THE ANNUAL DISCLOSURE DEVELOP THAT WOULD POTENTIALLY PLACE THE INDIVIDUAL IN A CONFLICT OF INTEREST IN THOSE SITUATIONS, IMMEDIATE DISCLOSURE IS REQUIRED THE GOVERNANCE COMMITTEE OF THE BOARD OF DIRECTORS CONDUCTS THE ANNUAL REVIEW OF CONFLICT OF INTEREST DISCLOSURES IN THE EVENT THE GOVERNANCE COMMITTEE DETERMINES THAT A CONFLICT EXISTS, LEGAL COUNSEL IS CONSULTED IF LEGAL COUNSEL DETERMINES THAT A CONFLICT EXISTS, THE PERSON IS INFORMED AND THE MATTER IS REPORTED TO THE BOARD FOR ACTION ANY DIRECTOR OR OFFICER WHOSE TRANSACTIONS ARE BEING REVIEWED WOULD ABSENT HIMSELF/HERSELF FROM THE REVIEW

Identifier	Return Reference	Explanation
COMPENSATION OF CEO AND OTHER OFFICERS	FORM 990, PART VI, SECTION B, LINE 15A & 15B	THE BOARD OF DIRECTORS HAS ESTABLISHED A SEPARATE COMPENSATION COMMITTEE CHARGED WITH PERFORMING AN ANNUAL PERFORMANCE AND COMPENSATION REVIEW OF THE CEO AND OTHER OFFICERS THE COMPENSATION COMMITTEE MOST RECENTLY ENGAGED A THIRD-PARTY GLOBAL HUMAN CAPITAL CONSULTING FIRM IN 2012 TO DEVELOP AND MAINTAIN A COMPENSATION PACKAGE THAT IS REASONABLE AS COMPARED TO SIMILAR POSITIONS AT NON-PROFIT HEALTHCARE ORGANIZATIONS OF SIMILAR SIZE AND COMPLEXITY THE COMPENSATION COMMITTEE THEN MAKES A REPORT TO THE FULL BOARD OF DIRECTORS OF ANY COMPENSATION ADJUSTMENTS

Identifier	Return Reference	Explanation
AVAILABILITY OF DOCUMENTS TO THE PUBLIC	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION PROVIDES PHOTOCOPIES OF ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY , FINANCIAL STATEMENTS, AND OTHER DOCUMENTS TO ALL WHO REQUEST ONE OR MORE OF THE ITEMS

Identifier	Return Reference	Explanation
OTHER FEES FOR SERVICES	FORM 990, PART IX, LINE 11G	PHYSICIAN FEES \$9,805,127 PURCHASED SERVICES \$8,539,086 PROFESSIONAL FEES \$3,082,196 CONTRACT LABOR \$2,232,828 OTHER FEES \$2,749,595 ----- TOTAL \$26,408,832

Identifier	Return Reference	Explanation
BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS	SCHEDULE L, PART IV, COLUMNS B, C, & D	(A) NAME OF PERSON RICHARD MORGAN (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION FAMILY MEMBER OF CHUCK MORGAN (JHA DIRECTOR) (C) TRANSACTION AMOUNTS REPORTED ARE GREATER THAN \$10,000 (D) DESCRIPTION OF TRANSACTION EMPLOYEE OF JRMC (A) NAME OF PERSON SIMMONS FIRST NATIONAL BANK AND/OR SIMMONS FIRST NATIONAL CORPORATION (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION ENTITY IN WHICH DR CLIFTON ROAF, MARTY CASTEEL, GEORGE MAKRIS AND FORD TROTTER III ARE OFFICERS OR DIRECTORS (C) TRANSACTION AMOUNTS REPORTED ARE GREATER THAN \$100,000 (D) DESCRIPTION OF TRANSACTION INTEREST INCOME & BANK/TRUSTEE FEES (A) NAME OF PERSON CENTRAL MOLONEY (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION ENTITY IN WHICH CHUCK MORGAN (JHA DIRECTOR) IS AN OFFICER (C) TRANSACTION AMOUNTS REPORTED ARE GREATER THAN \$100,000 (D) DESCRIPTION OF TRANSACTION HEALTH CARE PAYMENTS (A) NAME OF PERSON LINDSAY MAKRIS (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION FAMILY MEMBER OF GEORGE MAKRIS (JHA DIRECTOR) (C) TRANSACTION AMOUNTS REPORTED ARE GREATER THAN \$10,000 (D) DESCRIPTION OF TRANSACTION EMPLOYEE OF JRMC (A) NAME OF PERSON ARKANSAS HOSPITAL ASSOCIATION (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION WALTER JOHNSON (JHA PRESIDENT & CEO) IS A BOARD MEMBER (C) TRANSACTION AMOUNTS REPORTED ARE GREATER THAN \$100,000 (D) DESCRIPTION OF TRANSACTION HOSPITAL MEMBERSHIP DUES (A) NAME OF PERSON REBECCA PITTILLO (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION FAMILY MEMBER OF SCOTT PITTILLO (JHA DIRECTOR) (C) TRANSACTION AMOUNTS REPORTED ARE GREATER THAN \$10,000 (D) DESCRIPTION OF TRANSACTION EMPLOYEE OF JRMC (A) NAME OF PERSON STRONG MANUFACTURING (B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION ENTITY IN WHICH ANNETTE KLINE (JHA DIRECTOR) IS AN OFFICER (C) TRANSACTION AMOUNTS REPORTED ARE GREATER THAN \$100,000 (D) DESCRIPTION OF TRANSACTION HEALTH CARE PAYMENTS

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Jefferson Hospital Association Inc

Employer identification number
71-0329353

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)					
(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end- of-year assets	(h) Disproporionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) JEFFERSON SURGERY CENTER PLLC 1600 W 40TH AVE PINE BLUFF, AR 71603 71-0810564	AMB SURGERY	AR	JHA	RELATED	264,729	1,232,757		No	0	Yes		61 000 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) JRMC DEVELOPMENT INC 1600 W 40TH AVE PINE BLUFF, AR 71603 71-0664723	REAL ESTATE MGMT	AR	JHA	C CORP	-125,526	16,843,494	100 000 %	Yes	
(2) JEFFERSON MANAGEMENT SERVICES INC 1600 W 40TH AVE PINE BLUFF, AR 71603 71-0582753	PHYS PRACTICE MGT	AR	JHA	C CORP	0	886,189	100 000 %	Yes	

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a Yes

1b No

1c No

1d No

1e No

1f No

1g No

1h No

1i No

1j No

1k Yes

1l Yes

1m Yes

1n No

1o No

1p No

1q No

1r Yes

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

Schedule R (Form 990) 2012

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

[illegible]

Software ID:
Software Version:
EIN: 71-0329353
Name: Jefferson Hospital Association Inc

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation
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--> Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
JRMC DEVELOPMENT INC	A	1,633,688	G/L ACTIVITY
JRMC DEVELOPMENT INC	R	314,346	G/L ACTIVITY
JRMC DEVELOPMENT INC	S	444,104	G/L ACTIVITY
JRMC DEVELOPMENT INC	K	679,790	G/L ACTIVITY
JRMC DEVELOPMENT INC	L	365,444	G/L ACTIVITY
JEFFERSON MANAGEMENT SERVICES INC	L	285,013	G/L ACTIVITY
JEFFERSON MANAGEMENT SERVICES INC	R	100,000	G/L ACTIVITY
Jefferson Surgery Center PLLC	L	1,512,591	G/L ACTIVITY
Jefferson Surgery Center PLLC	M	1,151,747	G/L ACTIVITY
Jefferson Surgery Center PLLC	R	1,112,609	G/L ACTIVITY
Jefferson Surgery Center PLLC	S	1,498,104	G/L ACTIVITY

Jefferson Hospital Association, Inc.

Auditor's Report and Consolidated Financial Statements

June 30, 2013 and 2012



Jefferson Hospital Association, Inc.
June 30, 2013 and 2012

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Independent Auditor's Report

Board of Directors
Jefferson Hospital Association, Inc
Pine Bluff, Arkansas

We have audited the accompanying consolidated financial statements of Jefferson Hospital Association, Inc , which comprise the consolidated balance sheet as of June 30, 2013, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 Jefferson Hospital Association, Inc as of June 30, 2013, and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The supplementary information as of and for the year ended June 30, 2012, was audited by other auditors whose report dated August 31, 2012, expressed an unmodified opinion on such information in relation to the basic financial statements as of and for the year ended June 30, 2012, taken as a whole.

Prior Year Audited by Other Auditors

The 2012 consolidated financial statements were audited by other auditors and their report thereon, dated August 31, 2012, expressed an unmodified opinion.

