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Form 990  Department of the Treasury Internal Revenue Service	<h1>Return of Organization Exempt From Income Tax</h1> <p>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</p> <p>▶ The organization may have to use a copy of this return to satisfy state reporting requirements</p>	OMB No 1545-0047 <div>2012</div> <p>Open to Public Inspection</p>

A For the 2012 calendar year, or tax year beginning 10-01-2012 , 2012, and ending 09-30-2013

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 WHITE RIVER HEALTH SYSTEM INC		D Employer identification number 71-0411459	
	Doing Business As			
	Number and street (or P O box if mail is not delivered to street address) 1710 HARRISON STREET	Room/suite	E Telephone number (870) 698-6520	
	City or town, state or country, and ZIP + 4 BATESVILLE, AR 72501			
			G Gross receipts \$ 173,771,129	
F Name and address of principal officer			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 checked="" type="checkbox"/> No If "No," attach a list (see instructions)	
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			H(c) Group exemption number ▶	
J Website: ▶ WRMC.COM				
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶			L Year of formation 1976	M State of legal domicile AR

Part I	Summary
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Activities & Governance	1 Briefly describe the organization's mission or most significant activities TO PROVIDE HEALTH CARE SERVICE TO THE COMMUNITIES IN INDEPENDENCE COUNTY, STONE COUNTY AND SURROUNDING AREAS TO PROMOTE HEALTHIER COMMUNITIES AND PROVIDE QUALITY, EFFICIENT HEALTHCARE IN AN ATMOSPHERE OF COMPASSION, RESPECT, AND DIGNITY			
	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	1,605
6	Total number of volunteers (estimate if necessary)	6		
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	24,651	
7b	Net unrelated business taxable income from Form 990-T, line 34	7b	23,651	
Revenue			Prior Year	Current Year
	8	Contributions and grants (Part VIII, line 1h)	2,713,705	1,128,981
	9	Program service revenue (Part VIII, line 2g)	165,348,130	166,708,392
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	766,814	1,253,214
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,893,245	4,530,211
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	172,721,894	173,620,798
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)		0
	14	Benefits paid to or for members (Part IX, column (A), line 4)		0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	85,497,155	83,672,697
	16a	Professional fundraising fees (Part IX, column (A), line 11e)		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)	81,879,172	84,360,180
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	167,376,327	168,032,877
	19	Revenue less expenses Subtract line 18 from line 12	5,345,567	5,587,921
Net Assets or Fund Balances			Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)	207,441,883	213,686,793
	21	Total liabilities (Part X, line 26)	80,167,826	80,638,273
	22	Net assets or fund balances Subtract line 21 from line 20	127,274,057	133,048,520

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			2014-07-03
	JANA RICHARDSON CFO	Type or print name and title			Date
Paid Preparer Use Only	Prnt/Type preparer's name WILLIAM T COUCH		Preparer's signature	Date	Check <input type="checkbox"/> if self-employed PTIN P00183609
	Firm's name ▶ Hughes Welch & MilliganCPASLTD				Firm's EIN ▶
	Firm's address ▶ PO Box 2094 <div style="text-align: right;">Batesville, AR 725032094</div>				Phone no (870) 793-5231
May the IRS discuss this return with the preparer shown above? (see instructions)					<input checked="" type="checkbox"/> Yes <input type="checkbox"/> 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 HEALTH CARE SERVICE TO THE COMMUNITIES IN INDEPENDENCE COUNTY, STONE COUNTY AND SURROUNDING AREAS TO PROMOTE HEALTHIER COMMUNITIES AND PROVIDE QUALITY, EFFICIENT HEALTHCARE IN AN ATMOSPHERE OF COMPASSION, RESPECT, AND DIGNITY

2

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

☐ Yes ☒ No

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

3

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

☐ Yes ☒ No

If “Yes,” describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 124,370,419 including grants of \$) (Revenue \$)

WHITE RIVER HEALTH SYSTEM, INC IS A MULTIDIMENSIONAL PROVIDER OF HEALTHCARE SERVICES PRIMARILY TO THE RESIDENTS OF NORTH CENTRAL ARKANSAS THE NOT-FOR-PROFIT ORGANIZATION OPERATES TWO HOSPITALS, WHITE RIVER MEDICAL CENTER WHICH IS AN ACUTE CARE HOSPITAL PROVIDING INPATIENT, OUTPATIENT AND EMERGENCY CARE TO THE RESIDENTS OF INDEPENDENCE COUNTY AND SURROUNDING AREAS AND STONE COUNTY MEDICAL CENTER WHICH IS A CRITICAL ACCESS HOSPITAL PROVIDING INPATIENT, OUTPATIENT AND EMERGENCY CARE SERVICES FOR THE RESIDENTS OF STONE COUNTY AND SURROUNDING AREAS THE SYSTEM ALSO INCLUDES OUTPATIENT FACILITIES, PRIMARY CARE AND SPECIALTY PHYSICIAN OFFICES, MEDICAL OFFICE BUILDINGS, AND WHITE RIVER HEALTH SYSTEM FOUNDATION, INC , WHICH PROVIDES SUPPORT FOR FURTHERING THE PURPOSE AND PROMOTING THE ACTIVITIES OF THE SYSTEM

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 ▶ 124,370,419

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		No
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
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.	182	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			No
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.	1,605	
2b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		Yes	
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?		Yes	
3b If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.			
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			No
4b If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			No
5b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			No
5c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?			No
6b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			
7 Organizations that may receive deductible contributions under section 170(c).			
7a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?			No
7b If "Yes," did the organization notify the donor of the value of the goods or services provided?			
7c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			No
7d If "Yes," indicate the number of Forms 8282 filed during the year.		0	
7e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			No
7f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			No
7g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			No
7h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			No
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?			No
9 Sponsoring organizations maintaining donor advised funds.			
9a Did the organization make any taxable distributions under section 4966?			No
9b Did the organization make a distribution to a donor, donor advisor, or related person?			No
10 Section 501(c)(7) organizations. Enter			
10a Initiation fees and capital contributions included on Part VIII, line 12.			
10b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.			
11 Section 501(c)(12) organizations. Enter			
11a Gross income from members or shareholders.			
11b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).			
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?			No
12b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.			
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
13a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.			No
13b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.			
13c Enter the amount of reserves on hand.			
14a Did the organization receive any payments for indoor tanning services during the tax year?			No
14b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.			

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	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			
1b	Enter the number of voting members included in line 1a, above, who are independent	11	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	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
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization JANA RICHARDSON 1710 HARRISON STREET BATESVILLE, AR (870) 262-3222

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) LEO SUTTERFIELD Ex OFFICIO	1 00 0 00	X						0	0	0
(2) SETH BARNES MD Ex OFFICIO	1 00 0 00	X						0	0	0
(3) STEVE CASE Director	1 00 0 00	X						0	0	0
(4) DICK BERNARD Ex OFFICIO	1 00 0 00	X						0	0	0
(5) GARY L BEBOW CEO	40 00 0 00	X		X				542,480	0	71,749
(6) BARRY PIERCE MD EX OFFICIO	1 00 0 00	X						0	0	0
(7) JASON PAXTON MD EX OFFICIO	1 00 0 00	X						0	0	0
(8) EJ JONES MD EX OFFICIO	1 00 0 00	X						0	0	0
(9) PHILIP BRISSEY EX OFFICIO	1 00 0 00	X						0	0	0
(10) DEBBIE FRAZIER Director	1 00 0 00	X						0	0	0
(11) GERALD MEACHAM Director	1 00 0 00	X						0	0	0
(12) LESLIE FRENSLEY Secretary	1 00 0 00	X		X				0	0	0
(13) BORIS DOVER Vice President	1 00 0 00	X		X				0	0	0
(14) JEFF SHOWALTER Director	1 00 0 00	X						0	0	0
(15) JR BAKER MD Director	1 00 0 00	X						0	0	0
(16) ROBERT EMERY MD Director	1 00 0 00	X						0	0	0
(17) CONNIE SCHIRMER Director	1 00 0 00	X						0	0	0

Part VII

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

(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			
(18) CHARLES SCHAFF President	1 00 0 00	X		X				0	0	0
(19) DIANNE LAMBERTH Director	1 00 0 00	X						0	0	0
(20) TAMMY GAVIN COO	40 00 0 00			X				177,526	0	31,441
(21) JANA RICHARDSON CFO	40 00 0 00			X				125,955	0	36,278
(22) DR CAROLINE CARLTON PHYSICIAN	40 00 0 00					X		359,817	0	37,142
(23) DR SHALHLA GUL NAOMAN PHYSICIAN	40 00 0 00					X		384,147	0	62,139
(24) DR RAMAN K DESIKAN PHYSICIAN	40 00 0 00					X		701,323	0	69,602
(25) DR CHRISTOPHER ALLEN STEEL PHYSICIAN	40 00 0 00					X		467,076	0	66,151
(26) DR JOHN AKINS PHYSICIAN	40 00 0 00					X		497,257	0	72,588
(27) GARY BRITTEN FORMER CFO	40 00 0 00						X	181,034	0	31,389
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								3,436,615		478,479

2Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization70

		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>	Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	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>		No

Section B. Independent Contractors

1Complete 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
TED SHIELDS MD , 745 WOODMONT CIRCLE BATESVILLE AR 72501	CONTRACT	401,354
QAISAR M KHAN PLLC , 830 EAGLE MOUNATIN BLVD BATESVILLE AR 72501	CONTRACT	617,254
GARRETT SANFORD MD , 140 LOMOND DR BATESVILLE AR 72501	CONTRACT	624,173
NORTH ARKANSAS PAIN MANAGEMENT 30 DUNDEE COVE BATESVILLE AR 72501	PAIN MGMT	1,925,000
BATESVILLE CARDIOLOGY PA 1695 HARRISON BATESVILLE AR 72501	CONTRACT	999,678
2Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization 37		

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	346,357			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	782,624			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		1,128,981			
Program Service Revenue			Business Code				
	2a	PROGRAM SERVICE REVENUE		166,683,741	166,683,741		
	b	PREMIER P P , LP		24,651		24,651	
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		166,708,392			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		1,236,710		1,236,710	
	4	Income from investment of tax-exempt bond proceeds . . .		0			
	5	Royalties		0			
	6a	(i) Real		(ii) Personal			
		Gross rents	137,236				
		b Less rental expenses					
		c Rental income or (loss)	137,236				
	d	Net rental income or (loss)		137,236		137,236	
	7a	(i) Securities		(ii) Other			
		Gross amount from sales of assets other than inventory		166,835			
		b Less cost or other basis and sales expenses		150,331			
		c Gain or (loss)		16,504			
	d	Net gain or (loss)		16,504		16,504	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events . . .		0			
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities . . .		0			
	10a	Gross sales of inventory, less returns and allowances	a				
b	Less cost of goods sold . . .	b					
c	Net income or (loss) from sales of inventory . . .		0				
Miscellaneous Revenue		Business Code					
11a	OTHER REVENUE		3,503,169			3,503,169	
b	MEDICAL RECORDS		26,803			26,803	
c	CAFETERIA REVENUE		863,003			863,003	
d	All other revenue						
e	Total. Add lines 11a-11d		4,392,975				
12	Total revenue. See Instructions		173,620,798	166,683,741	24,651	5,783,425	

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.	0			
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	985,429		985,429	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0			
7	Other salaries and wages.	62,084,113	49,108,668	12,975,445	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	1,477,532	1,157,558	319,974	
9	Other employee benefits.	14,647,250	14,508,366	138,884	
10	Payroll taxes.	4,478,373	3,466,179	1,012,194	
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	0			
c	Accounting.	0			
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	0			
12	Advertising and promotion.	0			
13	Office expenses.	1,712,516	542,288	1,170,228	
14	Information technology.	0			
15	Royalties.	0			
16	Occupancy.	3,048,767		3,048,767	
17	Travel.	588,644	355,794	232,850	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	0			
20	Interest.	2,978,733		2,978,733	
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	10,345,249		10,345,249	
23	Insurance.	1,579,260	340,700	1,238,560	
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	BED TAX EXPENSE	1,974,882	1,974,882		
b	EQUIPMENT RENTAL MAINT	6,528,777	4,643,594	1,885,183	
c	PURCHASED SERVICES	18,599,830	15,088,199	3,511,631	
d	SUPPLIES & OTHER	36,785,688	33,107,119	3,678,569	
e	All other expenses	217,834	77,072	140,762	
25	Total functional expenses. Add lines 1 through 24e.	168,032,877	124,370,419	43,662,458	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		14,790,811	1	25,935,104
	2	Savings and temporary cash investments		22,074,508	2	16,288,096
	3	Pledges and grants receivable, net			3	0
	4	Accounts receivable, net		46,452,553	4	41,713,213
	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	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	0
	7	Notes and loans receivable, net			7	0
	8	Inventories for sale or use		2,806,518	8	3,046,983
	9	Prepaid expenses and deferred charges		1,124,681	9	1,988,528
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a216,490,211			
	b	Less accumulated depreciation	10b110,426,060	108,558,695	10c	106,064,151
	11	Investments—publicly traded securities		4,434,892	11	10,530,831
	12	Investments—other securities See Part IV, line 11			12	0
	13	Investments—program-related See Part IV, line 11			13	0
	14	Intangible assets			14	0
	15	Other assets See Part IV, line 11		7,199,225	15	8,119,887
	16	Total assets. Add lines 1 through 15 (must equal line 34)		207,441,883	16	213,686,793
Liabilities	17	Accounts payable and accrued expenses		19,416,636	17	16,780,234
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		58,210,000	20	62,250,000
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		2,001,190	23	1,068,039
	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		540,000	25	540,000
	26	Total liabilities. Add lines 17 through 25		80,167,826	26	80,638,273
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		127,274,057	27	133,048,520
	28	Temporarily restricted net assets			28	
	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		127,274,057	33	133,048,520
	34	Total liabilities and net assets/fund balances		207,441,883	34	213,686,793

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	173,620,798
2	Total expenses (must equal Part IX, column (A), line 25)	2	168,032,877
3	Revenue less expenses Subtract line 2 from line 1	3	5,587,921
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	127,274,057
5	Net unrealized gains (losses) on investments	5	186,542
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	
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	133,048,520

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 WHITE RIVER HEALTH SYSTEM INC	Employer identification number 71-0411459
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Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33¹/₃% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

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

(ii)

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

(iii)

A 35% controlled entity of a person described in (i) or (ii) above?
- h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

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

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

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

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

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

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

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

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization WHITE RIVER HEALTH SYSTEM INC	Employer identification number 71-0411459
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

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

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

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

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

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

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

Part II-A

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

- A
- Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check ☐ if the filing organization checked box A and "limited control" provisions apply

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

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

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

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		9,004
j	Total. Add lines 1c through 1i.			9,004
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912.			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912.			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
Part II-B, Line 1i	Part II-B, Line 1i - Other Activities Description	Portion of Arkansas Hospital Association and American Hospital Association Dues utilized for lobbying purposes

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
WHITE RIVER HEALTH SYSTEM INC

Employer identification number
71-0411459

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

(ii)

related organizations

b

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		3,153,328		3,153,328
b Buildings		123,416,337	40,539,885	82,876,452
c Leasehold improvements		2,167,246	1,150,372	1,016,874
d Equipment		87,541,721	68,735,803	18,805,918
e Other		211,579		211,579
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				106,064,151

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	173,620,798
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	2e	
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	173,620,798
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1	4c	
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	
c	Add lines 4a and 4b	4c	
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)	5	173,620,798

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

1	Total expenses and losses per audited financial statements	1	168,032,877
2	Amounts included on line 1 but not on Form 990, Part IX, line 25	2e	
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	168,032,877
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :	4c	
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	
c	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)	5	168,032,877

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation
Part X	Part X FIN48 Footnote	MANAGEMENT ANNUALLY REVIEWS ITS TAX POSITIONS AND HAS DETERMINED THAT THERE ARE NO MATERIAL UNCERTAIN TAX POSITIONS THAT REQUIRE RECOGNITION IN THE FINANCIAL STATEMENTS

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
WHITE RIVER HEALTH SYSTEM INC

Employer identification number
71-0411459

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 checked="" type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	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	Yes	
b	If "Yes," did the organization make it available to the public?	5c		No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a	Yes	
		6b	Yes	

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)			2,686,677		2,686,677	1 600 %
b Medicaid (from Worksheet 3, column a)						
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			2,686,677		2,686,677	1 600 %
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)						
j Total Other Benefits						
k Total. Add lines 7d and 7j			2,686,677		2,686,677	1 600 %

Part IICommunity Building Activities

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

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

1

Yes

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

2

16,277,495

3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

5,211,333

4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements

Section B. Medicare

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

5

74,627,777

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

6

71,219,485

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

7

3,408,292

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

☐ Cost accounting system

☐ Cost to charge ratio

☒ Other

Section C. Collection Practices

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

9a

Yes

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

9b

No

Part IVManagement Companies and Joint Ventures

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

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1KN PROFESSIONALS INC	RENTS OFFICE SPACE	33.000 %		
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
2

