




See a Social Security Number? Say Something!
Report Privacy Problems to <https://public.resource.org/privacy>
Or call the IRS Identity Theft Hotline at 1-800-908-4490



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 <div> <div>2012</div> <div>Open to Public Inspection</div> </div>
	▶ 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 <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization BISBEE HOSPITAL ASSOCIATIONINC		D Employer identification number 86-0334996
	Doing Business As COPPER QUEEN COMMUNITY HOSPITAL		
	Number and street (or P O box if mail is not delivered to street address) 101 COLE AVENUE	Room/suite	E Telephone number (520) 432-5383
	City or town, state or country, and ZIP + 4 BISBEE, AZ 856031327		
			G Gross receipts \$ 24,908,392
F Name and address of principal officer JAMES DICKSON 101 COLE AVENUE BISBEE, AZ 856031327		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶	
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ▶ (Insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
J Website: ▶ WWW.CQCH.ORG			

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities TO PROVIDE HEALTHCARE SERVICES TO THE BISBEE, DOUGLAS, AND PALOMINAS ARIZONA COMMUNITIES		
	2 Check this box <input type="checkbox"/> 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	11
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	11
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	280
	6 Total number of volunteers (estimate if necessary)	6	13
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
	b Net unrelated business taxable income from Form 990-T, line 34	7b	0
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	1,107,741	682,009
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	23,479,236	24,137,619
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-8,408	-2,907
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	93,938	73,113
		24,672,507	24,889,834
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	44,789	0
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	12,482,967	12,951,178
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	8,442,495	9,497,321
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	20,970,251	22,448,499
	19 Revenue less expenses Subtract line 18 from line 12	3,702,256	2,441,335
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	21,717,401	29,345,161
	21 Total liabilities (Part X, line 26)	6,364,264	11,550,689
	22 Net assets or fund balances Subtract line 21 from line 20	15,353,137	17,794,472

Part II Signature Block

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

Sign Here	***** Signature of officer			2014-04-23 Date	
	JAMES DICKSON CEO Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name DAVID B BARBER CPACFE		Preparer's signature		Date
	Check <input type="checkbox"/> if self-employed			PTIN P00348638	
	Firm's name ▶ REGIER CARR & MONROE LLP			Firm's EIN ▶ 48-0573184	
	Firm's address ▶ 4801 E BROADWAY BLVD STE 501 TUCSON, AZ 857113648			Phone no (520) 624-8229	

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

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

TO PROVIDE HEALTHCARE SERVICES TO THE BISBEE, DOUGLAS, AND PALOMINAS ARIZONA COMMUNITY

2

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

YesNo

If “Yes,” describe these new services on Schedule O

3

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

YesNo

If “Yes,” describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 18,553,627 including grants of \$) (Revenue \$ 24,155,040)

TO PROVIDE HEALTHCARE SERVICES THROUGH IN-PATIENT, OUT-PATIENT,24-HOUR EMERGENCY SERVICES AND RURAL HEALTH CLINICS TO THE RESIDENTS OF BISBEE & SURROUNDING COMMUNITIES

4b

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

4c

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

4d

Other program services (Describe in Schedule O)

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

4e

Total program service expenses ▶ 18,553,627

Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>	Yes	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		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? <i>If "Yes," complete Schedule C, Part II</i>		No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i>		No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i>		No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>		No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>		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? <i>If "Yes," complete Schedule D, Part IV</i>		No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>		No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i>		No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i>		No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i>		No
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>	Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>	Yes	
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>		No
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		No
14a Did the organization maintain an office, employees, or agents outside of the United States?		No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV</i>		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? <i>If "Yes," complete Schedule F, Parts II and IV</i>		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? <i>If "Yes," complete Schedule F, Parts III and IV</i>		No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>		No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>	Yes	
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		No
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	Yes	

Part IV

Checklist of Required Schedules (continued)

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

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No			
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	76			
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	280			
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				No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b				
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 8282?	7c				No
d	If "Yes," indicate the number of Forms 8282 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?						
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	11	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	11	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	AZ
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input checked="" type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization	THE ORGANIZATION 101 COLE AVENUE BISBEE, AZ (520) 432-5383

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) KATHLEEN HEARD PRESIDENT	1 00	X						0	0	0
(2) JOHN HARRIS VICE PRESIDENT	1 00	X						0	0	0
(3) ROSALIE BUTLER SECRETARY	1 00	X						0	0	0
(4) DENNIS GALLUS TREASURER	1 00	X						0	0	0
(5) DENNIS NELSON DIRECTOR	1 00	X						0	0	0
(6) LAURA CHAVEZ DIRECTOR	1 00	X						0	0	0
(7) GARY DILLARD DIRECTOR	1 00	X						0	0	0
(8) PETER CARBERRY DIRECTOR	1 00	X						0	0	0
(9) ROBERT HOWELL DIRECTOR	1 00	X						0	0	0
(10) LAWANA DIFFIE DIRECTOR	1 00	X						0	0	0
(11) ROSA ANEL LOPEZ DIRECTOR	1 00	X						0	0	0
(12) JAMES DICKSON CEO	40 00			X				332,569	0	26,793
(13) DIANE MOORE CFO	40 00			X				135,944	0	11,047
(14) JOSE ROMO DOCTOR	40 00					X		333,652	0	16,978
(15) HEIDI LODGE DOCTOR	40 00					X		286,704	0	15,570
(16) DANIEL ROE DOCTOR	40 00					X		500,599	0	21,987
(17) BRUCE CURTIS DOCTOR	40 00					X		341,778	0	17,222

Part VII

[illegible]

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	2,131,604	0	122,577

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization▶19

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
WAYTUK JOHN P MD 4119 E SELLS DR PHOENIX AZ 85018	MEDICAL	232,700
SIEMENS HEALTHCARE DIAGNOSTICS PO BOX 121102 DALLAS TX 75312	DIAGNOSTIC	231,498
LABORATORY LAB OF AMERICA PO BOX 12140 BURLINGTON NC 27216	LAB	213,049
CHG COMPANIES INC 6440 SOUTH MILLROCK DRIVE SUITE 17 SALT LAKE CITY UT 84121	STAFFING	201,757
DLR GROUP 177 N CHRUCH AVE TUCSON AZ 85701	ARCHITECT	132,856