BKD, LLP

Dallas, Texas
October 10, 2013

Jefferson Hospital Association, Inc.
Consolidated Balance Sheets
June 30, 2013 and 2012

Assets

	2013	2012
Current Assets		
Cash and cash equivalents	\$ 11,688,914	\$ 19,623,729
Assets limited as to use – current	192,479	232,159
Patient accounts receivable, net of allowance, 2013 – \$18,615,000, 2012 – \$20,221,000	20,088,898	18,550,228
Other receivables	5,075,255	5,355,810
Notes receivable – current	348,917	428,513
Supplies	4,897,194	5,115,152
Prepaid expenses	3,096,960	2,898,473
Total current assets	45,388,617	52,204,064
Assets Limited As To Use		
Internally designated for capital improvements	108,383,662	97,282,505
Held by trustee under indenture agreement	192,479	232,159
	108,576,141	97,514,664
Less amount required to meet current obligations	192,479	232,159
	108,383,662	97,282,505
Property and Equipment, Net	72,542,687	76,943,578
Other Assets		
Notes receivable	1,118,089	1,383,918
Investment in affiliates	1,138,839	1,173,892
Deferred financing costs	547,498	589,885
Other	836,849	736,257
Total other assets	3,641,275	3,883,952
Total assets	<u>\$ 229,956,241</u>	<u>\$ 230,314,099</u>

Liabilities and Net Assets

	2013	2012
Current Liabilities		
Current maturities of long-term debt	\$ 1,305,000	\$ 1,265,000
Trade accounts payable	5,316,920	6,201,913
Accrued employee leave	5,017,698	4,760,769
Accrued interest expense	83,177	86,340
Accrued expenses and other current liabilities	10,910,519	7,802,968
Deferred revenue and gains – current	704,844	691,806
Total current liabilities	23,338,158	20,808,796
Long-term Debt	22,876,006	24,218,245
Deferred Revenue and Gains	2,009,654	2,663,706
Other Long-term Liabilities	16,076,477	17,479,139
Total liabilities	64,300,295	65,169,886
Net Assets		
Unrestricted		
Undesignated	56,580,982	67,198,747
Board designated	108,383,662	97,282,505
Noncontrolling interest in subsidiary	691,302	662,961
Total net assets	165,655,946	165,144,213
Total liabilities and net assets	\$ 229,956,241	\$ 230,314,099

Jefferson Hospital Association, Inc.
Consolidated Statements of Operations
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted Revenues, Gains and Other Support		
Patient service revenue (net of contractual discounts and allowances)	\$ 181,439,031	\$ 179,126,987
Less Provision for uncollectible accounts	<u>11,361,301</u>	<u>6,849,046</u>
Net patient service revenue, less provision for uncollectible accounts	170,077,730	172,277,941
Other revenue	<u>9,255,508</u>	<u>10,812,187</u>
Total unrestricted revenues, gains and other support	<u>179,333,238</u>	<u>183,090,128</u>
Expenses		
Salaries and wages	79,320,405	75,935,817
Employee benefits	15,460,395	14,778,047
Professional fees	14,926,988	14,850,590
Supplies	32,726,863	30,265,330
Purchased services	15,197,630	14,881,824
Agency personnel	654,790	90,857
Utilities	3,141,996	3,144,526
Insurance	2,113,247	2,831,624
Other	8,847,241	8,734,663
Depreciation and amortization	10,375,073	10,742,786
Interest	995,674	1,358,200
Provision (credit) for uncollectible accounts	<u>(18,786)</u>	<u>41,518</u>
Total expenses	<u>183,741,516</u>	<u>177,655,782</u>
Operating Income (Loss)	<u>(4,408,278)</u>	<u>5,434,346</u>
Other Income (Expense)		
Investment return	1,878,402	896,835
Earnings from investment in affiliates	769,461	685,997
Loss on bond refinancing	<u>-</u>	<u>(422,030)</u>
Total other income (expense)	<u>2,647,863</u>	<u>1,160,802</u>
Excess (Deficiency) of Revenues Over Expenses	(1,760,415)	6,595,148
Change in unrealized gains and losses on investments	1,756,352	(747,357)
Contributions of or for acquisition of property and equipment	585,039	577,201
Sale of JPMC interest in JSC to noncontrolling interest owners	32,007	-
Distributions to members	<u>(101,250)</u>	<u>(169,745)</u>
Increase in Unrestricted Net Assets	<u>\$ 511,733</u>	<u>\$ 6,255,247</u>

Jefferson Hospital Association, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2013 and 2012

	Controlling Interest	Noncontrolling Interest	Total Unrestricted Net Assets
Unrestricted Net Assets – June 30, 2011	\$ 158,161,933	\$ 727,033	\$ 158,888,966
Excess of revenues over expenses	6,489,475	105,673	6,595,148
Change in unrealized gains and losses on investments	(747,357)	-	(747,357)
Contributions of or for acquisition of property and equipment	577,201	-	577,201
Distributions to noncontrolling interest owners	-	(169,745)	(169,745)
	<u>6,319,319</u>	<u>(64,072)</u>	<u>6,255,247</u>
Increase (decrease) in unrestricted net assets			
Unrestricted Net Assets – June 30, 2012	164,481,252	662,961	165,144,213
Excess (deficiency) of revenues over expenses	(1,857,999)	97,584	(1,760,415)
Change in unrealized gains and losses on investments	1,756,352	-	1,756,352
Contributions of or for acquisition of property and equipment	585,039	-	585,039
Sale of JRMC interest in JSC to noncontrolling interest owners	-	32,007	32,007
Distributions to noncontrolling interest owners	-	(101,250)	(101,250)
	<u>483,392</u>	<u>28,341</u>	<u>511,733</u>
Increase in unrestricted net assets			
Unrestricted Net Assets – June 30, 2013	<u><u>\$ 164,964,644</u></u>	<u><u>\$ 691,302</u></u>	<u><u>\$ 165,655,946</u></u>

Jefferson Hospital Association, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Activities		
Change in net assets	\$ 511,733	\$ 6,255,247
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation and amortization	10,289,347	10,672,387
Forgiveness of physician loan agreements	220,687	632,484
(Gain) loss on disposal of property and equipment	25,818	(766,416)
Loss on bond refinancing	-	422,030
Net (gain) loss on investments	(2,136,915)	1,043,720
Earnings from investment in affiliates	(769,461)	(685,997)
Contributions of or for acquisition of property and equipment	(585,039)	(577,201)
Provision for uncollectible accounts	11,342,515	6,890,564
Distributions to noncontrolling interest owners	101,250	169,745
Changes in		
Patient accounts receivable	(12,899,971)	(9,451,233)
Other receivables	265,412	(1,009,825)
Supplies	217,958	(314,909)
Prepaid expenses	(264,187)	(431,858)
Accounts payable, accrued expenses and other liabilities	2,327,616	3,117,924
Accrued interest expense	(3,163)	(37,195)
Other long-term liabilities	(1,547,008)	(168,105)
Net cash provided by operating activities	<u>7,096,592</u>	<u>15,761,362</u>
Investing Activities		
Purchases of investments	(8,963,351)	(56,692,395)
Proceeds from sale of investments	39,797	144,560
Purchase of property and equipment	(5,714,386)	(5,796,233)
Proceeds from sale of property and equipment	10,610	26,852
Advances on physician loan agreements	(25,000)	(118,000)
Principal payments received on notes receivable	183,667	4,883,875
Distributions from equity investee	772,506	682,583
Proceeds from sale of Jefferson Surgery Center units	66,600	50,700
Purchase of Jefferson Surgery Center units	(35,600)	(50,700)
Net cash used in investing activities	<u>(13,665,157)</u>	<u>(56,868,758)</u>
Financing Activities		
Principal payments on long-term debt	(1,265,000)	(26,284,999)
Proceeds from issuance of long-term debt	-	26,013,414
Payment of deferred financing costs	-	(612,845)
Distribution to noncontrolling interest owners	(101,250)	(169,745)
Net cash used in financing activities	<u>(1,366,250)</u>	<u>(1,054,175)</u>
Decrease in Cash and Cash Equivalents	<u>(7,934,815)</u>	<u>(42,161,571)</u>
Cash and Cash Equivalents, Beginning of Year	<u>19,623,729</u>	<u>61,785,300</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 11,688,914</u></u>	<u><u>\$ 19,623,729</u></u>
Supplemental Cash Flows Information		
Interest paid	\$ 998,837	\$ 1,321,005

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

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

Nature of Operations

Jefferson Hospital Association, Inc (the Association) provides a wide range of health care services to patients from Jefferson County and surrounding areas in southeast Arkansas. All material intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements include the following divisions and companies:

Organization	Primary Business Activity	Tax Status
Jefferson Regional Medical Center	Acute Care Medical Center	Division of the Association (501(c)3))
Jefferson Management Services, Inc	Physician Practice Management	For-Profit Corporation
Jefferson Regional Medical Center Development, Inc	Practice Office Space Sold and Leased to Physicians and Other Third Parties	For-Profit Corporation
Jefferson Surgery Center, PLLC	Ambulatory Surgery Center Majority owned by JHA	Professional Limited Liability Company

During the years ended June 30, 2013 and 2012, the Association had investments in the following unconsolidated subsidiaries, which are accounted for using the equity method:

Entity	Interest
Arkansas Preferred Provider Organization, Inc	50%
Premier Purchasing Partners, L P	<1%
Hospice Home Care of Pine Bluff, P L L C	35% at June 30, 2012
Jefferson Regional Home Care, L L C	33%

Use of Estimates

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

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Cash and Cash Equivalents

The Association considers all liquid investments with original maturities of three months or less to be cash equivalents, other than those classified as assets limited as to use. At June 30, 2013 and 2012, cash equivalents consisted primarily of balances in bank repurchase sweep accounts.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are measured at fair value in the accompanying consolidated balance sheets. Other investments are valued at the lower of cost or fair value. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments.