Name, address, and primary website address

		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
2	STONE COUNTY MEDICAL CENTER 2106 E MAIN STREET MOUNTAIN VIEW, AR 72560	X	X			X		X			
1	WHITE RIVER MEDICAL CENTER 1710 HARRISON STREET BATESVILLE, AR 72501	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)

STONE COUNTY MEDICAL CENTER

Name of hospital facility or facility reporting group

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

2

		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 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 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		No
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes	
a <input checked="" type="checkbox"/> Hospital facility's website			
b <input type="checkbox"/> Available upon request from the hospital facility			
c <input type="checkbox"/> Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a <input 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 type="checkbox"/> Participation in the development of a community-wide plan			
d <input type="checkbox"/> Participation in the execution of a community-wide plan			
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans			
f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA			
g <input checked="" type="checkbox"/> Prioritization of health needs in its community			
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i <input type="checkbox"/> Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	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		No
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 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 0000</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 checked="" 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 checked="" 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 checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input 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 checked="" 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 checked="" 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	Yes	
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 checked="" 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 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 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)

WHITE RIVER MEDICAL CENTER

Name of hospital facility or facility reporting group

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

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply) 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 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 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 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 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) a <input checked="" type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI) 6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date) a <input 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 type="checkbox"/> Participation in the development of a community-wide plan d <input type="checkbox"/> Participation in the execution of a community-wide plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input checked="" type="checkbox"/> Prioritization of health needs in its community h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI) 7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs 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)? b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? 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? \$_____	1	Yes	
	3	Yes	
	4		No
	5	Yes	
	7	Yes	
	8a		No
	8b		No

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 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 0000</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 checked="" 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 checked="" 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 checked="" 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 checked="" 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 checked="" 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	Yes	
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 checked="" 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 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?

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

Part VI Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
	Part V - Explanation of Number of Facility Type	THE SYSTEM CONSIST OF ONE ACUTE CARE HOSPITAL AND ONE CRITICAL ACCESS HOSPITAL
	Part VI - Explanation Of How Organization Furthers Its Exempt Purpose	WHITE RIVER HEALTH SYSTEM, INC IS A MULTIDIMENSIONAL PROVIDER OF HEALTHCARE SERVICES PRIMARILY TO THE RESIDENTS OF NORTH CENTRAL ARKANSAS THE NOT-FOR-PROFIT ORGANIZATION OPERATES TWO HOSPITALS, WHITE RIVER MEDICAL CENTER WHICH IS AN ACUTE CARE HOSPITAL PROVIDING INPATIENT, OUTPATIENT AND EMERGENCY CARE TO THE RESIDENTS OF INDEPENDENCE COUNTY AND SURROUNDING AREAS AND STONE COUNTY MEDICAL CENTER WHICH IS A CRITICAL ACCESS HOSPITAL PROVIDING INPATIENT, OUTPATIENT AND EMERGENCY CARE SERVICES FOR THE RESIDENTS OF STONE COUNTY AND SURROUNDING AREAS THE SYSTEM ALSO INCLUDES OUTPATIENT FACILITIES, PRIMARY CARE AND SPECIALITY PHYSICIAN OFFICES, MEDICAL OFFICE BUILDINGS, AND WHITE RIVER HEALTH SYSTEM FOUNDATION, INC , WHICH PROVIDES SUPPORT FOR FURTHERING THE PURPOSE AND PROMOTING THE ACTIVITIES OF THE SYSTEM THE SYSTEM HAS AN OPEN MEDICAL STAFF AND FACILITATES NUMEROUS HEALTHCARE EDUCATION AND FREE HEALTH SCREENING EVENTS IN THE COMMUNITY

Identifier	ReturnReference	Explanation
	Part VI - Community Information	THE SYSTEM HAS FACILITIES IN RURAL AND URBAN SETTINGS PREDOMINATELY AGRICULTURAL BASE, AVERAGE INCOME AT OR BELOW FEDERAL POVERTY GUIDELINES PREDOMINANTLY CAUCASIAN, HIGH SCHOOL EDUCATED AND GERIATRIC IN NATURE
	Part VI - Patient Education of Eligibility for Assistance	INFORMS PATIENTS UPON ADMISSION AND POSTS NOTICES IN CONSPICUOUS AREAS

Identifier	ReturnReference	Explanation
	Part VI - Needs Assessment	UTILIZES ANNUAL STATISTICAL REPORT WITH DEMOGRAPHIC INFORMATION FROM DHS AS WELL AS REPORTS SHOWING PERCENT OF ACTIVITY OF COMMUNITY BY PAYOR SOURCE
Number of Hospital Faciltiy - 2	Part V, Line 3 - Account Input from Person Who Represent the Community	A needs assessment survey was developed and distributed by a focus group, which represented community individuals, throughout Stone County for input from the local citizens

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 1	Part V, Line 3 - Account Input from Person Who Represent the Community	A focus group of health care professionals and employees of the Arkansas Department of Health completed the design of The White River Medical Center Community Needs Assessment Opinion Survey Leaders of the Whiter River Medical Center distributed the final copy of the opinion survey to community leaders and professionals in the each county
	Part III, Line 9b - Provisions On Collection Practices For Qualified Patients	PATIENTS ARE INFORMED OF CHARITY CARE PROGRAM

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 WHITE RIVER HEALTH SYSTEM INC	Employer identification number 71-0411459
---	--

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

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)TAMMY GAVIN COO	(i) (ii)	177,526			7,101	24,340	208,967	
(2)JANA RICHARDSON CFO	(i) (ii)	125,955			5,038	31,240	162,233	
(3)GARY L BEBOW CEO	(i) (ii)	542,480			21,699	50,050	614,229	
(4)GARY BRITTEN FORMER CFO	(i) (ii)	181,034			7,049	24,340	212,423	
(5)DR SHALHLA GUL NAOMAN PHYSICIAN	(i) (ii)	384,147			17,500	44,639	446,286	
(6)DR RAMAN K DESIKAN PHYSICIAN	(i) (ii)	701,323			17,500	52,102	770,925	
(7)DR JOHN AKINS PHYSICIAN	(i) (ii)	497,257			16,720	55,868	569,845	
(8)DR CHRISTOPHER ALLEN STEEL PHYSICIAN	(i) (ii)	467,076			17,500	48,651	533,227	
(9)DR CAROLINE CARLTON PHYSICIAN	(i) (ii)	359,817				37,142	396,959	

Part III **Supplemental Information**

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

Identifier	Return Reference	Explanation
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Software ID: 12000229
Software Version: 2012v2.0
EIN: 71-0411459
Name: WHITE RIVER HEALTH SYSTEM INC

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
TAMMY GAVIN	(i) (ii)	177,526			7,101	24,340	208,967	
JANA RICHARDSON	(i) (ii)	125,955			5,038	31,240	162,233	
GARY L BEBOW	(i) (ii)	542,480			21,699	50,050	614,229	
GARY BRITTEN	(i) (ii)	181,034			7,049	24,340	212,423	
DR SHALHLA GUL NAOMAN	(i) (ii)	384,147			17,500	44,639	446,286	
DR RAMAN K DESIKAN	(i) (ii)	701,323			17,500	52,102	770,925	
DR JOHN AKINS	(i) (ii)	497,257			16,720	55,868	569,845	
DR CHRISTOPHER ALLEN STEEL	(i) (ii)	467,076			17,500	48,651	533,227	
DR CAROLINE CARLTON	(i) (ii)	359,817				37,142	396,959	

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
WHITE RIVER HEALTH SYSTEM INC

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Employer identification number
71-0411459

Part I

Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A City of Batesville PFB	33-1078402	070667AK6	09-10-2013	6,788,099	Refunding of revenue bonds		X		X		X
B City of Mt View PFB	35-2242231	624308AY8	12-01-2010	4,647,580	Refunding of revenue bonds		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	460,000		460,000					
2	Amount of bonds legally defeased								
3	Total proceeds of issue	8,006,395		5,721,871					
4	Gross proceeds in reserve funds	678,810		464,830					
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows	5,972,237		4,085,709					
7	Issuance costs from proceeds	135,762		92,952					
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds	4,161		4,161					
12	Other unspent proceeds								
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X		X					
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

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

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

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

Identifier	Return Reference	Explanation
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Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
WHITE RIVER HEALTH SYSTEM INC

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Employer identification number
71-0411459

Part I

Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A Indep Co Public Health	71-0576691	453430BQ2	12-01-2010	8,080,428	Refunding of revenue bonds		X		X		X
B Indep Co Public Health	71-0576691	453430CG3	05-26-2011	34,789,465	Financing capital improvements		X		X		X
C MOUNTAIN VIEW AR PFB PUBLIC FACILITIES BOARD	35-2242231	624308AR3	11-15-2004	6,000,000	STONE COUNTY MEDICAL CENTER PROJECT - ER RENOVATION		X		X		X
D BATESVILLE AR PFB PUBLIC FACILITIES BOARD	33-1078402	070666AR3	12-01-2003	10,000,000	Finance capital project		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	2,490,000		160,000		2,210,000		2,970,000	
2	Amount of bonds legally defeased								
3	Total proceeds of issue	9,948,206		34,918,115		6,000,000		10,008,171	
4	Gross proceeds in reserve funds	813,271		3,509,892		453,337		813,713	
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows	7,147,222							
7	Issuance costs from proceeds	124,061		533,150		93,327		186,000	
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	30,777,368		30,777,368		5,426,378		9,008,458	
11	Other spent proceeds	1,102							
12	Other unspent proceeds								
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X			X		X		X
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		X
16	Has the final allocation of proceeds been made?	X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

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

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

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

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

Transactions with Interested Persons

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
WHITE RIVER HEALTH SYSTEM INC

Employer identification number

71-0411459

Part I

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

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

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

2

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

\$

3

Enter the amount of tax, if any, on line 2, above, reimbursed by the organization

\$

Part II

Loans to and/or From Interested Persons.