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 ►8

Part VIII

Statement of Revenue

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

			(A)	(B)	(C)	(D)
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a			
	b	Membership dues	1b			
	c	Fundraising events	1c	19,785		
	d	Related organizations	1d			
	e	Government grants (contributions)	1e	651,758		
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	10,466		
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f		682,009		
Program Service Revenue	2a	PATIENT SERVICE REVENUE	Business Code			
			900099	24,137,619	24,137,619	
	b					
	c					
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f		24,137,619		
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		8,767		8,767
	4	Income from investment of tax-exempt bond proceeds				
	5	Royalties				
	6a	Gross rents	(i) Real	(ii) Personal		
	b	Less rental expenses				
	c	Rental income or (loss)				
	d	Net rental income or (loss)				
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other		
	b	Less cost or other basis and sales expenses		11,674		
	c	Gain or (loss)		-11,674		
	d	Net gain or (loss)		-11,674		-11,674
	8a	Gross income from fundraising events (not including \$ 19,785 of contributions reported on line 1c) See Part IV, line 18	a	2,100		
	b	Less direct expenses	b	6,884		
	c	Net income or (loss) from fundraising events		-4,784		-4,784
	9a	Gross income from gaming activities See Part IV, line 19	a			
	b	Less direct expenses	b			
	c	Net income or (loss) from gaming activities				
	10a	Gross sales of inventory, less returns and allowances	a			
	b	Less cost of goods sold	b			
	c	Net income or (loss) from sales of inventory				
		Miscellaneous Revenue	Business Code			
	11a	CAFETERIA	900099	55,465		55,465
b	MISC REVENUE-RELATED-990	900099	17,421	17,421		
c	MEDICAL RECORDS	900099	5,011		5,011	
d	All other revenue					
e	Total. Add lines 11a-11d		77,897			
12	Total revenue. See Instructions		24,889,834	24,155,040	0	52,785

Part IX

Statement of Functional Expenses

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.				
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	506,355		506,355	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	10,320,339	9,209,117	1,111,222	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	167,866	157,286	10,580	
9	Other employee benefits.	1,241,012	984,417	256,595	
10	Payroll taxes.	715,606	610,176	105,430	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	129,439	4,275	125,164	
c	Accounting.	88,280		88,280	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	2,433,084	1,700,265	732,819	
12	Advertising and promotion.	313,733		313,733	
13	Office expenses.	76,447	42,607	33,840	
14	Information technology.				
15	Royalties.				
16	Occupancy.	83,631	63,472	20,159	
17	Travel.	138,041	108,913	29,128	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	155,146	155,146		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	1,235,781	1,235,781		
23	Insurance.	349,675		349,675	
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	PROVISION FOR UNCOLLECT	1,790,528	1,790,528		
b	SUPPLIES	1,700,456	1,646,818	53,638	
c	REPAIRS & MAINTENANCE	273,943	232,994	40,949	
d	UTILITIES	244,804	244,804		
e	All other expenses	484,333	367,028	117,305	
25	Total functional expenses. Add lines 1 through 24e.	22,448,499	18,553,627	3,894,872	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 <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		3,262,309	1	5,466,292
	2	Savings and temporary cash investments		2,054,465	2	3,642,059
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		4,316,882	4	4,666,694
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		530,035	8	651,564
	9	Prepaid expenses and deferred charges		202,473	9	124,198
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a23,977,323			
	b	Less accumulated depreciation	10b9,230,323	10,801,723	10c	14,747,000
	11	Investments—publicly traded securities		500,000	11	
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets		49,514	14	47,354
	15	Other assets See Part IV, line 11			15	
	16	Total assets. Add lines 1 through 15 (must equal line 34)		21,717,401	16	29,345,161
Liabilities	17	Accounts payable and accrued expenses		2,795,601	17	2,903,254
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		3,568,663	25	8,647,435
	26	Total liabilities. Add lines 17 through 25		6,364,264	26	11,550,689
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		15,288,895	27	17,731,756
	28	Temporarily restricted net assets		64,242	28	62,716
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		15,353,137	33	17,794,472
	34	Total liabilities and net assets/fund balances		21,717,401	34	29,345,161

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	24,889,834
2	Total expenses (must equal Part IX, column (A), line 25)	2	22,448,499
3	Revenue less expenses Subtract line 2 from line 1	3	2,441,335
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	15,353,137
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	0
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	17,794,472

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization BISBEE HOSPITAL ASSOCIATIONINC	Employer identification number 86-0334996
--	--

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 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
BISBEE HOSPITAL ASSOCIATIONINC

Employer identification number
86-0334996

Part I

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

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

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

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

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

3

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

4

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

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes☐ No

6

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

7

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

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

(i) Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2012

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

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a	Land	1,276,610		1,276,610
b	Buildings	15,441,071	5,146,405	10,294,666
c	Leasehold improvements			
d	Equipment	6,586,866	4,083,918	2,502,948
e	Other	672,776		672,776
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				14,747,000

Schedule D (Form 990) 2012

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	24,908,392
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	18,558
e	Add lines 2a through 2d	2e	18,558
3	Subtract line 2e from line 1	3	24,889,834
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	
c	Add lines 4a and 4b	4c	0
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)	5	24,889,834

Part XII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	22,467,057
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	18,558
e	Add lines 2a through 2d	2e	18,558
3	Subtract line 2e from line 1	3	22,448,499
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	
c	Add lines 4a and 4b	4c	0
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)	5	22,448,499

Part XIII

Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	THE HOSPITAL IS EXEMPT FROM FEDERAL INCOME TAX UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE. THE HOSPITAL RECEIVED ITS LETTER OF DETERMINATION FROM THE INTERNAL REVENUE SERVICE IN 1977. CERTAIN UNRELATED BUSINESS INCOME MAY BE SUBJECT TO INCOME TAX. THE HOSPITAL FOLLOWS FASB CODIFICATION 740-10-50 FOR DISCLOSURE OF INCOME TAX RELATED MATTERS. THE STANDARD SETS A "MORE LIKELY THAN NOT" CRITERION FOR RECOGNIZING THE TAX BENEFITS OF UNCERTAIN TAX POSITIONS. THE HOSPITAL BELIEVES THAT ITS INCOME TAX FILING POSITIONS AND DEDUCTIONS WILL BE SUSTAINED UPON EXAMINATION AND, ACCORDINGLY, HAVE NOT RECORDED ANY RESERVES OR RELATED ACCRUALS FOR INTEREST AND PENALTIES IN THE ACCOMPANYING FINANCIAL STATEMENTS FOR UNCERTAIN INCOME TAX POSITIONS. INCOME TAX RELATED INTEREST AND PENALTIES ARE REPORTED IN GENERAL AND ADMINISTRATIVE EXPENSES WHEN INCURRED. NO INCOME TAX EXAMINATIONS ARE CURRENTLY UNDERWAY OR ANTICIPATED. THE STATUTE OF LIMITATIONS IS THREE YEARS FOR FEDERAL INCOME TAX PURPOSES AND FOUR YEARS FOR THE STATE OF ARIZONA.
PART XI, LINE 2D - OTHER ADJUSTMENTS		FUNDRAISING EXPENSES 6,884 LOSS FROM SALE OF ASSETS 11,674
PART XII, LINE 2D - OTHER ADJUSTMENTS		FUNDRAISING EXPENSES 6,884 LOSS FROM SALE OF ASSETS 11,674

Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other events	(d) Total events
		GOLF TOURNAMENT (event type)	(event type)	(total number)	(add col (a) through col (c))
Revenue	1	Gross receipts	21,885		21,885
	2	Less Contributions . . .	19,785		19,785
	3	Gross income (line 1 minus line 2)	2,100		2,100
Direct Expenses	4	Cash prizes	4,595		4,595
	5	Noncash prizes . . .			
	6	Rent/facility costs . . .			
	7	Food and beverages .			
	8	Entertainment			
	9	Other direct expenses .	2,289		2,289
	10	Direct expense summary Add lines 4 through 9 in column (d) ▶			
	11	Net income summary Combine line 3, column (d), and line 10 ▶			
					(6,884)
					-4,784