Assets Limited As To Use

Assets limited as to use include assets set aside by the Board of Directors (the Board) for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. Assets limited as to use also include restricted assets held under long-term debt agreements. Amounts required to meet current liabilities of the Association have been reclassified to current assets in the accompanying consolidated balance sheets at June 30, 2013 and 2012.

Patient Accounts Receivable

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

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

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

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

For the years ended June 30, 2013 and 2012, there were no significant changes in the underlying assumptions used in estimating the allowance for uncollectible and charity accounts or in the policies regarding uncollectible accounts for charity care.

Supplies

Supplies are stated at the lower of cost, determined using the average cost method, or market.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is recorded over the estimated useful life of each asset and is computed using the straight-line method.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	10 – 40 years
Equipment	3 – 15 years

Gifts of long-lived assets such as land, buildings or equipment are reported as additions to unrestricted net assets, and are excluded from 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 restrictions about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Long-lived Asset Impairment

The Association evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2013 and 2012.

Deferred Financing Costs

Financing costs incurred in connection with the issuance of Series 2011 Hospital Revenue and Refunding bonds in the amount of \$612,845 are being amortized over the life of the related bonds using the straight-line method which approximates the effective interest method. At June 30, 2013 and 2012, accumulated amortization was \$65,347 and \$22,960, respectively.

In addition, unamortized issue costs of \$341,451 related to the refinanced Series 2001 Hospital Revenue Improvement and Refinancing Bonds were included as a component of the loss on bond refinancing on the accompanying consolidated statement of operations for the year ended June 30, 2012.

Investment in Affiliates

The investments in affiliates are accounted for using the equity method. Under the equity method the Association recognizes the original investment in the affiliate adjusted by the Association's percentage of the affiliate's profit or loss and any contributions or distributions.

Net Patient Service Revenue

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

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Charity Care

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

Professional Liability Claims

The Association recognizes an accrual for claim liabilities and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 15*.

Self-insurance

The Association has elected to self-insure certain costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to expense when incurred. The Association has purchased insurance that limits its exposure for individual claims.

Electronic Health Record Incentive Payments

As discussed in *Note 10*, the Association received funds under the Electronic Health Records (EHR) Incentive Program during 2013 and 2012. The Association recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured the Association will meet all meaningful use objectives and when any other specific grant requirements that are applicable are met.

Income Taxes

The Association has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Association is subject to federal income tax on any unrelated business taxable income.

Jefferson Management Services, Inc. and Jefferson Regional Medical Center Development, Inc. are taxable entities and had no material deferred tax balances at June 30, 2013 and 2012.

The Association's majority owned professional limited liability company, Jefferson Surgery Center, P L L C, is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not provided for or payable by Jefferson Surgery Center, P L L C.

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

The Association's income tax returns are subject to review and examination by federal, state and local authorities. The Association is not aware of any activities that would jeopardize its tax-exempt status. The Association is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes that are not currently being recognized. The tax returns for tax years 2010 to 2012 are open to examination by federal, local and state authorities.

Excess of Revenues Over Expenses

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

Transfers Between Fair Value Hierarchy Levels

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

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

In preparing these consolidated financial statements, the Association has considered events and transactions that have occurred through October 10, 2013, which is the date the consolidated financial statements were issued.

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Note 2: Net Patient Service Revenue

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

- **Medicare** – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per inpatient discharge or outpatient visit. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity. Certain inpatient non-acute services and defined medical education costs are paid based on a cost reimbursement methodology. The Association is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Association and audits thereof by the Medicare administrative contractor. The Association's Medicare cost reports have been audited by the Medicare administrative contractor through June 30, 2009. Estimated amounts due to Medicare for settlement of annual cost reports is included in accrued expenses and other current liabilities in the accompanying consolidated balance sheets.
- **Medicaid** – Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, subject to certain cost limitations. The Association is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Association and audits thereof by the Medicaid administrative contractor. Outpatient services rendered to Medicaid program beneficiaries are paid based on defined allowable charges. The Association's Medicaid cost reports have been audited by the Medicaid administrative contractor through June 30, 2007. Estimated amounts due to Medicaid for settlement of annual cost reports is included in accrued expenses and other current liabilities in the accompanying consolidated balance sheets.

The Association receives supplemental Medicaid funds under the Arkansas Medicaid programs' Upper Payment Limit (UPL) provisions. Total funds awarded under this program were \$1,141,024 and \$1,232,575 for the years ended June 30, 2013 and 2012, respectively, which is included in net patient service revenue on the accompanying consolidated statement of operations. Amounts due to the Association under this program are included in other receivables in the accompanying consolidated balance sheets.

Jefferson Hospital Association, Inc.

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

The Association participates in the provider assessment program as a part of the Arkansas State Medicaid Plan. This program assesses a fee of no more than 1% on the net patient service revenue of private hospitals and allocates the proceeds to supplement Medicaid payments. The federal government matches the assessment amount at a rate of approximately 3 to 1 and these amounts are allocated to private hospitals in Arkansas based on each hospital's share of the total of these hospitals' Medicaid discharges and outpatient Medicaid payments. Based on its status as a private hospital, the Association participates in this program and records the assessed fees and the supplemental payments as expenses and net patient service revenues in the period incurred or earned, respectively. Amounts recorded for expected assessment payments under this program for the years ended June 30, 2013 and 2012, were approximately \$2,652,000 and \$2,443,000, respectively. Amounts recorded for expected receipts under this program for the years ended June 30, 2013 and 2012, were approximately \$9,537,000 and \$8,908,000, respectively.

Assessment payments are reflected in the accompanying consolidated statements of operations as a component of other operating expenses and the assessment receipts are reflected in the accompanying consolidated statements of operations as a component of net patient service revenue. Amounts due to the Association under this program are included in other receivables in the accompanying consolidated balance sheets.

- **Other** – The Association has also entered into payment agreements with Blue Cross and Blue Shield and other commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined 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 reasonable possibility that recorded estimates will change by a material amount in the near term.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized for the years ended June 30, 2013 and 2012, was as follows:

	2013	2012
Medicare	\$ 79,178,686	\$ 79,765,741
Medicaid	20,869,911	18,994,518
Other third-party payers	71,542,825	74,129,138
Self-pay	9,847,609	6,237,590
	<u>\$ 181,439,031</u>	<u>\$ 179,126,987</u>

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Note 3: Concentration of Credit Risk

Patient Accounts Receivable

The Association grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at June 30, 2013 and 2012, is as follows:

	2013	2012
Medicare	46 %	39 %
Medicaid	4	5
Other third-party payers	48	54
Patients	2	2
Totals	<u>100 %</u>	<u>100 %</u>

Bank Balances

During the normal course of business, the Association maintains deposits in various financial institutions that exceed federally insured limits. At June 30, 2013, the Association's cash accounts exceeded federally insured limits by approximately \$300,000. Certain cash balances are routinely invested in overnight repurchase agreements that are not covered by FDIC insurance programs.

The repurchase agreements are collateralized by securities held by the Association's financial institution in the Association's name. The securities purchased pursuant to the repurchase agreements must be direct obligations of the U.S. government or obligations fully guaranteed as to principal and interest by the U.S. government or agency.

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Note 4: Investments and Investment Return

Assets Limited As To Use

The composition of assets limited as to use at June 30, 2013 and 2012, is shown in the following table

	<u>2013</u>	<u>2012</u>
Internally designated for capital improvements		
Cash	\$ 5,000,000	\$ 5,000,000
Certificates of deposit	6,983,652	3,585,192
Money market mutual funds	13,013,809	31,716,777
U S Treasury obligations	14,896,472	14,451,429
U S agency obligations	32,429,329	19,418,563
Corporate bonds	10,267,243	2,050,945
Mutual funds and equity securities	25,491,331	20,861,583
Accrued investment income receivable	301,826	198,016
	<u>108,383,662</u>	<u>97,282,505</u>
Held by trustee under indenture agreement		
Cash	<u>192,479</u>	<u>232,159</u>
Total assets limited as to use	<u><u>\$ 108,576,141</u></u>	<u><u>\$ 97,514,664</u></u>

Investment Income

Investment income and gains and losses on assets limited as to use, cash and other investments are comprised of the following for the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Investment return		
Interest and dividend income	\$ 1,496,831	\$ 1,193,198
Realized gain (loss) on investments	<u>381,571</u>	<u>(296,363)</u>
	<u><u>\$ 1,878,402</u></u>	<u><u>\$ 896,835</u></u>
Other changes in unrestricted net assets		
Change in unrealized gains and losses on investments	<u><u>\$ 1,756,352</u></u>	<u><u>\$ (747,357)</u></u>

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Unrealized Losses

Certain investments in debt and marketable equity securities are reported in the consolidated financial statements at an amount less than their historical cost. The following tables show the Association's investments, gross unrealized losses and fair value, aggregated by investment category, at June 30, 2013 and 2012. Securities that are expected to recover have been in an unrealized loss position for less than 12 consecutive months.