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

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

Part III

Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

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

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
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Additional Data

Software ID: 12000229
Software Version: 2012v2.0
EIN: 71-0411459
Name: WHITE RIVER HEALTH SYSTEM INC

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) WANN OFFICE SUPPLY	OWNER ON BOD	318,112	PROVIDE SUPPLIES		No
(2) ATLAS ASPHALT	OWNER ON BOD	17,350	PROVIDE SERVICES		No
(3) WHITE RIVER FINANCIAL SER	OWNER ON BOD				No
(4) OZARK ORTHOPEDIC HAND SURGERY	OWNER ON BOARD	233,875	PROVIDE SERVICES		No
(5) MEACHAM PACKING COMPANY	OWNER ON BOARD	134,731	PROVIDE SERVICES		No
(6) WHITE RIVER INSURANCE AGENCY	OWNER ON BOARD	1,474,774	PROVIDES SERVICES		No
(7) MATTHEW P GAVIN	SON OF COO	25,677	EMPLOYEE OF WRHS		No
(8) DOYLE COCKRILL	BROTHER OF COO	112,717	EMPLOYEE OF WRHS		No
(9) BETTY B COCKRILL	MOTHER OF COO	33,645	EMPLOYEE OF WRHS		No
(10) NANCY BERNARD	WIFE OF DIRECTOR	13,624	EMPLOYEE OF WRHS		No
(11) DOUGLAS BERNARD MD	SON OF DIRECTOR	48,537	EMPLOYEE OF WRHS		No
(12) OZARK CHYOTHERAPY LLC	OWNER ON BOARD	19,900	PROVIDES SERVICES		No
(13) LT SURGICAL SERVICES	OWNER ON BOARD	274,137	PROVIDES SERVICES		No
(14) DR VERONA T BROWN-BEBOW	SPOUSE OF CEO	34,900	CONTRACTED PHYSICIAN		No

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization WHITE RIVER HEALTH SYSTEM INC	Employer identification number 71-0411459
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Identifier	Return Reference	Explanation
Form 990, Part VI, Line 19	Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	AVAILABLE UPON REQUEST FROM ADMINISTRATION
Form 990, Part VI, Line 15b	Form 990, Part VI, Line 15b Compensation Review and Approval Process for Officers and Key Employees	THE WHITE RIVER HEALTH SYSTEM ("WRHS") HAS ESTABLISHED A COMPENSATION PHILOSOPHY WHICH REFLECTS ITS CHARITABLE, TAX-EXEMPT MISSION. THE WRHS COMPENSATION COMMITTEE MAY ENGAGE OUTSIDE INDEPENDENT COMPENSATION AND LEGAL ADVISORS WHEN DEEMED NECESSARY, AND MAY USE COMPARABILITY DATA FROM OTHER SIMILARLY SITUATED ORGANIZATIONS. DOCUMENTATION WITH REGARD TO THE BASIS FOR THE COMPENSATION RECOMMENDATIONS SHALL INCLUDE, WITHOUT LIMITATION, THE MEMBERS OF THE WRHS COMPENSATION COMMITTEE WHO WERE PRESENT AND WHO VOTED FOR THE RECOMMENDATION, THE COMPARABILITY DATA OBTAINED AND RELIED UPON BY WRHS AND HOW THE DATA WAS OBTAINED, AND ANY ACTIONS TAKEN WITH RESPECT TO THE RECOMMENDATION BY ANYONE WHO HAD A CONFLICT OF INTEREST WITH RESPECT TO THE RECOMMENDATION. THE WRHS COMPENSATION COMMITTEE SHALL MEET PERIODICALLY OUTSIDE OF THE PRESENCE OF ANY SENIOR EXECUTIVE OFFICER. IS SHALL BE RESPONSIBLE FOR MAKING RECOMMENDATIONS REGARDING THE COMPENSATION AND BENEFIT ARRANGEMENTS PROVIDED TO SENIOR EXECUTIVE MANAGEMENT OF WRHS FOLLOWING THE RECEIPT OF A RECOMMENDATION FROM AN INDEPENDENT CONSULTANT WITH AN EXPERTISE IN MANAGERIAL COMPENSATION. THE TOTAL COMPENSATION FOR THE CEO SHALL BE APPROVED BY THE WRHS COMPENSATION COMMITTEE AND THE WRHS BOARD OF DIRECTORS. THE CEO SHALL PRESENT HIS ANNUAL COMPENSATION RECOMMENDATIONS FOR ADMINISTRATORS AND DEPARTMENT DIRECTORS FOLLOWING RECEIPT OF THE CEO'S RECOMMENDATION. APPROVAL SHALL BE OBTAINED BY THE WRHS COMPENSATION COMMITTEE AND THE WRHS BOARD OF DIRECTORS. THE WRHS COMPENSATION COMMITTEE AND BOARD OF DIRECTORS SHALL ASSURE THAT EXECUTIVE COMPENSATION IS REASONABLE AND CONSISTENT WITH MARKET PRACTICE. THE WRHS COMPENSATION COMMITTEE SHALL CONSIST OF PERSONS WHO ARE KNOWLEDGEABLE IN COMPENSATION MATTERS AND WHO HAVE NO FINANCIAL INTEREST IN THE COMPENSATION DETERMINATION.
Form 990, Part VI, Line 12c	Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	ANY ACTUAL OR POSSIBLE CONFLICTS OF INTEREST MUST BE DISCLOSED AND GIVEN AN OPPORTUNITY TO DISCLOSE ALL MATERIAL FACTS TO DIRECTORS. AFTER DISCLOSURE OF FINANCIAL INTEREST AND ALL MATERIAL FACTS, THE INTERESTED PERSON SHALL LEAVE THE BOARD MEETING WHILE THE DETERMINATION OF CONFLICT OF INTEREST IS DISCUSSED AND VOTED UPON. ADDRESSING CONFLICTS OF INTEREST. AN INTERESTED PERSON MAY MAKE A PRESENTATION AT THE BOARD MEETING, BUT AFTER SUCH PRESENTATION, SUCH PERSON SHALL LEAVE THE MEETING DURING THE DISCUSSION OF, AND THE VOTE ON, THE TRANSACTION OR ARRANGEMENT INVOLVING THE POSSIBLE CONFLICT OF INTEREST. FAILURE TO DISCLOSE ACTUAL OR POSSIBLE CONFLICT OF INTEREST AS DETERMINED BY THE BOARD WILL RESULT IN APPROPRIATE DISCIPLINARY AND CORRECTIVE ACTIONS.
Form 990, Part VI, Line 11b	Form 990, Part VI, Line 11b Form 990 Review Process	THE 990 WAS REVIEWED AND APPROVED BY A MEMBER OF MANAGEMENT AND WAS PRESENTED TO BOARD MEMBERS FOR REVIEW BEFORE BEING FILED.

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
WHITE RIVER HEALTH SYSTEM INC

Employer identification number
71-0411459

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) WHITE RIVER HEALTH SYSTEM FOUNDATION INC 1710 HARRISON STREET BATESVILLE, AR 72501 71-0728911	SUPPORT WRHS	AR	501(C)(3)	11A	WRHS		No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproporionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) KN PROFESSIONALS INC 197 HOSPITAL DRIVE CHEROKEE VILLAGE, AR 72529 71-0856709	RENTS SPACE	AR	N/A		77,239	343,168		No			No	33 330 %
(2) PREMIER PURCHASING PARTNERS LP 12255 EL CAMINO REAL STE 100 SAN DIEGO, CA 92130 33-0387407	SUPPLIES	CA	N/A		846,061	744,844		No			No	22 060 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) NORTH ARKANSAS CLINIC PO BOX 2116 BATESVILLE, AR 72503 71-0210496	RENT SPACE	AR	WRHS	C CORP	-217,408	2,458,026	100 000 %		No

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

Yes

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) WHITE RIVER HEALTH SYSTEM FOUNDATION INC	c	754,970	FMV

Schedule R (Form 990) 2012

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

[illegible]

Software ID: 12000229
Software Version: 2012v2.0
EIN: 71-0411459
Name: WHITE RIVER HEALTH SYSTEM INC

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	
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WHITE RIVER HEALTH SYSTEM, INC.