Part III Gaming. Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col (a) through col (c))
Revenue	1	Gross revenue			
	2	Cash prizes			
	3	Non-cash prizes			
	4	Rent/facility costs			
	5	Other direct expenses . . .			
Direct Expenses	6	Volunteer labor			
	7	Direct expense summary Add lines 2 through 5 in column (d) ▶			
	8	Net gaming income summary Combine lines 1 and 7 in column (d) ▶			

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," explain _____

Does the organization operate gaming activities with nonmembers? ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

a The organization's facility	13a	
b An outside facility	13b	

14 Enter the name and address of the person who prepares the organization's gaming/special events books and records

Name ▶

Address ▶

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? ☐ Yes ☐ No

b If "Yes," enter the amount of gaming revenue received by the organization ▶ \$ _____ and the amount of gaming revenue retained by the third party ▶ \$ _____

c If "Yes," enter name and address of the third party

Name ▶

Address ▶

16 Gaming manager information

Name ▶

Gaming manager compensation ▶ \$

Description of services provided ▶

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? ☐ Yes ☐ No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ \$ _____

Part IV Supplemental Information. Complete this part to provide the explanations required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also complete this part to provide any additional information (see instructions).

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

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
BISBEE HOSPITAL ASSOCIATIONINC

Employer identification number
86-0334996

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

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)			428,000		428,000	2.070 %
b Medicaid (from Worksheet 3, column a)			6,581,615	4,904,595	1,677,020	8.120 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			7,009,615	4,904,595	2,105,020	10.190 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			46,760		46,760	0.230 %
j Total Other Benefits			46,760		46,760	0.230 %
k Total. Add lines 7d and 7j			7,056,375	4,904,595	2,151,780	10.420 %

Part II

Community Building Activities

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

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

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

No

2

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

2

1,529,449

3

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

3

764,725

4

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

Section B. Medicare

5

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

5

5,017,444

6

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

6

5,302,390

7

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

7

-284,946

8

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

Section C. Collection Practices

9a

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

9a

Yes

No

b

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

9b

Yes

No

Part IV

Management Companies and Joint Ventures

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

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

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

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	COPPER QUEEN COMMUNITY HOSPITAL 101 COLE AVE BISBEE, AZ 85603	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)

COPPER QUEEN COMMUNITY HOSPITAL

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

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a <input checked="" type="checkbox"/> Income level			
b <input type="checkbox"/> Asset level			
c <input type="checkbox"/> Medical indigency			
d <input type="checkbox"/> Insurance status			
e <input type="checkbox"/> Uninsured discount			
f <input type="checkbox"/> Medicaid/Medicare			
g <input type="checkbox"/> State regulation			
h <input type="checkbox"/> Other (describe in Part VI)			
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 <input type="checkbox"/> The policy was posted on the hospital facility's website			
b <input type="checkbox"/> The policy was attached to billing invoices			
c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
f <input checked="" type="checkbox"/> The policy was available upon request			
g <input type="checkbox"/> Other (describe in Part VI)			
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 <input checked="" type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			
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	Yes
a <input checked="" type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			

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		
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

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

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? 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?
3

Name and address	Type of Facility (describe)
1COPPER QUEEN MEDICAL ASSOCIATES-DOUGLAS 100 E 5TH ST DOUGLAS,AZ 85607	RURAL HEALTH CLINIC
2COPPER QUEEN MEDICAL ASSOCIATES-BISBEE 101 COLE AVE BISBEE,AZ 85603	RURAL HEALTH CLINIC
3COPPER QUEEN MEDICAL ASSOCIATES-PALOMINA 10524 HIGHWAY 92 HEREFORD,AZ 85615	RURAL HEALTH CLINIC
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
		PART I, LINE 7 THE COST ACCOUNTING SYSTEM WAS USED TO REPORT THE SUBSIDIZED HEALTH SERVICES REVENUE AND EXPENSE THE COST ACCOUNTING SYSTEM ADDRESSES ALL PATIENT SEGMENTS (INPATIENT, OUTPATIENT, EMERGENCY ROOM, PRIVATE INSURANCE, MEDICAID, MEDICARE, AND ETC)
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 1790528

Identifier	ReturnReference	Explanation
		PART II N/A
		PART III, LINE 4 FINANCIAL NOTES REGARDING BAD DEBTS, PAGE 11 OF AUDITED FINANCIAL STATEMENTSTHE HOSPITAL PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED UPON A REVIEW OF OUTSTANDING RECEIVABLES, THE AGE OF ACCOUNTS, THE PAYOR MIX, HISTORICAL COLLECTION INFORMATION, AND EXISTING ECONOMIC CONDITIONS BAD DEBTS ARE MONITORED BY MANAGEMENT AND ARE DETERMINED TO BE DELINQUENT BASED UPON REVIEW OF AGING REPORTS COUPLED WITH CORRESPONDENCE WITH PATIENTS AND THIRD-PARTY PAYORS BAD DEBTS ARE WRITTEN OFF WHEN ALL REASONABLE ATTEMPTS TO COLLECT THE DEBT HAVE BEEN EXHAUSTED A COST TO CHARGES RATIO IS USED TO DETERMINE THE BAD DEBT EXPENSE AT COST SHORTFALL IS NOT INCLUDED AS PART OF COMMUNITY BENEFIT

Identifier	ReturnReference	Explanation
COPPER QUEEN COMMUNITY HOSPITAL		PART V, SECTION B, LINE 4 SOUTHEAST ARIZONA MEDICAL CENTERBENSON HOSPITALNORTHERN COCHISE COMMUNITY HOSPITAL
COPPER QUEEN COMMUNITY HOSPITAL		PART V, SECTION B, LINE 5C THE REPORT IS PROVIDED ON COCHISE COUNTY WEBSITE