June 30, 2013				
Expected Recovery			Other than Temporary Decline	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable certificates of deposit	\$ 2,151,218	\$ (62,782)	\$ -	\$ -
U S Treasury obligations	2,839,382	(29,598)	-	-
U S agency obligations	26,399,738	(605,210)	-	-
Corporate bonds	9,693,847	(41,497)	-	-
Equity securities and mutual funds	1,827,719	(116,171)	-	-
Total	<u>\$ 42,911,904</u>	<u>\$ (855,258)</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 2012				
Expected Recovery			Other than Temporary Decline	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable certificates of deposit	\$ 1,332,953	\$ (7,047)	\$ -	\$ -
U S Treasury obligations	3,123,678	(4,347)	-	-
U S agency obligations	6,754,850	(26,335)	-	-
Corporate bonds	1,134,576	(1,049)	-	-
Equity securities and mutual funds	8,753,358	(886,454)	437,797	(232,203)
Total	<u>\$ 21,099,415</u>	<u>\$ (925,232)</u>	<u>\$ 437,797</u>	<u>\$ (232,203)</u>

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Management continually reviews its investment portfolio and evaluates whether declines in the fair value of securities should be considered other than temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near term prospects, conditions in the issuer's industry, the recommendation of advisors and the length of time and extent to which the market value has been less than cost.

Total unrealized losses at June 30, 2013 and 2012, amounted to approximately \$855,000 and \$1,157,000, respectively. Of these amounts, at June 30, 2013 and 2012, approximately \$0 and \$232,000, respectively, are related to unrealized loss positions determined to have experienced impairment in fair value and are therefore recorded as other-than-temporary declines in fair value of investments.

At June 30, 2013, total unrealized losses of approximately \$855,000 are expected to be recovered in future periods as the Association has the intent and ability to hold these investments until further market recovery occurs.

Note 5: Notes Receivable

Notes receivable as of June 30, 2013 and 2012, were as follows:

	2013	2012
Physician loan agreements	\$ 95,417	\$ 456,104
Note receivable – sale of fixed assets	23,818	36,039
Note receivable – construction funding	1,307,001	1,313,447
Interest receivable	40,770	6,841
	<u>1,467,006</u>	<u>1,812,431</u>
Less current portion	<u>348,917</u>	<u>428,513</u>
	<u><u>\$ 1,118,089</u></u>	<u><u>\$ 1,383,918</u></u>

Physician Loan Agreements

Physician loan agreements consist of amounts advanced or loaned to certain physicians that are either being paid back or amortized as certain criteria are met. Amounts forgiven under the physician recruitment agreements were approximately \$221,000 and \$632,000 for the years ended June 30, 2013 and 2012, respectively.

Note Receivable – Sale of Fixed Assets

During fiscal year 2008, the Association sold certain fixed assets to an unrelated company in exchange for a note receivable of \$6,200,000 calling for certain principal and interest payments. The original agreement was extended a number of times as the debtor sought alternative financing.

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

During the year ended June 30, 2011, an agreement was reached regarding settlement of the remaining debt for \$5,000,000 to cancel the note. During the year ended June 30, 2012, the debtor obtained alternative financing and, as a result, the Association received a cash payment of \$4,809,000 and approximately \$191,000 was placed in escrow, pending resolution of certain mortgage liens. In addition, other components of the debtor's indebtedness to the Association remain outstanding. Collectability, of the remaining debt under a continuing indebtedness agreement, net of unrecognized deferred gain on the sale of assets, is not reasonably assured, and an offsetting allowance has been recorded.

The original sale in fiscal 2008 resulted in a gain of \$1,948,896. This gain was recorded as deferred gain on sale of fixed assets, and is being recognized as income as principal payments under the note agreement and subsequent agreements are received. For the years ended June 30, 2013 and 2012, approximately \$22,000 and \$805,000, respectively, was recognized.

Note Receivable – Construction Funding

Effective November 1, 2006, the Association entered into a note receivable agreement with an unrelated party to provide funding for the construction of an assisted living facility. The terms of the note call for 480 monthly principal and interest payments of \$7,747 at an annual rate of interest of 6.25%. Total interest income earned from the note receivable was approximately \$82,000 for the years ended June 30, 2013 and 2012, respectively. The note is secured by real and personal property.

Note 6: Investments in Affiliates

Investments in affiliates consist of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Arkansas Preferred Provider Organization, Inc	\$ 820,887	\$ 777,750
Premier Purchasing Partners, L P	288,846	343,021
Jefferson Regional Home Care, L L C	<u>29,106</u>	<u>53,121</u>
	<u>\$ 1,138,839</u>	<u>\$ 1,173,892</u>

Jefferson Hospital Association, Inc.
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The Association's interest in Hospice Home Care of Pine Bluff, P L L C had no value at June 30, 2012, and was divested in 2013. All investments are recorded on the equity method of accounting that approximates the Association's equity in the underlying book value.

A description of investment in affiliates at June 30, 2013 and 2012, is as follows:

Arkansas Preferred Provider Organization, Inc.

The Association has a 50% equity interest in Arkansas Preferred Provider Organization (APPO), a regional network of doctors, hospitals and other healthcare professionals dedicated to providing appropriate, quality healthcare at affordable rates.

A summary of the APPO's unaudited assets, liabilities and results of operations as of June 30, 2013 and 2012, were as follows:

	<u>2013</u>	<u>2012</u>
Assets	<u>\$ 1,657,797</u>	<u>\$ 1,572,393</u>
Liabilities	\$ 16,023	\$ 16,893
Equity	<u>1,641,774</u>	<u>1,555,500</u>
	<u>\$ 1,657,797</u>	<u>\$ 1,572,393</u>
Revenues	\$ 166,310	\$ 158,136
Expenses	<u>125,549</u>	<u>120,521</u>
Net income	<u>\$ 40,761</u>	<u>\$ 37,615</u>

Premier Purchasing Partners, L.P.

The Association is a member of Premier Purchasing Partners, L P, a cooperative of organizations put together to negotiate discount prices on various supplies and other items purchased by the Association. For the years ended June 30, 2013 and 2012, the Association received approximately \$561,000 and \$507,000, respectively, in dividend distributions from Premier Purchasing Partners, L P.

Jefferson Regional Home Care, L.L.C.

The Association has a 33% equity interest in Jefferson Regional Home Care, LLC. For the years ended June 30, 2013 and 2012, the Association received approximately \$183,000 and \$174,000, respectively, in distributions from Jefferson Regional Home Care, L L C.

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
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Note 7: Property and Equipment

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

	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 8,997,285	\$ 9,000,303
Buildings and improvements	109,947,880	108,282,183
Fixed and moveable equipment	<u>114,142,261</u>	<u>116,451,143</u>
	233,087,426	233,733,629
Less accumulated depreciation	<u>161,713,339</u>	<u>158,588,441</u>
	71,374,087	75,145,188
Construction in progress	<u>1,168,600</u>	<u>1,798,390</u>
	<u><u>\$ 72,542,687</u></u>	<u><u>\$ 76,943,578</u></u>

Construction in progress as of June 30, 2013 and 2012, consists of various information system implementations and equipment upgrades expected to be completed within the next 12 months and paid for with operating cash flows

Note 8: Long-term Debt

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

<u>Description</u>	<u>2013</u>	<u>2012</u>
Series 2011 Hospital Revenue Improvement and Refunding Bonds (Series 2011 Bonds), interest ranging from 2 0% to 5 0%, due in varying amounts through 2026, secured by real and personal property and a pledge of the gross receipts of the Association	\$ 23,700,000	\$ 24,965,000
Unamortized premium	<u>481,006</u>	<u>518,245</u>
Total long-term debt	24,181,006	25,483,245
Less current maturities	<u>1,305,000</u>	<u>1,265,000</u>
Long-term debt, net of current maturities	<u><u>\$ 22,876,006</u></u>	<u><u>\$ 24,218,245</u></u>

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
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Refinancing Transaction

During the year ended June 30, 2012, the Association refinanced the Series 2001 Hospital Revenue Improvement and Refinancing Bonds with the proceeds from the issuance of Series 2011 bonds. The refinancing transaction resulted in a loss of \$422,030 due to the write-off of remaining unamortized deferred finance costs and discount related to issuance of the Series 2001 bonds.

Restrictive Covenants

Under the Series 2011 Bonds, the Association must meet certain operational and performance covenants and is limited in the amount of additional debt which can be incurred. Management believes the Association was in compliance with all debt covenants as of June 30, 2013 and 2012.

Optional Redemption

All of the Series 2011 Bonds still outstanding may be redeemed at the Association's option on any interest payment date on or after December 1, 2019, at a redemption price of par plus accrued interest to the redemption date.