**Independent Auditor's Report and
Consolidated Financial Statements**

September 30, 2013 and 2012

WHITE RIVER HEALTH SYSTEM, INC.

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**INDEPENDENT
AUDITOR'S
REPORT**

HUGHES, WELCH & MILLIGAN, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

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ROBERT J HUGHES, JR , CPA
(1951-2007)

JOHN ED WELCH, CPA
WILLIAM T COUCH, JR , CPA
JEFF D WELCH, CPA, JD

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
White River Health System, Inc.
Batesville, Arkansas

Report on the Financial Statements

We have audited the accompanying consolidated balance sheets of White River Health System, Inc. (a nonprofit health care entity), as of September 30, 2013 and 2012, and the related consolidated statements of operations, consolidated changes in net assets, and consolidated 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of White River Health System, Inc. as of September 30, 2013 and 2012, and the results of its consolidated operations, consolidated changes in its net assets, and its consolidated 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 January 22, 2014, on our consideration of the White River Health System Inc.'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 White River Health System Inc.'s internal control over financial reporting and compliance.

Hughes, Welch & Milligan, Ltd.
Certified Public Accountants

Batesville, Arkansas
January 22, 2014

**CONSOLIDATED
FINANCIAL
STATEMENTS**

WHITE RIVER HEALTH SYSTEM, INC.

Consolidated Balance Sheets

September 30, 2013 and 2012

Assets

	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 26,422,331	\$ 15,549,767
Assets limited as to use - current	8,833,205	2,149,690
Patient accounts receivable, less allowance for uncollectible accounts of \$40,838,446 in 2013 and \$47,743,069 in 2012	34,176,379	38,810,933
Current portion of pledges receivable	335,548	491,869
Other receivables	2,500,776	2,055,682
Due from third-party payors	5,036,058	5,585,938
Supplies	3,046,983	2,806,518
Prepaid expenses and other	1,988,528	1,124,681
Total current assets	<u>82,339,808</u>	<u>68,575,078</u>
Assets limited as to use		
Internally designated	12,059,015	11,811,538
Held by trustee	14,759,912	14,697,862
Restricted by donors	493,788	198,379
	<u>27,312,715</u>	<u>26,707,779</u>
Less amount required to meet current obligations	<u>8,833,205</u>	<u>2,149,690</u>
	<u>18,479,510</u>	<u>24,558,089</u>
Property and equipment, at cost		
Land and land improvements	5,508,459	5,475,843
Buildings and leasehold improvements	127,486,088	122,144,872
Equipment	87,730,218	84,664,059
Construction in progress	225,105	953,295
	<u>220,949,870</u>	<u>213,238,069</u>
Less accumulated depreciation and amortization	<u>113,048,265</u>	<u>102,775,322</u>
	<u>107,901,605</u>	<u>110,462,747</u>
Other assets		
Deferred financing costs	802,328	726,620
Other	1,683,446	1,237,843
Investment in equity investee	406,744	321,676
Long-term portion of pledges receivable, net	580,388	702,618
	<u>3,472,906</u>	<u>2,988,757</u>
Total assets	<u>\$ 212,193,829</u>	<u>\$ 206,584,671</u>

See accompanying notes to consolidated financial statements

Liabilities and Net Assets

	<u>2013</u>	<u>2012</u>
Current liabilities		
Current portion of long-term debt	\$ 9,758,236	\$ 3,266,091
Accounts payable	7,595,336	9,350,553
Accrued expenses	9,267,000	10,066,559
Total current liabilities	<u>26,620,572</u>	<u>22,683,203</u>
 Long-term debt , net of current portion	 <u>53,559,803</u>	 <u>56,945,099</u>
 Deferred grant revenue	 <u>540,000</u>	 <u>540,000</u>
 Total liabilities	 <u>80,720,375</u>	 <u>80,168,302</u>
 Net assets		
Unrestricted	130,064,496	124,758,363
Temporarily restricted	1,383,958	1,593,006
Permanently restricted	25,000	65,000
Total net assets	<u>131,473,454</u>	<u>126,416,369</u>
 Total liabilities and net assets	 <u><u>\$ 212,193,829</u></u>	 <u><u>\$ 206,584,671</u></u>

See accompanying notes to consolidated financial statements

WHITE RIVER HEALTH SYSTEM, INC.
Consolidated Statements of Operations
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted revenues, gains and other support		
Net patient service revenue (net of contractuals and related discounts)	\$ 182,961,236	\$ 184,944,970
Provision for uncollectible accounts	<u>(16,277,495)</u>	<u>(19,596,840)</u>
Net patient service revenue	166,683,741	165,348,130
Other revenue	4,523,512	3,995,929
Unrestricted contributions	80,057	46,066
Net assets released from restrictions	<u>785,331</u>	<u>779,518</u>
Total unrestricted revenues, gains and other support	<u>172,072,641</u>	<u>170,169,643</u>
Operating expenses		
Salaries and wages	63,334,334	64,702,371
Employee benefits	20,626,154	21,058,999
Supplies and other	52,592,290	54,604,680
Purchased services and professional fees	18,641,557	16,035,113
Depreciation and amortization	10,435,105	9,941,089
Interest	<u>2,978,733</u>	<u>1,920,680</u>
Total operating expenses	<u>168,608,173</u>	<u>168,262,932</u>
Operating income	<u>3,464,468</u>	<u>1,906,711</u>
Other nonoperating income (expense)		
Grant income	374,011	1,729,712
Investment return	1,264,608	280,512
Other income and expense (net)	<u>16,504</u>	<u>490,639</u>
Total other nonoperating income (expense)	<u>1,655,123</u>	<u>2,500,863</u>
Excess of revenues, gains and other support over expenses	5,119,591	4,407,574
Contributions for acquisition of property and equipment	-	204,472
Investment return - change in unrealized gains and losses on other than trading securities	<u>186,542</u>	<u>664,564</u>
Increase in unrestricted net assets	<u>\$ 5,306,133</u>	<u>\$ 5,276,610</u>

See accompanying notes to consolidated financial statements

WHITE RIVER HEALTH SYSTEM, INC.
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted net assets		
Excess of revenues over expenses	\$ 5,119,591	\$ 4,407,574
Contributions for acquisition of property and equipment	-	204,472
Investment return - change in unrealized gains and (losses) on other than trading securities	186,542	664,564
Increase in unrestricted net assets	<u>5,306,133</u>	<u>5,276,610</u>
Temporarily restricted net assets		
Contributions	522,077	773,983
Net investment return	14,206	21,404
Net assets released from restriction	(785,331)	(779,518)
Net asset reclassification based on change in donor intent	40,000	-
Increase (decrease) in temporarily restricted net assets	<u>(209,048)</u>	<u>15,869</u>
Permanently restricted net assets		
Net asset reclassification based on change in donor intent	(40,000)	-
(Decrease) in permanently restricted net assets	<u>(40,000)</u>	<u>-</u>
Change in net assets	5,057,085	5,292,479
Net assets, beginning of year	<u>126,416,369</u>	<u>121,123,890</u>
Net assets, end of year	<u><u>\$ 131,473,454</u></u>	<u><u>\$ 126,416,369</u></u>