Identifier	ReturnReference	Explanation
COPPER QUEEN COMMUNITY HOSPITAL		PART V, SECTION B, LINE 6I THE HOSPITAL HAS INITIATED THREE PROGRAMS TO ADDRESS HEALTH NEEDS IN THE AREA THE HEALTH NEEDS IN COCHISE COUNTY ARE NUMEROUS AND ANY ONE INDIVIDUAL ORGANIZATION CANNOT POSSIBLY ADDRESS THEM ALL 1 IN PARTNERSHIP WITH THE COUNTY, THE HOSPITAL HAS ESTABLISHED A HEALTH LIVING PROGRAM THAT TARGETS AT RISK PEOPLE (OVERWEIGHT, HYPERTENSION, DIABETES) TO PROVIDE EDUCATION ON A HEALTHIER LIFESTYLE TO REDUCE THEIR HEALTH RISK THIS PROGRAM IS BEING OFFERED IN BISBEE AT THE GYM, DOUGLAS AND PALOMINAS AT THE CLINICS 2 IN PARTNERSHIP WITH THE UNIVERSITY OF ARIZONA, COCHISE COMMUNITY COLLEGE AND THE LOCAL SCHOOL DISTRICTS OF DOUGLAS AND BISBEE, THE HOSPITAL IS OFFERING A CONCUSSION PROGRAM FOR THE COMMUNITY COLLEGE AND HIGH SCHOOL ATHLETES TO INCLUDE SCREENINGS AND EDUCATION 3 THE HOSPITAL IS PROVIDING A PROGRAM CALLED "A NATURAL DEATH" TO MOVE AWAY FROM THE HIGH COST OF DYING IT WOULD REPLACE DNR AS IT IS CURRENTLY EDUCATION IS PROVIDED AT THE SENIOR CENTERS IN BISBEE AND DOUGLAS AND FOR ALL OF THE HOSPITAL'S PATIENTS WHEN THEY RECEIVE THEIR ADVANCE DIRECTIVES INFORMATION ON ADMISSION
COPPER QUEEN COMMUNITY HOSPITAL		PART V, SECTION B, LINE 20D ANY PATIENT THAT DOES NOT HAVE INSURANCE IS AUTOMATICALLY GIVEN A 50% DISCOUNT ON THE COST OF THEIR MEDICAL CARE IF THE PATIENT MAKES LESS THAN 200% OF THE FEDERAL POVERTY LEVEL THEY WILL RECEIVE AN ADDITIONAL DISCOUNT BEYOND THE INITIAL 50% THE DISCOUNT WILL BE DETERMINED USING A SLIDING FEE SCALE DISCOUNT

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 THE ORGANIZATION ASSESSES THE HEALTH CARE NEEDS OF THE COMMUNITY IT SERVES BASED UPON HISTORICAL SERVICES PROVIDED
		PART VI, LINE 3 IT IS DONE UNDER ADMISSION THE PATIENTS ARE PROVIDED A COPY OF FINANCIAL ASSISTANCE POLICY UPON ADMISSION FINANCIAL ASSISTANCE CONTACT INFORMATION IS ALSO POSTED IN THE LOBBY, EMERGENCY ROOM AND OTHER PATIENT AREA PATIENTS WITH PAST DUE BALANCES ARE SENT A LETTER ADVISING THEM OF THE AVAILABILITY OF ASSISTANCE BEFORE THEY ARE SENT TO COLLECTIONS

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 THE HOSPITAL PROVIDES INPATIENT, OUTPATIENT, AND EMERGENCY SERVICES TO RESIDENTS WITHIN BISBEE, ARIZONA COMMUNITY AND ADJACENT AREAS THE HOSPITAL ALSO OPERATES A HOME HEALTH AGENCY IN THE SAME GEOGRAPHIC AREA AND THREE RURAL HEALTH CLINICS LOCATED IN BISBEE, DOUGLAS AND PALOMINAS, ARIZONA
		PART VI, LINE 5 N/A

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 N/A
REPORTS FILED WITH STATES	PART VI, LINE 7	AZ

Schedule J (Form 990) <div>Department of the Treasury Internal Revenue Service</div>	<div>Compensation Information</div> <div>For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.</div> <div>▶ Attach to Form 990. ▶ See separate instructions.</div>	OMB No 1545-0047
		2012
		Open to Public Inspection

Name of the organization BISBEE HOSPITAL ASSOCIATIONINC	Employer identification number 86-0334996
--	--

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

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) JAMES DICKSON CEO	(i)	332,569	0	0	19,824	6,969	359,362	0
	(ii)	0	0	0	0	0	0	0
(2) JOSE ROMO DOCTOR	(i)	333,652	0	0	10,009	6,969	350,630	0
	(ii)	0	0	0	0	0	0	0
(3) HEIDI LODGE DOCTOR	(i)	286,704	0	0	8,601	6,969	302,274	0
	(ii)	0	0	0	0	0	0	0
(4) DANIEL ROE DOCTOR	(i)	500,599	0	0	15,018	6,969	522,586	0
	(ii)	0	0	0	0	0	0	0
(5) BRUCE CURTIS DOCTOR	(i)	341,778	0	0	10,253	6,969	359,000	0
	(ii)	0	0	0	0	0	0	0
(6) W PATRICK COGHLAN DOCTOR	(i)	200,358	0	0	6,011	6,969	213,338	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

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

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
BISBEE HOSPITAL ASSOCIATIONINC**Employer identification number**

86-0334996

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	
	FORM 990, PART VI, SECTION B, LINE 15	EXECUTIVE COMPENSATION IS SET BY THE BOARD BASED UPON REVIEW OF AN ANNUAL SALARY SURVEY BY THE ARIZONA HOSPITAL ASSOCIATION THE HOSPITAL ALSO CONTRACTS WITH AN OUTSIDE CONSULTANT WHO ADVISES THE BOARD REGARDING EXECUTIVE COMPENSATION THE ABOVE MENTIONED PROCESS IS UTILIZED IN SETTING SALARIES OF ALL OF THE EXECUTIVE TEAM AT THE HOSPITAL
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICTS OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST THE FINANCIAL STATEMENTS ARE ALSO AVAILABLE TO THE PUBLIC THROUGH THE STATE UAR REPORT AND THE FEDERAL MEDICARE COST REPORT
OTHER FEES	FORM 990, PART IX, LINE 11G	MEDICAL PROFESSIONAL FEES PROGRAM SERVICE EXPENSES 655,786 MANAGEMENT AND GENERAL EXPENSES 0 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 655,786 OTHER PROGRAM SERVICE EXPENSES 1,044,479 MANAGEMENT AND GENERAL EXPENSES 732,819 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 1,777,298
	FORM 990, PART XII, LINE 2C	THE ORGANIZATION DID NOT CHANGE ITS OVERSIGHT OR REVIEW PROCESSES DURING THE YEAR

Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

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

OMB No 1545-0172

2012

Attachment
Sequence No **179**

Name(s) shown on return
BISBEE HOSPITAL ASSOCIATIONINC

Business or activity to which this form relates
FORM 990 PAGE 10

Identifying number

86-0334996

Part I Election To Expense Certain Property Under Section 179

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

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

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

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

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

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

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

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2012	17	1,233,621
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		

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

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

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

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

Part IV Summary (see instructions)

21	Listed property Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	22	1,233,621
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V

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

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

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

Section B—Information on Use of Vehicles

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

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

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

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

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

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2012 tax year (see instructions)					
43 Amortization of costs that began before your 2012 tax year				43	2,160
44 Total. Add amounts in column (f) See the instructions for where to report				44	2,160

**BISBEE HOSPITAL ASSOCIATION, INC.
D/B/A COPPER QUEEN COMMUNITY HOSPITAL**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2013 AND 2012



**BISBEE HOSPITAL ASSOCIATION, INC.
D/B/A COPPER QUEEN COMMUNITY HOSPITAL**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Balance Sheets	3
Statement of Operations and Changes in Net Assets	5
Statements of Cash Flows	7
Notes to Financial Statements	9

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bisbee Hospital Association, Inc.
d/b/a Copper Queen Community Hospital
Bisbee, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Bisbee Hospital Association, Inc., d/b/a Copper Queen Community Hospital (a nonprofit organization), which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

(continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bisbee Hospital Association, Inc. , d/b/a Copper Queen Community Hospital, as of June 30, 2013 and 2012, and the results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2013, on our consideration of Bisbee Hospital Association, Inc , d/b/a Copper Queen Community Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bisbee Hospital Association, Inc , d/b/a Copper Queen Community Hospital's internal control over financial reporting and compliance

Regier Cant Monro, L.L.P.