Repayment

Scheduled principal repayments on revenue bonds are as follows:

Year Ending June 30,	
2014	\$ 1,305,000
2015	1,345,000
2016	1,395,000
2017	1,450,000
2018	1,515,000
Thereafter	<u>16,690,000</u>
	<u><u>\$ 23,700,000</u></u>

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
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Legal Ownership

The legal ownership of the Association premises is held by Jefferson County, Arkansas. However, the cost of the premises is reflected on the accompanying consolidated financial statements in that the premises are leased to Jefferson Hospital Association, Inc. under a lease agreement expiring December 11, 2040. During the term of the lease, the Association is obligated to operate a general hospital for the residents of Jefferson County, have nonprofit status, establish a schedule of charges, admit patients, maintain the hospital and equipment and insure the facility. The payments required by the lease are in an amount required to pay for the cost of construction and debt retirement over the term of the lease. These payments are recorded as payments against indebtedness of the Association related to construction cost. This debt is also reflected on the accompanying consolidated financial statements. Under the terms of the Bond Indenture, all rights, title and interest of Jefferson County in the lease, including Jefferson County's right to receive payments of rent there under, is assigned to the Trustee to secure the repayment of the Series 2011 Bonds.

Note 9: Deferred Revenue and Gains

A summary of deferred revenue and gains at June 30, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Software and implementation agreement	\$ 1,196,419	\$ 1,565,622
Medical equipment agreement	1,358,667	1,600,360
Gain on sale of fixed assets	23,818	36,039
Other	<u>135,594</u>	<u>153,491</u>
	2,714,498	3,355,512
Less current portion	<u>704,844</u>	<u>691,806</u>
	<u><u>\$ 2,009,654</u></u>	<u><u>\$ 2,663,706</u></u>

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Software and Implementation Agreement

During the year ended June 30, 2010, the Association entered into an agreement with a software company to receive a suite of various integrated software products, related implementation services and maintenance provided to the Association at a cost lower than market value. In consideration, the Association has agreed to showcase the products to the software company's prospective customers. The agreement provides for specified minimum visits, calls and other related promotional performance for a term of seven years, ending September 29, 2016.

The value of software and services received through June 30, 2013 and 2012, in excess of payments made was \$2,006,159. Revenue recognized related to assets put into service during the year ended June 30, 2013 and 2012, was approximately \$368,000 and \$323,000, respectively, and is recognized as a capital contribution, which is a component of the changes in unrestricted net assets.

Medical Equipment Agreement

During the year ended June 30, 2012, the Association entered into an agreement with a supplier under which it received medical equipment at no cost in exchange for a multiple year purchase commitment, see *Note 15*. In consideration, the Association agreed to purchase related medical supplies used with the equipment from the supplier for a period of seven years, ending in April 30, 2019.

The fair value of equipment and associated licensing received under the agreement is \$1,640,000, which was recorded as a deferred gain. The deferred gain is being recognized related to this agreement over the seven year purchase commitment period and, as a result, during the years ended June 30, 2013 and 2012, approximately \$241,000 and \$40,000 was recognized, respectively.

Note 10: Electronic Health Record Incentive Program

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on the Association continuing to meet the escalating meaningful use criteria.

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
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For the first payment year, the Association must attest, subject to an audit, that it met the meaningful use criteria for a continuous 90-day period. For the subsequent payment years, the Association must demonstrate meaningful use for the entire year. The incentive payments are generally made over a four year period. For hospitals that do not start receiving meaningful use payments until federal fiscal year 2014 or 2015, the base payment amount will reduce in subsequent years by $\frac{1}{4}$, $\frac{1}{2}$ and $\frac{3}{4}$.

The Association demonstrated meaningful use to the Stage 1 criteria for the initial 90-day reporting period during the year ended June 30, 2011. In addition, the Association demonstrated meaningful use criteria for the second payment year during 2012 and believes they are reasonably assured of meeting the meaningful use criteria for the third payment year and have elected to ratably recognize revenue during the year ended June 30, 2013, for payments expected after October 2013. As a result, the total of EHR incentive revenue recognized for both Medicare and Medicaid amounted to approximately \$1,572,000 and \$2,197,000. These amounts are included as other operating revenues in the accompanying consolidated statements of operations for the years ended June 30, 2013 and 2012, respectively.

The final amount of these payments will be determined based on information from the Association's Medicare cost reports and audits thereof by the fiscal intermediary. Events could occur that would cause the final payments to differ materially upon final settlement.

Note 11: Defined Contribution Pension Plans

401(k) Contribution Plan

The Association has established a 401(k) retirement savings plan that permits eligible employees to contribute through salary deferral elections. Employee rollover contributions are also permitted under the plan. The Association makes matching contributions of 25% of employees' salary deferral amounts up to 6% of eligible compensation. In addition, the Association makes fixed contributions of 3% of eligible compensation, as well as certain discretionary contributions, which were approximately 1.2% and 1.5% of eligible compensation during the years ended June 30, 2013 and 2012, respectively.

Contributions are subject to certain limitations. Forfeitures are used to offset the Association's cost under the plan. Total pension plan expense for the years ended June 30, 2013 and 2012, was approximately \$2,516,000 and \$2,703,000, respectively.

403(b) Contribution Plan

The Association also sponsors a tax deferred annuity plan (TDA or 403(b)) which allows employees to make pretax salary contributions in addition to their contributions to the 401(k) retirement savings plan, subject to certain legal limits. There was no match or other contribution to the TDA plan by the Association for the years ended June 30, 2013 and 2012.

Jefferson Hospital Association, Inc.
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June 30, 2013 and 2012

457(b) Contribution Plan

The Association has a deferred compensation plan under which eligible employees receive payments of deferred compensation on retirement or severance from employment. The employee withholdings are invested in self-directed investments that are held in the Association's name. An investment in self-directed investments and a related liability are reflected on the Association's consolidated financial statements in the amounts of \$836,849 and \$736,257 at June 30, 2013 and 2012, respectively.

Note 12: Uncompensated Care

In support of its mission, the Association voluntarily provides care to patients that meet the Association's charity care criteria. Because the Association does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. The Association's criteria is based on federal poverty guidelines and uses patients' income information to determine amounts of free or discounted care on a tiered scale. Primarily, this information is obtained from patients through an application process, but the Association also utilizes presumptive data to make assessments of patients' ability to pay in order to qualify individuals under the policy.

Charges excluded from revenue under the Association's charity care policy were approximately \$71,231,000 and \$64,337,000 for the years ended June 30, 2013 and 2012, respectively.

Included in these amounts are gross charges of \$7,398,000 and \$10,353,000 for the years ended June 30, 2013 and 2012, from accounts previously considered to be uncollectible and written-off or reserved in provision for bad debts in a prior fiscal year. These patient accounts were subsequently qualified for charity care under the Association's financial assistance policy during the years ended June 30, 2013 and 2012, causing a reclassification from current bad debt expense with an increase to the amount of charges excluded from gross revenue for charity care.

In addition, the Association provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients and many times the payments are less than the cost of rendering the services provided.

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Notes to Consolidated Financial Statements
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The Association's estimated total cost of uncompensated care relating to these services and other services are as follows for the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Charity allowances	\$ 13,816,000	\$ 12,350,000
State Medicaid and other public aid programs	2,693,000	2,560,000
Uncollectible accounts	<u>1,837,000</u>	<u>1,144,000</u>
	<u>\$ 18,346,000</u>	<u>\$ 16,054,000</u>

The cost of uncompensated care is calculated using the Association's cost accounting system on individual patients for the above services. The uncompensated care cost of state Medicaid and other public aid programs is determined by computing the cost of providing that care less amounts paid by the programs.

Note 13: Functional Expenses

The Association provides health care services to residents within its geographic location. Expenses related to providing these services by functional class for the years ended June 30, 2013 and 2012, are estimated to be

	<u>2013</u>	<u>2012</u>
Health care services	\$ 164,673,614	\$ 159,219,432
General and administrative	<u>19,067,902</u>	<u>18,436,350</u>
	<u>\$ 183,741,516</u>	<u>\$ 177,655,782</u>

Note 14: Related Party Transactions

From time to time, the Association conducts business transactions with companies that members of the Board have a direct or indirect relationship. These relationships and transactions are disclosed by the Board members in annual conflict of interest statements and are approved annually by the Board. Certain of these transactions are also disclosed in the Association's annual Internal Revenue Service Form 990, in accordance with applicable disclosure requirements.

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Note 15: Significant Estimates, Concentrations and Commitments

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

Allowance for Net Patient Service Revenue Adjustments

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

Investments

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

General and Professional Liability Insurance Coverage and Claims

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of professional liability claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. The Association relies on the doctrine of charitable immunity, which states that charitable, not-for-profit organizations are immune from liability for damages in tort, except to the extent that they may be covered by liability insurance.

The Association has purchased commercial insurance coverage for general and professional liability claims under a claims-made policy on a fixed premium basis for claims not to exceed an individual limit of \$250,000 and an aggregate limit of \$750,000 annually (less applicable deductibles).

The Association records estimates of amounts in its financial statements to reflect the anticipated settlement of claims against it that is recorded as a component of other long-term liabilities less any current portion recorded as a component of accrued expenses and other current liabilities in the accompanying consolidated balance sheets. It is reasonably possible that this estimate could change materially in the near term.

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Health Insurance

The Association maintains a self-funded health insurance plan that is administered by a third-party administrator. At June 30, 2013 and 2012, the Association has estimated a liability of approximately \$2,009,000 and \$2,510,000 for incurred but unpaid claims, respectively.

The Association has recognized approximately \$6,947,000 and \$6,055,000 in total employer health insurance expense for the years ended June 30, 2013 and 2012, respectively.