See accompanying notes to consolidated financial statements

WHITE RIVER HEALTH SYSTEM, INC.
Consolidated Statements of Cash Flows
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 5,057,085	\$ 5,292,479
Adjustments to reconcile change in net assets To net cash provided by operating activities.		
Depreciation and amortization	10,423,274	9,941,089
Amortization of issue cost	147,503	404,242
Grant income	(374,011)	(1,729,712)
Net realized and unrealized loss/(gain) on investments	(186,542)	(664,564)
Equity in net income of equity investee	(85,068)	(66,272)
(Gain)/Loss on sale of property and equipment	(16,506)	(468,196)
Provision for bad debts	16,277,495	19,596,840
Contributions for acquisition of property and equipment	-	(204,472)
Changes in		
Patient accounts receivable	(11,520,711)	(19,785,866)
Estimated amounts due from third-party payors	549,880	691,178
Accounts payable and accrued expenses	(2,554,776)	(3,063,985)
Other assets and liabilities	(1,838,688)	748,382
Net cash provided by operating activities	<u>15,878,935</u>	<u>10,691,143</u>
Cash flows from investing activities		
Change in assets limited as to use	(418,394)	20,392,415
Capital expenditures	(7,864,286)	(27,174,587)
Investment in equity investees	-	45,602
Proceeds from sale of equipment	18,660	4,112,509
Net cash (used in) investing activities	<u>(8,264,020)</u>	<u>(2,624,061)</u>
Cash flows from financing activities		
Repayment on long-term debt	(3,704,781)	(7,727,516)
Proceeds from borrowing	6,723,594	504,153
Proceeds from grants	374,011	1,729,712
Cash paid for issuance cost	(135,175)	-
Proceeds from contributions for acquisition of property and equipment	-	204,472
Net cash provided by (used in) financing activities	<u>3,257,649</u>	<u>(5,289,179)</u>
Increase in cash and cash equivalents	10,872,564	2,777,903
Cash, beginning of year	<u>15,549,767</u>	<u>12,771,864</u>
Cash, end of year	<u><u>\$ 26,422,331</u></u>	<u><u>\$ 15,549,767</u></u>
<u>Supplemental cash flows information</u>		
Interest paid (net of any amount capitalized)	\$ 2,997,258	\$ 1,855,977
Capital lease obligation incurred for property and equipment	\$ -	\$ 965,332

See accompanying notes to consolidated financial statements

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

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

Nature of Operations

White River Health System, Inc and subsidiaries (the System) is a multidimensional provider of healthcare services. White River Health System, Inc offers health care services primarily to residents of North Central Arkansas. The not-for-profit organization operates two hospitals, White River Medical Center which is an acute care hospital providing inpatient, outpatient and emergency care to the residents of Independence County and surrounding areas and Stone County Medical Center which is a Critical Access Hospital providing inpatient, outpatient and emergency care services for residents of Stone County and surrounding areas. The System also includes outpatient facilities, primary care and specialty physician offices, medical office buildings, and White River Health System Foundation, Inc, which provides support for furthering the purpose and promoting the activities of the System. The significant accounting policies used by the System in preparing and presenting the consolidated financial statements follow:

Basis of Accounting

The consolidated financial statements are prepared on the accrual basis of accounting.

Principles of Consolidation

The consolidated financial statements include the accounts of the System and its controlled subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Significant items subject to such estimates and assumption include the allowances for uncollectible accounts and contractual adjustments, reserves for professional and general liability claims, reserves for workers' compensation claims, reserves for employee healthcare claims, and estimated third-party payor settlements. In addition, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs could change by a material amount in the near term.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments purchased with original maturities of three months or less, excluding assets whose use is limited. Cash and cash equivalents are carried at cost which approximates fair value.

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Cont.)

Investments and Assets Limited to Use

Investments and assets limited as to use include assets set aside by the Health System for future long-term purposes, including capital improvements and self-insurance. In addition, assets limited to use include amounts held by trustees under bond indenture agreements, amounts contributed by donors with stipulated restrictions and designated assets set aside by the System's Board of Directors. Amounts required to satisfy current liabilities relating to bond obligations have been reclassified in the balance sheet at September 30, 2013 and 2012.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet based upon quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses unless the investments are trading securities.

Investments in partnerships and limited liability companies in which the Health System possesses more than a minor interest are recorded using the equity method of accounting (which approximates fair value) with the related changes in value in earnings reported as other non-operating income in the accompanying consolidated financial statements. Investments in partnerships and limited liability companies where the Health System has only a minor interest are recorded at cost.

Supplies

Supplies, consisting primarily of medical and surgical supplies and pharmaceuticals, are stated at lower of cost (first-in-first out method) or market.

Patient Accounts Receivable

The System reports patient accounts receivable for services rendered at net realizable amounts from patients, third-party payors and others. The System records a provision for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value.

The System estimates this allowance based on the aging of its accounts receivable and historical and expected net collections, business and economic conditions, trends in federal and state governmental and private employer health care coverage and other collection indicators. As a service to the patient, the System 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. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. Additions to the allowance for doubtful accounts are made by means of provision for doubtful accounts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added.

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Cont.)

Property and Equipment

The System's property and equipment acquisitions with estimated useful lives of one year and a cost of \$2,500 or more are capitalized and recorded at cost, with the exception of Stone County Medical Center, whose capitalization policy is assets with a useful life of two years or more and a cost of \$5,000. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Donations of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Contributions restricted to the purchase of property and equipment which are met within the same year as received are reported as increases in unrestricted net assets in the accompanying consolidated financial statements.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets to be disposed of are separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale are presented separately in the asset and liability sections of the consolidated balance sheets. Management believes no revision to remaining useful lives or write-down of long-lived assets is required at September 30, 2013 or September 30, 2012.

Costs of Borrowing

Bond issue costs and bond premiums are amortized over the term of the related financing which approximates the effective interest method. Amortization of issue costs and bond premiums is included in interest expense. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets, net of related investment income.

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Cont.)

Costs of Borrowing (cont.)

Interest expense on debt issued for construction projects is capitalized until the projects are placed in service. The components of interest expense, net, include the following:

	<u>2013</u>	<u>2012</u>
Interest on debt	\$ 2,978,733	\$ 3,371,587
Capitalized interest expense	<u>-</u>	<u>(1,450,907)</u>
Interest expense, net	<u>\$ 2,978,733</u>	<u>\$ 1,920,680</u>

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified into unrestricted net assets and reported as net assets released from restrictions. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donor's wishes primarily to purchase equipment and to provide other health and educational programs and services.

Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions if for operating purposes and as other changes in unrestricted net assets if for capital purposes in the consolidated statement of operations and changes in net assets.

Net Patient Service Revenue

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

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Cont.)

Net Patient Service Revenue (cont.)

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). Net patient service revenue also includes estimated retroactive adjustments under reimbursement agreements with third-party payors.

Charity Care

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

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date each promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Pledges Receivable

Pledges of financial support are recorded at fair value when a donor's unconditional promise to give has sufficient definition with respect to the amount and planned timing of the donation. Pledges receivable are primarily in association with capital improvement campaigns. Conditional promises to give and intentions to give are reported at fair value at the earlier of when the contingency is met or the date the gift is received. An allowance for uncollectible pledges is recorded based on an estimated percentage of pledges that may not be collectible based on historical experience. Significant pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue.

Estimated Professional and General Liability Costs

An annual estimated provision is accrued for the System's portion of professional and general liability claims. The provision for estimated professional and general liability claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Cont.)

Income Taxes

White River Health System, Inc. is a tax exempt corporation and has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Health System owns certain taxable subsidiaries and engages in certain activities that are unrelated to its exempt purpose and therefore subject to income tax, such amounts are not significant to the consolidated financial statements.

Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements.

The System's federal and state income tax returns are generally open to examination by relevant taxing authorities for a period of three years from the later of the date the returns were filed or the returns were due (including approved extensions).

Excess of Revenues, Gains and Other Support Over Expenses

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

Compensated Absences

The Health System records a liability for amounts due to employees for future absences which are attributable to services performed in the current and prior periods. This liability is included in accrued salaries, wages and withholdings on the consolidated balance sheets.

Reclassifications

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

Note 2 – Net Patient Service Revenue

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

Medicare

Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification System that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity. Other inpatient nonacute services, certain outpatient services and defined medical education

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 2 – Net Patient Service Revenue (Cont.)

Medicare (cont.)

costs related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost reimbursement methodology. The System is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary

Stone County Medical Center has been designated as a Critical Access Hospital. As a result of the Critical Access Hospital designation, inpatient and outpatient acute care services rendered to Medicare program beneficiaries are reimbursed under a cost reimbursement methodology.

Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology subject to certain limitations. Inpatient services rendered to Medicaid program beneficiaries for long-term care are reimbursed under a prospective payment methodology. Outpatient services are paid based on fee schedules. The System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary.

Outpatient services rendered to Medicaid program beneficiaries by Stone County Medical Center, a Critical Access Hospital, are reimbursed under a cost reimbursement methodology.

Approximately 67.0% and 66.0% of gross patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2013 and 2012, respectively. 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 System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Patient service revenue for the years ended September 30, 2013 and 2012, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources based on primary insurance designation, is as follows.