October 9, 2013
Tucson, Arizona

BISBEE HOSPITAL ASSOCIATION, INC.
d/b/a COPPER QUEEN COMMUNITY HOSPITAL
BALANCE SHEETS

June 30, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,233,161	\$ 3,108,416
Short-term certificates of deposit	3,642,059	1,895,144
Patient accounts and other receivables, net of allowance	4,666,694	4,041,882
Supplies	651,564	530,035
Prepaid expenses	<u>124,198</u>	<u>202,473</u>
Total current assets	<u>14,317,676</u>	<u>9,777,950</u>
ASSETS LIMITED AS TO USE		
Restricted cash	42,408	159,321
Internally designated cash	<u>190,723</u>	<u>153,893</u>
Total assets limited as to use	<u>233,131</u>	<u>313,214</u>
PROPERTY, PLANT AND EQUIPMENT		
Land	1,276,610	893,568
Buildings and improvements	15,441,071	11,394,889
Equipment	<u>6,586,866</u>	<u>5,705,632</u>
Total	23,304,547	17,994,089
Less accumulated depreciation	<u>9,230,323</u>	<u>8,151,501</u>
Total property, plant and equipment - in service	14,074,224	9,842,588
Construction in progress	<u>672,776</u>	<u>959,135</u>
Total property, plant and equipment	<u>14,747,000</u>	<u>10,801,723</u>
OTHER ASSETS		
Long-term certificates of deposit	-	500,000
Intangible assets, net	<u>47,354</u>	<u>49,514</u>
Total other assets	<u>47,354</u>	<u>549,514</u>
Total assets	<u><u>\$ 29,345,161</u></u>	<u><u>\$ 21,442,401</u></u>

The Notes to Financial Statements are an integral part of these statements

BISBEE HOSPITAL ASSOCIATION, INC.
d/b/a COPPER QUEEN COMMUNITY HOSPITAL
BALANCE SHEETS

June 30, 2013 and 2012

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Current maturities of long-term debt and lease obligations	\$ 680,090	\$ 516,709
Accounts payable	1,044,977	1,164,279
Patient refunds payable	226,313	210,998
Accrued expenses	1,481,964	1,145,324
Estimated amounts due to third-party payors	<u>150,000</u>	<u>-</u>
Total current liabilities	<u>3,583,344</u>	<u>3,037,310</u>
 LONG-TERM LIABILITIES		
Long-term portion of capital lease obligations payable	-	91,869
Long-term portion of mortgages payable	7,967,345	2,915,510
Other long-term payable	<u>-</u>	<u>44,575</u>
Total long-term liabilities	<u>7,967,345</u>	<u>3,051,954</u>
Total liabilities	<u>11,550,689</u>	<u>6,089,264</u>
 NET ASSETS		
Unrestricted	17,731,756	15,288,895
Temporarily restricted	<u>62,716</u>	<u>64,242</u>
Total net assets	<u>17,794,472</u>	<u>15,353,137</u>
Total liabilities and net assets	<u><u>\$ 29,345,161</u></u>	<u><u>\$ 21,442,401</u></u>

The Notes to Financial Statements are an integral part of these statements

BISBEE HOSPITAL ASSOCIATION, INC.
d/b/a COPPER QUEEN COMMUNITY HOSPITAL
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT			
Net patient service revenue	\$ 24,137,619	\$ -	\$ 24,137,619
Provision for doubtful accounts	(1,790,528)	-	(1,790,528)
Other service revenue	68,994	-	68,994
Total revenues, gains and other support	22,416,085	-	22,416,085
EXPENSES			
Salaries and wages	10,788,853	-	10,788,853
Employee benefits	2,162,326	-	2,162,326
Medical professional fees	666,431	-	666,431
Repairs and maintenance	273,943	-	273,943
Supplies and other	1,776,903	-	1,776,903
General services	1,781,936	-	1,781,936
Administrative services	1,427,101	-	1,427,101
Depreciation and amortization	1,235,781	-	1,235,781
Insurance	349,675	-	349,675
Interest	155,146	-	155,146
Total expenses	20,618,095	-	20,618,095
Income from operations	1,797,990	-	1,797,990
OTHER INCOME (EXPENSE)			
Grant revenue	651,758	-	651,758
Interest income	8,767	-	8,767
Loss on disposal of assets	(11,674)	-	(11,674)
Unrestricted contributions	30,251	-	30,251
Charitable donations	(46,760)	-	(46,760)
Other	11,003	-	11,003
Net assets released from restrictions	1,526	(1,526)	-
Total other income (expense)	644,871	(1,526)	643,345
CHANGE IN NET ASSETS	2,442,861	(1,526)	2,441,335
NET ASSETS, BEGINNING OF YEAR	15,288,895	64,242	15,353,137
NET ASSETS, END OF YEAR	\$ 17,731,756	\$ 62,716	\$ 17,794,472

The Notes to Financial Statements are an integral part of these statements

BISBEE HOSPITAL ASSOCIATION, INC.
d/b/a COPPER QUEEN COMMUNITY HOSPITAL
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT			
Net patient service revenue	\$ 23,479,236	\$ -	\$ 23,479,236
Provision for doubtful accounts	(913,843)	-	(913,843)
Other service revenue	98,540	-	98,540
Total revenues, gains and other support	22,663,933	-	22,663,933
EXPENSES			
Salaries and wages	10,281,693	-	10,281,693
Employee benefits	2,201,274	-	2,201,274
Medical professional fees	644,768	-	644,768
Repairs and maintenance	440,687	-	440,687
Supplies and other	1,807,900	-	1,807,900
General services	1,591,631	-	1,591,631
Administrative services	1,189,733	-	1,189,733
Depreciation and amortization	1,166,844	-	1,166,844
Insurance	322,571	-	322,571
Interest	348,883	-	348,883
Total expenses	19,995,984	-	19,995,984
Income from operations	2,667,949	-	2,667,949
OTHER INCOME (EXPENSE)			
Grant revenue	1,064,735	-	1,064,735
Interest income	10,529	-	10,529
Loss on disposal of assets	(18,937)	-	(18,937)
Unrestricted contributions	45,106	-	45,106
Charitable donations	(67,308)	-	(67,308)
Other	182	-	182
Net assets released from restrictions	31,370	(31,370)	-
Total other income (expense)	1,065,677	(31,370)	1,034,307
CHANGE IN NET ASSETS	3,733,626	(31,370)	3,702,256
NET ASSETS, BEGINNING OF YEAR	11,555,269	95,612	11,650,881
NET ASSETS, END OF YEAR	\$ 15,288,895	\$ 64,242	\$ 15,353,137