Workers' Compensation

The Association maintains a self-funded workers' compensation insurance plan that is administered by a third-party administrator that recommends current funding under the plan. At June 30, 2013 and 2012, the Association has estimated a liability of approximately \$92,000 and \$165,000 for incurred but unpaid claims, respectively. The Association has recognized approximately \$101,000 and \$244,000 in total workers' compensation insurance expense for the years ended June 30, 2013 and 2012, respectively.

Litigation

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

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Healthcare Legislations and Regulation

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Over recent years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violation of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Association is in substantial compliance with fraud and abuse regulations, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Supply Purchase Commitment

As discussed in *Note 9*, the Association has committed to purchase medical supplies from a supplier for a period of seven years, ending in April 30, 2019, in exchange for ownership of certain medical equipment at no cost. Estimated purchase commitments under this agreement as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	
2014	\$ 766,000
2015	200,000
2016	200,000
2017	200,000
2018	200,000
2019	<u>167,000</u>
Total	<u><u>\$ 1,733,000</u></u>

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Asset Retirement Obligation

Accounting principles generally accepted in the United States of America require that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The Association's hospital facility contains asbestos and other potential materials that will likely require special handling and disposition in the future. An ARO liability has not been recorded as such a liability has not been deemed determinable based on existing information.

Health Care Reform

The Patient Protection and Affordable Care Act (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer provided health care coverage the opportunity to purchase insurance. It is possible that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. The reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The state of Arkansas is participating in the Medicaid expansion program through the use of private insurance exchanges.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible that it will have a negative impact on the Association's net patient service revenue. Additionally, it is possible that the Association will experience payment delays and other operational challenges during PPACA's implementation.

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Note 16: Disclosures About Fair Value of Assets and Liabilities

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

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

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2013 and 2012.

June 30, 2013				
Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 6,983,652	\$ -	\$ 6,983,652	\$ -
Money market mutual funds	13,013,809	13,013,809	-	-
U S Treasury obligations	14,896,472	-	14,896,472	-
U S agency obligations	32,429,329	-	32,429,329	-
Corporate bonds	10,267,243	-	10,267,243	-
Mutual fund and equity securities	25,491,331	25,491,331	-	-

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

June 30, 2012				
Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 3,585,192	\$ -	\$ 3,585,192	\$ -
Money market mutual funds	31,716,777	31,716,777	-	-
U S Treasury obligations	14,451,429	-	14,451,429	-
U S agency obligations	19,418,563	-	19,418,563	-
Corporate bonds	2,050,945	-	2,050,945	-
Mutual fund and equity securities	20,861,583	20,861,583	-	-

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2013.

Assets Limited As To Use

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Association held no Level 3 securities at June 30, 2013 or 2012.

Jefferson Hospital Association, Inc.
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June 30, 2013 and 2012

Fair Value of Financial Instruments

The following table presents estimated fair values of the Association's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2013 and 2012

June 30, 2013				
Fair Value Measurements Using				
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and cash equivalents	\$ 16,881,393	\$ 16,881,393	\$ -	\$ -
Certificates of deposit	6,983,652	-	6,983,652	-
Money market mutual funds	13,013,809	13,013,809	-	-
U S Treasury obligations	14,896,472	-	14,896,472	-
U S agency obligations	32,429,329	-	32,429,329	-
Corporate bonds	10,267,243	-	10,267,243	-
Mutual fund and equity securities	25,491,331	25,491,331	-	-
Notes receivable	1,467,006	-	2,000,210	-
Financial liabilities				
Long-term debt	24,181,006	-	24,599,403	-
June 30, 2012				
Fair Value Measurements Using				
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and cash equivalents	\$ 24,855,888	\$ 24,855,888	\$ -	\$ -
Certificates of deposit	3,585,192	-	3,585,192	-
Money market mutual funds	31,716,777	31,716,777	-	-
U S Treasury obligations	14,451,429	-	14,451,429	-
U S agency obligations	19,418,563	-	19,418,563	-
Corporate bonds	2,050,945	-	2,050,945	-
Mutual fund and equity securities	20,861,583	20,861,583	-	-
Notes receivable	1,812,431	-	2,567,754	-
Financial liabilities				

Jefferson Hospital Association, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

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

Cash and Cash Equivalents

The carrying amount approximates fair value

Notes Receivable

Fair value is estimated by discounting the cash flows of the future payments expected to be received using rates of return on assets with similar cash flows

Long-term Debt

Fair value is estimated based on the estimated trade values as of June 30, 2013 and 2012. The value is estimated using the rates currently offered for like debt instruments with similar remaining maturities

Supplementary Information

Jefferson Hospital Association, Inc.
Balance Sheet Information – Consolidating Schedule
June 30, 2013

Assets	Jefferson Regional Medical Center	Jefferson Management Services, Inc	JRMC Development, Inc	Jefferson Surgery Center, PLLC	Eliminations	Consolidated
Current Assets						
Cash and cash equivalents	\$ 10,532,429	\$ 420,755	\$ 339,901	\$ 395,829	\$ -	\$ 11,688,914
Assets limited as to use – current	192,479	-	-	-	-	192,479
Patient accounts receivable, net	19,390,853	-	-	698,045	-	20,088,898
Other receivables	4,543,394	465,434	66,202	225	-	5,075,255
Notes receivable – current	348,917	-	-	-	-	348,917
Supplies	4,724,705	-	-	172,489	-	4,897,194
Prepaid expenses	2,999,683	-	45,185	52,092	-	3,096,960
Total current assets	42,732,460	886,189	451,288	1,318,680	-	45,388,617
Assets Limited As To Use						
Internally designated for capital improvements	108,383,662	-	-	-	-	108,383,662
Held by trustee under indenture agreement	192,479	-	-	-	-	192,479
	108,576,141	-	-	-	-	108,576,141
Less amount required to meet current obligations	192,479	-	-	-	-	192,479
	108,383,662	-	-	-	-	108,383,662
Due From (To) Affiliates	32,294,803	(4,364,955)	(27,864,020)	(65,828)	-	-
Property and Equipment, Net	55,470,804	-	16,370,895	702,238	(1,250)	72,542,687
Other Assets						
Notes receivable	1,118,089	-	-	-	-	1,118,089
Investment in affiliates	2,220,107	-	-	-	(1,081,268)	1,138,839
Deferred financing costs, net	547,498	-	-	-	-	547,498
Other	836,849	-	-	-	-	836,849
Total other assets	4,722,543	-	-	-	(1,081,268)	3,641,275
Total assets	<u>\$ 243,604,272</u>	<u>\$ (3,478,766)</u>	<u>\$ (11,041,837)</u>	<u>\$ 1,955,090</u>	<u>\$ (1,082,518)</u>	<u>\$ 229,956,241</u>

Jefferson Hospital Association, Inc.
Balance Sheet Information – Consolidating Schedule (Continued)
June 30, 2013

Liabilities and Net Assets	Jefferson Regional Medical Center	Jefferson Management Services, Inc	JRMC Development, Inc	Jefferson Surgery Center, PLLC	Eliminations	Consolidated
Current Liabilities						
Current maturities of long-term debt	\$ 1,305,000	\$ -	\$ -	\$ -	\$ -	\$ 1,305,000
Trade accounts payable	5,111,597	-	96,522	117,017	(8,216)	5,316,920
Accrued employee leave	4,844,935	108,092	-	64,671	-	5,017,698
Accrued interest expense	83,177	-	-	-	-	83,177
Accrued expenses and other current liabilities	10,592,268	50,362	267,055	834	-	10,910,519
Deferred revenue and gains – current	704,844	-	-	-	-	704,844
Total current liabilities	22,641,821	158,454	363,577	182,522	(8,216)	23,338,158
Long-term Debt	22,876,006	-	-	-	-	22,876,006
Deferred Revenue and Gains	2,009,654	-	-	-	-	2,009,654
Other Long-term Liabilities	16,076,477	-	-	-	-	16,076,477
Total liabilities	63,603,958	158,454	363,577	182,522	(8,216)	64,300,295
Net Assets						
Unrestricted						
Undesignated	71,616,652	(3,637,220)	(11,405,414)	1,081,266	(1,074,302)	56,580,982
Board designated	108,383,662	-	-	-	-	108,383,662
Noncontrolling interest in subsidiary	-	-	-	691,302	-	691,302
Total net assets	180,000,314	(3,637,220)	(11,405,414)	1,772,568	(1,074,302)	165,655,946
Total liabilities and net assets	\$ 243,604,272	\$ (3,478,766)	\$ (11,041,837)	\$ 1,955,090	\$ (1,082,518)	\$ 229,956,241

Jefferson Hospital Association, Inc.
Statement of Operations Information – Consolidating Schedule
Year Ended June 30, 2013