	2013		2012	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Medicare	\$ 299,276,175	58%	\$ 290,013,075	56%
Medicaid	45,468,961	9%	52,029,396	10%
Other third-party payors	96,247,832	18%	99,092,029	19%
Self-pay	78,146,307	15%	78,452,614	15%
	519,139,275	100%	519,587,114	100%
Less Contractual allowances and discounts	<u>(336,178,039)</u>		<u>(334,642,144)</u>	
	<u>\$ 182,961,236</u>		<u>\$ 184,944,970</u>	

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 2 – Net Patient Service Revenue (Cont.)

Deductibles and copayments under third-party payment programs within the third-party payor amount above are the patient's responsibility and the Health System considers these amounts in its determination of the provision for bad debts based on collection experience.

Note 3 – Business and Credit Concentrations

The System grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2013 and 2012, was:

	<u>2013</u>	<u>2012</u>
Medicare	37.6%	34.8%
Medicaid	7.8%	13.9%
Other third-party payors	27.6%	27.6%
Patient liability	27.0%	23.7%
	<u>100.0%</u>	<u>100.0%</u>

The System maintains amounts on deposit with various financial institutions. Management periodically reviews the credit worthiness of these institutions and obtains additional collateral on an as needed basis to secure deposits and mitigate credit risk. The System has not experienced any losses on such deposits for fiscal years' ended September 30, 2013 and 2012.

Note 4 – Investments and Investment Return

Assets Limited as to Use

The composition of assets limited as to use at September 30, 2013 and 2012, is set forth in the following table. Investments are stated at fair value.

	<u>2013</u>	<u>2012</u>
Internally designated by Board for capital improvements		
Cash and short-term investments	\$ 4,832,632	\$ 346,878
Certificates of deposit	4,901,183	7,007,453
U.S. treasury and agency obligations	2,287,847	1,000,088
Equities and other mutual funds	-	3,434,804
Accrued interest receivable	37,353	22,315
	<u>12,059,015</u>	<u>11,811,538</u>

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 4 – Investments and Investment Return (Cont.)

Assets Limited as to Use (cont.)

	<u>2013</u>	<u>2012</u>
Held by trustee under indenture agreements		
Cash and short-term investments	\$ 2,706,127	\$ 11,223,097
Certificates of deposit	3,810,801	3,474,765
U S. treasury and agency obligations	8,242,984	-
	<u>14,759,912</u>	<u>14,697,862</u>
Restricted by donors		
Cash and short-term investments	325,534	40,121
Fixed income securities	26,710	28,713
Equities and other mutual funds	141,544	129,545
	<u>493,788</u>	<u>198,379</u>
Total assets limited to use	27,312,715	26,707,779
Less amounts classified as current assets	<u>(8,833,205)</u>	<u>(2,149,690)</u>
Noncurrent assets limited to use	<u>\$ 18,479,510</u>	<u>\$ 24,558,089</u>

Investment income and gains (losses) for assets limited as to use, cash equivalents, and other investments are comprised of the following for the years ending September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 297,470	\$ 223,011
Realized gains (losses) on sales of securities	890,914	2,973
Equity earnings (loss) in investee	85,068	66,272
Unrealized gains/(loss) on other than trading securities	191,904	674,224
	<u>\$ 1,465,356</u>	<u>\$ 966,480</u>

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 4 – Investments and Investment Return (Cont.)

The following schedule summarizes investment return classification in the statement of operations at years ended:

	September 30, 2013			September 30, 2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 290,214	\$ 7,256	\$ 297,470	\$ 211,267	\$ 9,354	\$ 220,621
Net realized unrealized gains/ (losses)	1,075,868	6,950	1,082,818	667,537	12,050	679,587
Equity earnings (loss) in investee	85,068	-	85,068	66,272	-	66,272
	<u>\$ 1,451,150</u>	<u>\$ 14,206</u>	<u>\$ 1,465,356</u>	<u>\$ 945,076</u>	<u>\$ 21,404</u>	<u>\$ 966,480</u>

Certain investments in debt and marketable equity securities were reported in the financial statements at an amount less than their historical cost for year ended September 30, 2012. Total fair value of these investments at September 30, 2012, was \$3,321,904, which was approximately 13.5% of the System's investment portfolio. These securities were sold during fiscal year ended September 30, 2013. There were no investment in debt and marketable equity securities reported in the financial statements at an amount less than historical cost at September 30, 2013.

The System reviews investments each period and assesses whether an other-than-temporary impairment has occurred. Each investment within the portfolio is evaluated individually. Major factors that are considered are 1) fair value of the investment is below cost, 2) loss has been sustained over an extended period of time, and 3) whether the System intends to sell or could be required to sell the investment security, or, if not, whether it has the ability to hold an investment for a reasonable period of time sufficient for a forecasted recovery of fair value up to or beyond the cost of the investment. Additional factors that might be considered include, but are not limited to 1) credit risk of the investment, 2) decline attributable to adverse conditions specifically related to the investment, its industry, or geography, 3) investment has been downgraded by a rating agency, 4) dividends have been reduced or eliminated or scheduled interest has not been paid, 5) changes in the value of the investment after the close of the period, 6) trading in the investment has been suspended, and 7) discussion with investment advisor.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information, improvements in unrealized loss positions and information obtained from regulatory filings, management makes an assessment if the declines in fair value for these securities are temporary or other than temporary.

Should the impairment of any securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified. The following table shows the temporarily impaired investments' gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2013 and 2012.

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 4 – Investments and Investment Return (Cont.)

Description of Securities	September 30, 2013					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total temporarily impaired securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Description of Securities	September 30, 2012					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities	\$ -	\$ -	\$ 3,321,904	\$ 510,795	\$ 3,321,904	\$ 510,795
Total temporarily impaired securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,321,904</u>	<u>\$ 510,795</u>	<u>\$ 3,321,904</u>	<u>\$ 510,795</u>

Fair Value Measurements

The System has adopted authoritative guidance issued that provides enhanced guidance for using fair value to measure assets and liabilities, provides a common definition of fair value, and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable among entities. The authoritative guidance also expands the required disclosures concerning the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on changes in net assets.

This authoritative guidance establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices for similar assets and liabilities in an active market

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability either directly or indirectly, for substantially the full term of the financial instrument

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement

A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 4 – Investments and Investment Return (Cont.)

When available the System generally uses quoted market prices to determine fair value and classifies such items as Level 1. The System's Level 2 securities are bonds whose fair values are determined by independent vendors, or nontraded funds whose underlying securities would otherwise be considered Level 1. The System's Level 3 securities are comprised of alternative investments and bonds that have less liquidity, a stale quoted price, or varying prices from independent sources.

The following table presents the financial instruments classified as assets limited as to use carried at fair value as of September 30, 2013 and 2012, by caption by the valuation hierarchy (as described above).

Assets at Fair Value as of September 30, 2013				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Internally designated by Board for capital improvements:				
Cash and cash equivalents	\$ 4,869,985	\$ -	\$ -	\$ 4,869,985
Fixed income investments, principally obligations of the U.S. Government and its agencies	2,287,847	-	-	2,287,847
Certificate of deposits	4,901,183	-	-	4,901,183
Equity and other mutual funds	-	-	-	-
	<u>12,059,015</u>	<u>-</u>	<u>-</u>	<u>12,059,015</u>
Held by trustee under indenture agreements				
Cash and cash equivalents	\$ 2,706,127	\$ -	\$ -	\$ 2,706,127
Fixed income investment, principally obligations of the U.S. Government and its agencies	8,242,984	-	-	8,242,984
Certificates of deposit	3,810,801	-	-	3,810,801
	<u>14,759,912</u>	<u>-</u>	<u>-</u>	<u>14,759,912</u>
Restricted by donors				
Cash and cash equivalents	\$ 325,534	\$ -	\$ -	\$ 325,534
Fixed income investments, principally obligations of the U S Government and its agencies	26,710	-	-	26,710
Mutual funds	141,544	-	-	141,544
	<u>493,788</u>	<u>-</u>	<u>-</u>	<u>493,788</u>
Total	<u>\$ 27,312,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,312,715</u>

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 4 – Investments and Investment Return (Cont.)