The Notes to Financial Statements are an integral part of these statements

BISBEE HOSPITAL ASSOCIATION, INC.
d/b/a COPPER QUEEN COMMUNITY HOSPITAL
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 2,441,335	\$ 3,702,256
Items not requiring cash		
Depreciation and amortization	1,235,781	1,166,844
Loss on disposal of fixed assets	11,674	18,936
Changes in		
Patient accounts and other receivables, net	(624,812)	(800,827)
Supplies	(121,529)	(2,348)
Prepaid expenses	78,275	(129,824)
Payables and accrued expenses	232,653	447,790
Estimated amounts due to and from third-party payors	<u>150,000</u>	<u>(400,000)</u>
Net cash provided by operating activities	<u>3,403,377</u>	<u>4,002,827</u>
INVESTING ACTIVITIES		
Changes in assets limited as to use	80,083	(81,762)
Purchase of certificates of deposit	(1,246,915)	-
Proceeds from maturity of long-term certificates of deposit	-	373,204
Purchase of property and equipment	<u>(5,190,572)</u>	<u>(1,539,181)</u>
Net cash used by investing activities	<u>(6,357,404)</u>	<u>(1,247,739)</u>

(continued)

The Notes to Financial Statements are an integral part of these statements

BISBEE HOSPITAL ASSOCIATION, INC.
d/b/a COPPER QUEEN COMMUNITY HOSPITAL
STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
FINANCING ACTIVITIES		
(Decrease) increase in long-term payables	(44,575)	44,575
Proceeds from long-term debt	5,695,609	692,000
Principal payments on long-term liabilities	<u>(572,262)</u>	<u>(2,765,120)</u>
Net cash provided (used) by financing activities	<u>5,078,772</u>	<u>(2,028,545)</u>
Increase in cash and cash equivalents	2,124,745	726,543
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,108,416</u>	<u>2,381,873</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 5,233,161</u></u>	<u><u>\$ 3,108,416</u></u>
ADDITIONAL CASH FLOW INFORMATION		
Interest paid	<u><u>\$ 155,146</u></u>	<u><u>\$ 348,883</u></u>

The Notes to Financial Statements are an integral part of these statements

BISBEE HOSPITAL ASSOCIATION, INC.
D/B/A COPPER QUEEN COMMUNITY HOSPITAL
NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Bisbee Hospital Association, Inc , d/b/a Copper Queen Community Hospital (the “Hospital”), is a non-profit corporation organized under the laws of the State of Arizona in 1977. The Hospital primarily earns revenues by providing inpatient, outpatient, and emergency services to residents within the Bisbee, Arizona community and adjacent areas. The Hospital also operates a home health agency in the same geographic area and three rural health clinics located in Bisbee, Douglas, and Palomina, Arizona.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist of all liquid investments, other than those limited as to use, with original maturities of three months or less.

Assets Limited as to Use

Assets limited as to use include cash set aside by the Board of Directors for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of the Hospital, if any, are included in current assets.

Certificates of Deposit

Investments in certificates of deposit are carried at cost, which approximates fair value.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The Hospital provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. An allowance for contractual adjustments is based on expected payment rates from payors based on current reimbursement methodologies. As a service to the patient, the Hospital bills third-party payors directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. These receivables are generally unsecured, are due from third-party payors and individuals, and arise from services provided to individuals geographically concentrated in Cochise County, Arizona. The maximum amount of potential loss due to credit risk that the Hospital could incur is the balance of patient accounts receivable as shown on the balance sheet.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment

Property and equipment are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset (which range from 3 to 40 years). Assets under capital lease obligations are amortized over the shorter of the lease term or their respective estimated useful lives. Amortization of assets subject to capital leases is reported as part of depreciation expense. Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the asset is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as temporarily restricted. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

Intangible Assets

The Hospital amortizes intangible assets over the estimated life of the asset using straight-line amortization.

Basis of Presentation

The net assets and revenues, expenses, gains, and losses included in the financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Hospital and/or the passage of time Temporarily restricted assets that are expended for the restricted purpose in the same fiscal year as received are reported as unrestricted items

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be maintained permanently by the Hospital There were no permanently restricted net assets at June 30, 2013 and 2012

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at contractual amounts different from its established rates Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive adjustments Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known The Hospital is a critical access hospital for Medicare reimbursement purposes, whereby its Medicare reimbursements are based on allowable costs For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue based upon discounted rates, and records a significant provision for bad debts when services are provided In 2013, 8% of net patient service revenue was from self-pay patients

Charity Care

The Hospital provides charity care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy The Hospital operates a 24-hour emergency room that provides care to all patients regardless of ability to pay Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue The estimated cost of charity care is determined based on a calculation using a cost to charge ratio of providing services The Hospital also provides health-related programs and services to benefit the communities it serves.

Contributions

Contributions of cash and other assets are recorded at estimated fair value at the time the promise to give is received The gifts are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets When a donor restriction expires, that is, when the restriction is met, temporarily restricted net assets are reclassified as unrestricted net assets and reported as an increase in unrestricted net assets

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Medical Malpractice Coverage and Claims

The Hospital pays fixed premiums for medical malpractice insurance under an occurrence basis policy. The Hospital also purchases excess coverage under a claims-made policy. The Hospital accrues the expense of its share of covered claims, if any, plus unasserted claims and unreported incidents occurring during the year by estimating the probable ultimate cost of any claim or incident. Estimates are based on the Hospital's own claims experience.

Income from Operations

The statement of operations and changes in net assets utilizes the term 'income from operations' as the performance indicator for its operating activities. It excludes investment income, grant revenue, and contributions.

Income Taxes

The Hospital is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Hospital received its letter of determination from the Internal Revenue Service in 1977. Certain unrelated business income may be subject to income tax.

The Hospital follows FASB Codification 740-10-50 for disclosure of income tax related matters. The standard sets a "more likely than not" criterion for recognizing the tax benefits of uncertain tax positions. The Hospital believes that its income tax filing positions and deductions will be sustained upon examination and, accordingly, have not recorded any reserves or related accruals for interest and penalties in the accompanying financial statements for uncertain income tax positions. Income tax related interest and penalties are reported in general and administrative expenses when incurred. No income tax examinations are currently underway or anticipated. The statute of limitations is three years for federal income tax purposes and four years for the State of Arizona.

Bad Debts

The Hospital provides an allowance for doubtful accounts based upon a review of outstanding receivables, the age of accounts, the payor mix, historical collection information, and existing economic conditions.

Bad debts are monitored by management and are determined to be delinquent based upon review of aging reports coupled with correspondence with patients and third-party payors. Bad debts are written off when all reasonable attempts to collect the debt have been exhausted.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising and Promotion Costs

The Hospital expenses advertising and promotion costs as incurred. Advertising and promotion totaled \$148,306 for 2013 (\$119,366 for 2012).

Electronic Health Records Incentive Payments

The American Recovery and Reinvestment Act of 2009 established funding in order to provide incentive payments to hospitals and physicians that implement the use of electronic health record technology by 2014. The Hospital may receive incentive payments for up to four years, provided it demonstrates meaningful use of the technology. The revenue for the incentive payments is recognized as the Hospital demonstrates compliance with the various meaningful use requirements and collection of the incentive payment is reasonably assured. The incentive payments are reported in non-operating revenue.