	Jefferson Regional Medical Center	Jefferson Management Services, Inc	JRMC Development, Inc	Jefferson Surgery Center, PLLC	Eliminations	Consolidated
Unrestricted Revenues, Gains and Other Support						
Patient service revenue (net of contractual discounts and allowances)	\$ 178,481,556	\$ -	\$ -	\$ 4,139,254	\$ (1,181,779)	\$ 181,439,031
Less Provision for uncollectible accounts	10,910,082	(639)	-	497,857	(45,999)	11,361,301
Net patient service revenue, less provision for uncollectible accounts	167,571,474	639	-	3,641,397	(1,135,780)	170,077,730
Other revenue	8,181,731	123,900	2,302,590	1,118	(1,353,831)	9,255,508
Total unrestricted revenues, gains and other support	175,753,205	124,539	2,302,590	3,642,515	(2,489,611)	179,333,238
Expenses						
Salaries and wages	78,359,020	4,195	-	957,190	-	79,320,405
Employee benefits	15,244,619	-	-	215,776	-	15,460,395
Professional fees	15,035,081	-	-	-	(108,093)	14,926,988
Supplies	31,767,446	-	320	959,097	-	32,726,863
Purchased services	15,839,826	-	187,576	376,178	(1,205,950)	15,197,630
Agency personnel	653,591	-	-	1,199	-	654,790
Utilities	2,743,041	-	706,101	-	(307,146)	3,141,996
Insurance	1,999,742	-	86,985	26,520	-	2,113,247
Other	8,406,773	49,344	591,651	647,457	(847,984)	8,847,241
Depreciation and amortization	8,883,258	-	1,292,870	203,945	(5,000)	10,375,073
Interest	995,674	-	1,633,688	1,131	(1,634,819)	995,674
Provision (credit) for uncollectible accounts	(18,795)	-	9	-	-	(18,786)
Total expenses	179,909,276	53,539	4,499,200	3,388,493	(4,108,992)	183,741,516
Operating Income (Loss)	(4,156,071)	71,000	(2,196,610)	254,022	1,619,381	(4,408,278)
Other Income (Expense)						
Investment return	3,511,372	-	1,198	651	(1,634,819)	1,878,402
Gain on investment in equity investee	926,552	-	-	-	(157,091)	769,461
Total other income (expense)	4,437,924	-	1,198	651	(1,791,910)	2,647,863
Excess (Deficiency) of Revenues Over Expenses	281,853	71,000	(2,195,412)	254,673	(172,529)	(1,760,415)
Change in unrealized gains and losses on investments	1,756,352	-	-	-	-	1,756,352
Contributions of or for acquisition of property and equipment	585,039	-	-	-	-	585,039
Sale of JRMC interest in JSC to noncontrolling interest owners	-	-	-	-	32,007	32,007
Distributions to members	-	-	-	(250,000)	148,750	(101,250)
Increase (Decrease) in Unrestricted Net Assets	\$ 2,623,244	\$ 71,000	\$ (2,195,412)	\$ 4,673	\$ 8,228	\$ 511,733

Jefferson Hospital Association, Inc.
Statement of Changes in Net Assets (Deficiency) Information – Consolidating Schedule
Year Ended June 30, 2013

	Jefferson Regional Medical Center	Jefferson Management Services, Inc	JPMC Development, Inc	Jefferson Surgery Center, PLLC			Eliminations	Consolidated
				Unrestricted	Noncontrolling Interest	Total		
Unrestricted Net Assets (Deficiency) – June 30, 2012	\$ 177,377,070	\$ (3,708,220)	\$ (9,210,002)	\$ 1,104,934	\$ 662,961	\$ 1,767,895	\$ (1,082,530)	\$ 165,144,213
Excess (deficiency) of revenues over expenses	281,853	71,000	(2,195,412)	149,000	105,673	254,673	(172,529)	(1,760,415)
Change in unrealized gains and losses on investments	1,756,352	-	-	-	-	-	-	1,756,352
Contributions of or for acquisition of property and equipment	585,039	-	-	-	-	-	-	585,039
Sale of JPMC interest in JSC to noncontrolling interest owners	-	-	-	-	-	-	32,007	32,007
Distributions to noncontrolling interest owners	-	-	-	(148,750)	(101,250)	(250,000)	148,750	(101,250)
	<u>2,623,244</u>	<u>71,000</u>	<u>(2,195,412)</u>	<u>250</u>	<u>4,423</u>	<u>4,673</u>	<u>8,228</u>	<u>511,733</u>
Unrestricted Net Assets (Deficiency) – June 30, 2013	<u>\$ 180,000,314</u>	<u>\$ (3,637,220)</u>	<u>\$ (11,405,414)</u>	<u>\$ 1,105,184</u>	<u>\$ 667,384</u>	<u>\$ 1,772,568</u>	<u>\$ (1,074,302)</u>	<u>\$ 165,655,946</u>

Jefferson Hospital Association, Inc.
Balance Sheets Information – Jefferson Regional Medical Center
June 30, 2013 and 2012

Assets

	2013	2012
Current Assets		
Cash and cash equivalents	\$ 10,532,429	\$ 18,572,418
Assets limited as to use – current	192,479	232,159
Patient accounts receivable, net of allowance of \$18,143,000	19,390,853	17,952,593
Other receivables	4,543,394	4,976,934
Notes receivable – current	348,917	428,513
Supplies	4,724,705	4,941,179
Prepaid expenses	2,999,683	2,797,891
Total current assets	42,732,460	49,901,687
Assets Limited As To Use		
Internally designated for capital improvements	108,383,662	97,282,505
Held by trustee under indenture agreement	192,479	232,159
	108,576,141	97,514,664
Less amount required to meet current obligations	192,479	232,159
	108,383,662	97,282,505
Due From Affiliates	32,294,803	30,710,201
Property and Equipment, Net	55,470,804	58,914,277
Other Assets		
Notes receivable	1,118,089	1,383,918
Investment in affiliates	2,220,107	2,278,826
Deferred financing costs, net	547,498	589,885
Other	836,849	736,257
Total other assets	4,722,543	4,988,886
Total assets	<u>\$ 243,604,272</u>	<u>\$ 241,797,556</u>

Liabilities and Net Assets

	2013	2012
Current Liabilities		
Current maturities of long-term debt	\$ 1,305,000	\$ 1,265,000
Trade accounts payable	5,111,597	5,923,083
Accrued employee leave	4,844,935	4,611,069
Accrued interest expense	83,177	86,340
Accrued expenses and other current liabilities	10,592,268	7,482,098
Deferred revenue and gains – current	704,844	691,806
Total current liabilities	22,641,821	20,059,396
Long-term Debt	22,876,006	24,218,245
Deferred Revenue and Gains	2,009,654	2,663,706
Other Long-term Liabilities	16,076,477	17,479,139
Total liabilities	63,603,958	64,420,486
Net Assets		
Unrestricted		
Undesignated	71,616,652	80,094,565
Board designated	108,383,662	97,282,505
Total net assets	180,000,314	177,377,070
Total liabilities and net assets	\$ 243,604,272	\$ 241,797,556

Jefferson Hospital Association, Inc.
Statements of Operations Information – Jefferson Regional Medical Center
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted Revenues, Gains and Other Support		
Patient service revenue (net of contractual discounts and allowances)	\$ 178,481,556	\$ 175,905,465
Less Provision for uncollectible accounts	<u>10,910,082</u>	<u>6,319,603</u>
Net patient service revenue, less provision for uncollectible accounts	167,571,474	169,585,862
Other revenue	<u>8,181,731</u>	<u>9,725,303</u>
Total unrestricted revenues, gains and other support	<u>175,753,205</u>	<u>179,311,165</u>
Expenses		
Salaries and wages	78,359,020	74,925,626
Employee benefits	15,244,619	14,551,771
Professional fees	15,035,081	14,935,864
Supplies	31,767,446	29,371,963
Purchased services	15,839,826	15,399,488
Agency personnel	653,591	90,857
Utilities	2,743,041	2,722,038
Insurance	1,999,742	2,719,515
Other	8,406,773	8,241,316
Depreciation and amortization	8,883,258	9,238,325
Interest	995,674	1,358,199
Provision (credit) for uncollectible accounts	<u>(18,795)</u>	<u>57,379</u>
Total expenses	<u>179,909,276</u>	<u>173,612,341</u>
Operating Income (Loss)	<u>(4,156,071)</u>	<u>5,698,824</u>
Other Income (Expense)		
Investment return	3,511,372	2,465,169
Gain on investment in equity investee	926,552	859,659
Loss on bond refinancing	<u>-</u>	<u>(422,030)</u>
Total other income (expense)	<u>4,437,924</u>	<u>2,902,798</u>
Excess of Revenues Over Expenses	281,853	8,601,622
Change in unrealized gains and losses on investments	1,756,352	(747,357)
Contributions of or for acquisition of property and equipment	<u>585,039</u>	<u>577,201</u>
Increase in Unrestricted Net Assets	<u><u>\$ 2,623,244</u></u>	<u><u>\$ 8,431,466</u></u>

Jefferson Hospital Association, Inc.