Presentation of Patient Service Revenue and Bad Debts

In 2011, the Financial Accounting Standards Board adopted Accounting Standards Update 2011-07, *Health Care Entities Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. This standard establishes accounting and disclosure requirements for healthcare entities that recognize significant amounts of patient service revenue at the time services are rendered even though they do not assess a patient's ability to pay. The update changes the presentation of the statement of operations and changes in net assets and adds new disclosures. The provision for bad debts is required to be presented on a separate line as a deduction from patient service revenue in the statement of operations and changes in net assets. The standard became effective for the Hospital for the year ended June 30, 2013 and was implemented during the current year. The 2012 statement of operations and changes in net assets has been reformatted from its original presentation to reflect the adoption of this standard. Adoption of this standard did not result in any impact on beginning net assets.

Insurance Claims

In 2012, the Hospital has adopted Accounting Standards Update 2010-24, *Health Care Entities Presentation of Insurance Claims and Related Insurance Recoveries*. This standard requires that accrued liabilities for malpractice and similar claims be reported separately from related insurance recoveries receivable on the balance sheet. Prior guidance allowed those amounts to be netted against each other. There was no impact on beginning net assets related to the implementation of this standard nor was there a material impact on the Hospital's results of operations or cash flows for the year ended June 30, 2013, as a result of the adoption of this standard.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Information

Certain reclassifications have been made to the June 30, 2012 financial statements in order to conform to the June 30, 2013 presentation. Such reclassifications had no effect on reported income.

2. PATIENT SERVICE REVENUE

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

- As a critical access hospital, the Medicare reimbursement is cost-based. The Hospital is reimbursed at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and subsequent audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2011.
- AHCCCS – Inpatient services are paid based upon predetermined per diem rates. Outpatient services rendered to AHCCCS program beneficiaries are paid based upon discounts from standard charges, which are established by the State of Arizona.

Approximately 44% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid (AHCCCS) programs. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near-term.

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

Net patient service revenue for 2013 and 2012 includes:

	<u>2013</u>	<u>2012</u>
Gross patient service revenue	\$ 60,188,224	\$ 54,994,437
Less contractual adjustments for:		
Medicare and AHCCCS	(21,004,323)	(18,704,651)
Other third-party payors	<u>(15,046,282)</u>	<u>(12,810,550)</u>
Total	<u>\$ 24,137,619</u>	<u>\$ 23,479,236</u>

(continued)

2. PATIENT SERVICE REVENUE (continued)

Net patient service revenue includes \$5,092,711 and \$4,684,673 for 2013 and 2012, respectively of revenue from operating the rural health clinics

Revenue from home health services included in net patient service revenue was \$503,508 and \$613,715 for 2013 and 2012, respectively

3. PATIENT ACCOUNTS AND OTHER RECEIVABLES, NET

Patient accounts and other receivables as of June 30, 2013 and 2012 consist of the following

	<u>2013</u>	<u>2012</u>
Gross patient accounts receivable	\$ 8,791,252	\$ 7,953,940
Allowance for contractual adjustments	(3,412,655)	(3,007,217)
Allowance for uncollectible accounts	<u>(1,555,720)</u>	<u>(1,394,907)</u>
Net patient receivables	3,822,877	3,551,816
Other receivables from AHCCCS	693,817	340,066
Estimated insurance claims receivable	<u>150,000</u>	<u>150,000</u>
Total	<u>\$ 4,666,694</u>	<u>\$ 4,041,882</u>

4. ASSETS LIMITED TO USE

Assets limited as to use consist of cash in checking and money-market funds with a balance of \$233,130 as of June 30, 2013 (\$313,213 at June 30, 2012)

5. INTANGIBLE ASSETS

Intangible assets consist of loan and related legal fees paid in conjunction with debt refinancing. Those fees are being amortized over the 25-year life of the loan using the straight-line method. Remaining balances related to existing loan costs were written-off to amortization expense.

Amortization expense for the years ended June 30, 2013 and 2012 was \$2,160 and \$2,161, respectively

(continued)

5. INTANGIBLE ASSETS (continued)

Future amortization expense is shown below

2014	\$ 2,161
2015	2,161
2016	2,161
2017	2,161
2018	2,161
Thereafter	<u>36,549</u>
Total	<u>\$ 47,354</u>

6. LONG-TERM DEBT

	<u>2013</u>	<u>2012</u>
Mortgage note payable to USDA – due August 2052, monthly payments of \$27,755 beginning on September 10, 2013, including interest of 3.50%, the loan is secured by the Hospital's gross receipts and substantially all assets	\$ 5,436,721	\$ -
Bank note payable – due June 2014, monthly payments of \$21,154, including interest of 1.45%, collateralized by certificate of deposit	251,766	500,000
Mortgage payable, bank – due June 2035, monthly payments of \$7,677 with fixed interest of 4.25%, prepayment penalty through 2017 secured by land and buildings, and liens on other assets. 90% of loan balance is guaranteed by the USDA	<u>2,663,658</u>	<u>2,735,290</u>
Total	8,352,145	3,235,290
Less current maturities	<u>384,800</u>	<u>319,780</u>
Total	<u>\$ 7,967,345</u>	<u>\$ 2,915,510</u>

(continued)

6. LONG-TERM DEBT (continued)

Aggregate annual maturities of long-term debt at June 30, 2013 are as follows

2014	\$ 384,800
2015	138,541
2016	143,986
2017	150,244
2018	156,469
Thereafter	<u>7,378,105</u>
Total	<u>\$ 8,352,145</u>

7. ASSETS AND OBLIGATIONS UNDER CAPITAL LEASES

The Hospital leases various items of medical equipment that have been capitalized under the terms of the lease agreements and are included in equipment on the balance sheet. The cost of leased medical equipment capitalized was \$1,122,815 and \$863,297 at June 30, 2013 and 2012, respectively. Accumulated amortization was \$669,970 and \$508,534 and as of June 30, 2013 and 2012, respectively. Amortization expense totaled \$161,436 and \$138,438 on these assets in 2013 and 2012.

Shown below are the details of the Hospital's obligations on those capitalized leases

	<u>2013</u>	<u>2012</u>
Equipment lease obligation – due in 2013, monthly payments of \$7,297, including interest 7.5%, collateralized by medical equipment.	\$ -	\$ 135,978
Equipment lease obligation – due in 2013, monthly payments of \$31,875, collateralized by medical equipment	-	31,875
Equipment lease obligation – due November 2013, monthly payments of \$4,119, collateralized by medical equipment	20,336	67,383
Equipment lease obligation – due October 2013, with one payment of \$258,888, collateralized by medical equipment	258,888	-
Equipment lease obligation – due November 2013, monthly payments of \$3,245, collateralized by medical equipment	<u>16,066</u>	<u>53,563</u>
Total	<u>\$ 295,290</u>	<u>\$ 288,799</u>

(continued)

7. ASSETS AND OBLIGATIONS UNDER CAPITAL LEASES (continued)

Aggregate future minimum lease payments are as follows

2014	\$ 295,709
Less imputed interest	<u>419</u>
Net present value of future minimum lease payments	<u>\$ 295,290</u>

8. CHARITY CARE AND OTHER COMMUNITY BENEFITS

The Hospital is dedicated to providing services for the needy and accepts all patients regardless of their ability to pay. Such care is provided without charge or at amounts less than established rates to patients meeting certain criteria under its charity care policy. Because these services are not expected to result in cash flows, charity care is not included in net patient service revenue. The costs incurred in providing these services are included in the Hospital's operating expenses.