Statements of Changes in Net Assets Information – Jefferson Regional Medical Center Years Ended June 30, 2013 and 2012

	2013	2012
Unrestricted Net Assets – June 30, 2012	\$ 177,377,070	\$ 168,945,604
Excess of revenues over expenses	281,853	8,601,622
Change in unrealized gains and losses on investments	1,756,352	(747,357)
Contributions of or for acquisition of property and equipment	585,039	577,201
	<u>2,623,244</u>	<u>8,431,466</u>
Increase in unrestricted net assets		
Unrestricted Net Assets – June 30, 2013	<u>\$ 180,000,314</u>	<u>\$ 177,377,070</u>

Jefferson Hospital Association, Inc.
Statements of Cash Flows Information – Jefferson Regional Medical Center
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Activities		
Change in net assets	\$ 2,623,244	\$ 8,431,466
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation and amortization	8,804,056	9,184,295
Forgiveness of physician loan agreements	220,687	632,484
(Gain) loss on disposal of property and equipment	19,492	(772,866)
Loss on bond refinancing	-	422,030
Net (gain) loss on investments	(2,136,915)	1,043,720
Investment return	-	-
Gain on investment in equity investee	(926,552)	(859,659)
Contributions of or for acquisition of property and equipment	(585,039)	(577,201)
Provision for uncollectible accounts	10,891,287	6,376,982
Changes in		
Patient accounts receivable	(12,348,342)	(8,959,423)
Other receivables	418,406	(937,402)
Supplies	216,474	(320,541)
Prepaid expenses	(267,492)	(450,870)
Accounts payable and accrued expenses and other liabilities	2,416,517	2,949,836
Accrued interest expense	(3,163)	(37,195)
Other long-term liabilities	(1,547,008)	(168,105)
Net cash provided by operating activities	<u>7,795,652</u>	<u>15,957,551</u>
Investing Activities		
Purchases of investments	(8,963,351)	(56,533,321)
Proceeds from sale of investments	39,797	(13,391)
Purchase of property and equipment	(5,215,825)	(5,300,987)
Proceeds from sale of property and equipment	10,410	6,883
Advances on physician loan agreements	(25,000)	(118,000)
Principal payments received on notes receivable	183,667	4,883,875
Distributions from equity investee	953,263	962,838
Change in amounts due from affiliates	(1,584,602)	(707,274)
Proceeds from sale of Jefferson Surgery Center units	66,600	50,700
Purchase of Jefferson Surgery Center units	(35,600)	(50,700)
Net cash used in investing activities	<u>(14,570,641)</u>	<u>(56,819,377)</u>
Financing Activities		
Principal payments on long-term debt	(1,265,000)	(26,285,000)
Proceeds from issuance of long-term debt	-	26,013,415
Payment of deferred financing costs	-	(612,845)
Net cash used in financing activities	<u>(1,265,000)</u>	<u>(884,430)</u>
Decrease in Cash and Cash Equivalents	<u>(8,039,989)</u>	<u>(41,746,256)</u>
Cash and Cash Equivalents, Beginning of Year	<u>18,572,418</u>	<u>60,318,674</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 10,532,429</u></u>	<u><u>\$ 18,572,418</u></u>
Supplemental Cash Flows Information		
Interest paid	\$ 998,837	\$ 1,321,005

Summary Conclusions of the CHNA, Goals & Objectives, and Implementation Strategies

A number of community health needs were identified as a part of the community health needs assessment. An attempt has been made to list such in a prioritized manner.

- 1 Availability and access to both primary care and specialty physicians
 - a Analysis and qualitative input from the community groups indicated this was a critical need for the community
 - b JRMC intends on meeting these community health needs by
 - i Continuing to financially support the UAMS-AHEC Family Practice residency program at JRMC and working directly with residents to encourage them to locate and practice throughout Southeast Arkansas (by offering financial incentives, practice management and support, etc.)
 - ii Devote sufficient resources to identify, recruit and retain a sufficient number of specialists to provide care for Southeast Arkansas. JRMC will follow the medical manpower plan developed and recruit physicians based on that analysis for the foreseeable future.
 - iii Work with UAMS and explore the utilization of telemedicine throughout SEARK for specialty services and consultation not otherwise available.
 - iv Where an insufficient number of primary care physicians exists, recruit APNs and PAs to provide primary care and support for Southeast Arkansas.
 - v Develop networks throughout Southeast Arkansas to ensure coordination of care.
 - vi Continue the implementation and deployment of electronic health record, exchange, and other technologies to aid with efficiency and availability of health information.
 - vii JRMC will make efforts to develop specialty physician clinics in the outlying areas of Southeast Arkansas, thus providing specialty care closer to residents' homes.
- 2 Healthcare workforce development (recruitment, education, training, retention and retooling) to ensure a sufficient number, and appropriately skilled and qualified, workforce is available to care for the residents of Southeast Arkansas
 - a Studies for UAMS projected significant workforce shortages throughout the State.
 - b JRMC analysis and community groups identified certain disciplines, that in the short-term, may present significant challenges.
 - c JRMC will continue to support and operate the Jefferson School of Nursing to add to the supply of nursing.

- d. JRMC will continue to provide site support for clinical rotations for UAPB, UAM, SEARK, and other nursing programs
 - e. JRMC will work with several BSN programs to develop a diploma to BS path
 - f. JRMC will continue to serve as rotation site for SEARK and other teaching/training programs in fields such as radiology, respiratory therapy, medical laboratory, etc
 - g. JRMC will continue to provide tuition reimbursement for employees that elect to further their education and training
- 3 Availability of emergency services, including trauma, for residents of Southeast Arkansas
 - a. Presently, JRMC is designated as a Level II Trauma Center
 - b. Emergency and trauma services were identified by the community groups as a critical service which JRMC must continue to provide
 - c. JRMC incurs considerable cost in securing physician specialty coverage and support systems to provide Level II Trauma services and will continue to devote its resources to provide such services. While no level can be guaranteed, JRMC will make all reasonable attempts to maintain its Level II status and service level
 - d. JRMC has established transfer and referral agreements with all critical access hospitals in Southeast Arkansas. Likewise, JRMC has cooperative agreements with all EMS providers. JRMC's Emergency Department Medical Director serves as a medical director for EMS providers. JRMC will continue to encourage these cooperative arrangements
- 4 Availability of surgical services
 - a. Surgical services is made up of facilities, equipment, technologies, physician specialists, and trained staff.
 - b. As indicated in the above manpower reference, having enough appropriately trained physician specialists will be a top priority, thus adding to the need to have robust surgical services available for Southeast Arkansas
 - c. JRMC will continue to invest in the latest technologies to provide surgical services that are appropriately provided by a hospital the size and scope of JRMC
 - d. JRMC will continue to provide inpatient and outpatient facilities. No need was identified for more or different facilities. The largest need was in the area of surgeon availability
 - e. JRMC will make efforts to develop specialty clinics in the outlying areas where pre-surgical assessments/workups and post-surgical care can be provided closer to home
- 5 Availability of advanced diagnostic and ancillary services
 - a. JRMC currently provides advanced radiologic diagnostic services in three locations. No need was identified for additional diagnostic facilities. Rather community groups sought to ensure JRMC continued to operate existing facilities
- 6 Education, prevention, and general medical care for stroke and heart disease, including education and training on prevention and/or self-management of high cholesterol and high blood pressure. Reduce mortalities as a result of heart disease
 - a. The availability of primary care and specialty physicians is one of the larger hurdles to meeting the need of caring for stroke and heart disease. As indicated above in the top priority, JRMC will devote appropriate resources to recruiting and retaining primary care and specialty physicians
 - b. JRMC will develop or partner with other healthcare providers to add to the current offering of education on prevention and/or self-management
 - c. JRMC will continue to offer employer workplace screenings and outreach

- d JRMC will continue to offer education in the schools and churches
- 7 Education, prevention, self-management and general medical care for diabetes, with the goal of reducing complications and mortality rates
 - a JRMC currently provides education to diabetic patients and families on nutrition, exercise, medications, and self-management for free JRMC will continue to provide these programs.
 - b JRMC will look to expand these educational offerings
- 8 Education and prevention of obesity Increase nutritional knowledge and self-management of weight
 - a JRMC currently operates two wellness centers in the Southeast Arkansas service area Discounts are provided to employer groups Group classes and individual instruction are offered
 - b JRMC will continue to provide wellness and fitness programs through its current wellness centers
 - c Exercise facilities were identified in the areas for those unable to pay
- 9 Increase knowledge of, and assistance with, self-management of chronic diseases with the goal of reducing health issues, complications and mortalities related to such chronic diseases
 - a Self-management of chronic diseases is an area that will require partnerships with physicians and other healthcare providers and JRMC
 - b JRMC has identified needs in hypertension, diabetes, and kidney failure
 - c JRMC will expand the role of its case management department to assist with coordination of care of post acute care episodes with primary care and specialty physicians
 - d JRMC will work with local home health agencies to ensure education and assistance is available and provided in the home
 - e JRMC will continue to provide health fairs and outreach programs to local businesses, churches and the general public
- 10 Increase education of youth regarding sexually transmitted diseases with the expressed desire to reduce the incidence and occurrence of STD
 - a Presently, this need is outside the scope of JRMC
 - b Other organizations, including the Department of Health, schools and other healthcare organizations have taken on the responsibility of education and prevention

In an economically depressed area such as Southeast Arkansas, the importance of making available and providing long-term inpatient and outpatient regional referral, acute care, and hospital services should not be overlooked. Given the socioeconomic challenges, levels of poverty, high-uninsured levels, etc , providing tertiary specialty care is a major community health benefit This has not been highlighted as a “need” due to the existence of JRMC However, given the challenges facing hospitals and in particular the economics of Southeast Arkansas, a number one priority of JRMC should be to ensure acute, hospital inpatient and outpatient services continue to be available to the residents of Southeast Arkansas