The Hospital's approximate charity care, based upon standard rates, for the years ended June 30, 2013 and 2012 was \$1,399,000 and \$589,000, respectively. The estimated cost of the charity care was \$428,000 and \$271,000 for 2013 and 2012, respectively.

The Hospital also provides care for medically indigent patients covered under the AHCCCS program at rates substantially below its standard charge. Those discounts are not included in the amounts shown above. The Hospital provides wellness programs and health-related information to residents of the communities in which it operates.

9. PENSION PLAN

The Hospital has a defined contribution money purchase pension plan covering substantially all employees. Total pension cost is based on 3% of eligible salaries, less forfeitures, and was approximately \$192,000 and \$224,000 for 2013 and 2012, respectively.

(continued)

10. CONTINGENCIES

Medical Malpractice Claims

The Hospital is named as a defendant in malpractice claims arising out of the normal conduct of business. The reserve for professional liability claims was \$150,000 at June 30, 2013 and 2012, and is included in accrued expenses in the accompanying balance sheet. The Hospital's risks related to professional liability are insured through a claims-made policy. The estimated amount receivable under the insurance contract is \$150,000, and is included in patient and other accounts receivable in the accompanying balance sheet. Management believes the reserve for losses is adequate based on information currently known. It is possible that this estimate could change in the near-term. Because of the risks involved in providing health care services, it is possible that other events have occurred which may be the basis for a material future claim.

Other Claims

The Hospital is named as a defendant in general liability claims arising out of the normal conduct of business. Management believes that damages, if any, assessed against the Hospital will be covered by existing general liability insurance coverage and will not materially affect the financial position of the Hospital.

Grants

The Hospital participates in federal and state assisted grant and contract programs that are subject to financial and compliance audits. The compliance with applicable grant and contract requirements may be established at some future date. The amount, if any, of audit assessments cannot be determined at this time. Such assessments, if any, resulting from such audits are recorded when they are determinable.

11. CONCENTRATIONS OF CREDIT RISK

The Hospital maintains cash balances on deposit with financial institutions that, at times, exceed the insured limits. At June 30, 2013, the uninsured balance of cash in depository accounts and certificates of deposit approximated \$6,700,000.

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of net patient accounts receivable at June 30, 2013 and 2012 is as follows.

(continued)

11. CONCENTRATIONS OF CREDIT RISK (continued)

	<u>2013</u>	<u>2012</u>
Medicare and AHCCCS	36%	37%
Other third-party payors	36%	35%
Patients	<u>28%</u>	<u>28%</u>
Total	<u>100%</u>	<u>100%</u>

12. FUNCTIONAL EXPENSES

The Hospital provides general health care services to residents within its geographic location, including acute inpatient, emergency care, diagnostic services, surgery, and home health care. Expenses related to providing these services are summarized as health care. General and administrative expenses include provisions for uncollectible accounts and interest expense.

	<u>2013</u>	<u>2012</u>
Health care services	\$ 14,509,995	\$ 14,275,660
General and administrative	<u>6,108,100</u>	<u>5,720,324</u>
Total	<u>\$ 20,618,095</u>	<u>\$ 19,995,984</u>

13. SIGNIFICANT ESTIMATES AND CONCENTRATIONS

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

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustment included in net patient service revenue are described in Notes 1 and 2 of the financial statements.

Liabilities to Medicare

Liabilities to Medicare are estimated based upon preliminary cost reports prepared by the Hospital's cost report consultant and interim rate adjustments provided by the intermediary using unaudited data.

(continued)

13. SIGNIFICANT ESTIMATES AND CONCENTRATIONS (continued)

Other Concentrations

At June 30, 2013, approximately 77% of the Hospital's labor force is covered by a collective bargaining agreement

14. COMMITMENTS

Leases

The Hospital leases various equipment and facilities under operating leases expiring at various dates through June 2015. Total rental expense in 2013 and 2012 for all operating leases was approximately \$84,000 and \$39,000, respectively.

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

2014	\$ 352,315
2015	352,315
2016	324,830
2017	324,830
2018	<u>263,441</u>
Total	<u>\$ 1,617,731</u>

Other Commitments

The Hospital is in the midst of an expansion project of the emergency room. The Hospital has executed contracts with an architect and contractor for the project. The total estimated cost of the expansion is \$4,700,000. The emergency room expansion is being principally financed through a long-term mortgage loan from the U.S. Department of Agriculture. Construction on the expansion began in early 2012 and is expected to be completed before the end of 2013. During the year ended June 30, 2013, the first phase of the project was completed and the Hospital placed approximately \$3,050,000 of capitalized costs related to the new emergency room in service. As of June 30, 2013, construction in process included \$660,000 related to this project.

(continued)

15. FAIR VALUE MEASUREMENTS

The following methods and assumptions were used in estimating the fair value of financial instruments

Cash and Cash Equivalents, Accounts Payable, Accrued Expenses, Estimated Third Party Settlements

The carrying value reported in the financial statements approximates the fair value based upon their short-term maturities

Certificates of Deposit

Fair value is based upon quoted values when available and discounted cash flow analysis based on current investment rates for similar assets. The fair value of the certificates approximated the carrying value at June 30, 2013 and 2012.

Long-term Debt

The carrying value of the long-term debt approximates fair value based on current rates available to similar entities with similar credit ratings.

16. AVAILABLE LINE OF CREDIT

The Hospital has a \$350,000 line of credit. The line matures in 2013. The line of credit bears interest at a floating rate. There was no outstanding balance on the line at June 30, 2013 or 2012.

The Hospital also has a margin line of credit available from its brokerage firm. At June 30, 2013, there was no balance outstanding and the available credit capacity was \$405,000.

17. PATIENT PROTECTION AND AFFORDABLE CARE ACT

The Patient Protection and Affordable Care Act ("PPACA") will substantially reform the United States health care system. PPACA will significantly affect consumers as well as health care providers. In 2014, health care exchanges will provide individuals without employer provided health care coverage the opportunity to purchase insurance. It is anticipated that the increase in the number of insured individuals will increase the demand for health care services. It is also anticipated that reimbursement rates paid by insurance carriers, Medicare and AHCCCS to providers will be impacted by PPACA.

While the PPACA is extremely complex and the overall impact on the Hospital cannot be predicted, it is possible that it will impact the Hospital's net patient revenue and provide operational challenges during the implementation period.

(continued)

18. SUBSEQUENT EVENTS

Subsequent events have been analyzed through October 9, 2013, the date the financial statements were available for release