Assets at Fair Value as of September 30, 2012				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Internally designated by Board for capital improvements:				
Cash and cash equivalents	\$ 369,193	\$ -	\$ -	\$ 369,193
Fixed income investments, principally obligations of the U S Government and its agencies	1,000,088	-	-	1,000,088
Certificate of deposits	7,007,453	-	-	7,007,453
Equity and other mutual funds	3,434,804	-	-	3,434,804
	<u>11,811,538</u>	<u>-</u>	<u>-</u>	<u>11,811,538</u>
Held by trustee under indenture agreements				
Cash and cash equivalents	\$ 11,223,097	\$ -	\$ -	\$ 11,223,097
Certificates of deposit	3,474,765	-	-	3,474,765
	<u>14,697,862</u>	<u>-</u>	<u>-</u>	<u>14,697,862</u>
Restricted by donors				
Cash and cash equivalents	\$ 40,121	\$ -		\$ 40,121
Fixed income investments, principally obligations of the U.S Government and its agencies	28,713	-	-	28,713
Mutual funds	129,545	-	-	129,545
	<u>198,379</u>	<u>-</u>	<u>-</u>	<u>198,379</u>
Total	<u>\$ 26,707,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,707,779</u>

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

Cash and cash equivalents – the carrying amount approximates fair value

Long term debt – the fair value of the System's long-term debt is estimated using discounted cash flow analysis based on the System's current incremental borrowing rates for similar types of borrowing arrangements

Other assets and liabilities – the carrying amounts reported in the consolidated balance sheets for accounts receivable, accrued expenses and other liabilities approximates fair value because of the short maturity of these instruments

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 4 – Investments and Investment Return (Cont.)

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

	<u>2013</u>		<u>2012</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 26,422,331	\$ 26,422,331	\$ 15,549,767	\$ 15,549,767
Assets limited as to use	27,312,715	27,312,715	26,707,779	26,707,779
Patient accounts and other receivables	37,012,703	37,012,703	41,358,484	41,358,484
Accounts payable and accrued expense	16,862,336	16,862,336	19,417,112	19,417,112
Long-term debt	63,318,039	66,168,381	60,211,189	63,336,793

Note 5 – Endowments

The System's endowments consist of individual donor restricted endowment funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. The System considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

The System employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of endowment funds. The Health System targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The System can appropriate each year all available earnings in accordance with donor restrictions. The endowment corpus is to be maintained in perpetuity. Certain donor-restricted endowments may require a portion of annual earnings to be maintained in perpetuity along with the corpus. Only amounts exceeding the amounts required to be maintained in perpetuity are expended.

Endowment net asset composition by type of fund at September 30 is as follows

	<u>September 30, 2013</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,089	\$ 25,000	\$ 30,089
Total endowment funds	\$ -	\$ 5,089	\$ 25,000	\$ 30,089

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 5 – Endowments (Cont.)

	September 30, 2012			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,687	\$ 65,000	\$ 68,687
Total endowment funds	\$ -	\$ 3,687	\$ 65,000	\$ 68,687

Changes in endowment net assets for the year ended September 30 include:

	September 30, 2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Changes in endowment net assets for the year ended September 30, 2012:				
Endowment net assets, beginning of year	<u>\$ -</u>	<u>\$ 3,687</u>	<u>\$ 65,000</u>	<u>\$ 68,687</u>
Investment return.				
Investment gains (losses)	-	861	-	861
Change in net realized/unrealized gains and losses	<u>-</u>	<u>2,145</u>	<u>-</u>	<u>2,145</u>
Total investment return	<u>-</u>	<u>3,006</u>	<u>-</u>	<u>3,006</u>
Reclassification adjustment based on change in donor imposed stipulations	-	-	(40,000)	(40,000)
Appropriation of assets for expenditures	-	(392)	-	(392)
Other	<u>-</u>	<u>(1,212)</u>	<u>-</u>	<u>(1,212)</u>
Endowment net assets at September 30, 2013	<u>\$ -</u>	<u>\$ 5,089</u>	<u>\$ 25,000</u>	<u>\$ 30,089</u>

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 5 – Endowments (Cont.)

	September 30, 2012			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Changes in endowment net assets for the year ended September 30, 2011:				
Endowment net assets, beginning of year	\$ -	\$ 6,512	\$ 65,000	\$ 71,512
Investment return:				
Investment gains (losses)	-	2,390	-	2,390
Change in net realized/unrealized gains and losses	-	9,660	-	9,660
Total investment return	-	12,050	-	12,050
Contributions	-	-	-	-
Appropriation of assets for expenditures	-	(14,889)	-	(14,889)
Other	-	24	-	24
Endowment net assets at September 30, 2012	<u>\$ -</u>	<u>\$ 3,697</u>	<u>\$ 65,000</u>	<u>\$ 68,697</u>

The table below describes endowment amounts classified as permanently restricted net assets and temporarily restricted net assets

	<u>2013</u>	<u>2012</u>
Permanently restricted net assets		
Foundation Nursing Scholarships	\$ -	\$ 5,000
General Nursing Scholarships	25,000	25,000
Health Education Seminars	-	25,000
Pediatric Nursing Scholarships	-	10,000
Total endowment assets classified as permanently restricted	<u>\$ 25,000</u>	<u>\$ 65,000</u>
Temporarily restricted net assets		
Restricted for Nursing Scholarships and Education	\$ 5,089	\$ 3,697
Total endowment funds classified as temporarily restricted	<u>\$ 5,089</u>	<u>\$ 3,697</u>

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
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Note 6 – Pledges Receivable

The System's pledges receivable represents donor commitments to provide future funding, primarily in association with capital improvement campaigns. The System's pledges receivable at September 30, consisted to the following:

	<u>2013</u>	<u>2012</u>
Due within one year	\$ 335,548	\$ 491,869
Due in one to five years	702,036	873,701
Due in more than five years	54,506	49,680
	<u>1,092,090</u>	<u>1,415,250</u>
Less: Allowance for uncollectible contributions	(114,997)	(141,525)
Discount to present value	<u>(61,157)</u>	<u>(79,238)</u>
Total pledges receivable	<u>\$ 915,936</u>	<u>\$ 1,194,487</u>

Note 7 – Property and Equipment

The System has equipment acquired under capital lease obligations as follows:

	<u>2013</u>	<u>2012</u>
Equipment	\$ 1,941,534	\$ 1,941,534
Less accumulated amortization	<u>(711,800)</u>	<u>(350,892)</u>
Equipment under capital lease obligations, net	<u>\$ 1,229,734</u>	<u>\$ 1,590,642</u>

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 8 – Long-Term Debt

A summary of long-term debt and capital lease obligations at September 30, 2013 and 2012 follows

	<u>2013</u>	<u>2012</u>
1999 Revenue Tax-Exempt Bonds		
Due June 1, 2024; payable annually at varying amounts plus semi-annual interest rates ranging from 3.75% to 5.60%, secured by revenues of the System	\$ -	\$ 430,000
2003 Revenue Tax-Exempt Bonds		
Due December 1, 2024, payable annually at varying amounts plus semi-annual interest at rates ranging from 3.00% to 5.50%, secured by revenue of the System	7,030,000	7,450,000
2004 Revenue Tax-Exempt Bonds		
Due June 1, 2024, payable annually at varying amounts plus semi-annual interest at rates ranging from 2.00% to 5.00%, secured by revenues of the System	3,790,000	4,055,000
2010 Revenue Tax-Exempt Bonds		
Due June 1, 2018, payable annually at varying amounts plus semi-annual interest rates ranging from 2.0% to 4.0%; secured by revenues of the System	5,600,000	6,615,000
2010 Revenue Tax-Exempt Bonds		
Due June 1, 2023; payable annually at varying amounts plus semi-annual interest at rates ranging from 2.0% to 4.0%, secured by revenues of the System	4,200,000	4,660,000
2011 Revenue Tax-Exempt Bonds		
Due June 1, 2028, payable annually at varying amounts plus semi-annual interest rates ranging from 4.0% to 5.75%, secured by revenues of the System	34,840,000	35,000,000
2013 Revenue Tax-Exempt Bonds		
Due December 1, 2014, payable annually at varying amounts plus semi-annual interest at rates ranging from 2.0% to 4.0%, secured by revenues of the System	6,790,000	-

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 8 – Long-Term Debt (Cont.)

	<u>2013</u>	<u>2012</u>
Note Payable, Bank		
Due April 1, 2017, payable \$11,632 quarterly, including interest at 7.5%, secured by land	\$ 142,387	\$ 176,676
Note Payable, Bank		
Due July 15, 2013; payable \$30,249 monthly including interest at 5.0%, secured by equipment and related UCC filings	-	295,130
Note Payable - Bank		
Due November 25, 2021, payable \$2,284 monthly including interest at 4.0%, secured by deposit accounts with lender	190,502	209,774
Note Payable, Bank		
Due November 30, 2014; payable \$8,176 monthly including interest at 3.47%, secured by endoscopy equipment	111,593	203,968
Capital Lease Obligation Payable		
Due March 8, 2016; payable at \$17,305 monthly including imputed interest rates ranging from 2.98% to 5.25%; secured by MRI and camera equipment	487,197	679,110
Capital Lease Obligation Payable		
Due March 2014, payable in annual installments of \$321,807, secured by angiography equipment, no stated interest rate	321,717	643,525
	63,503,396	60,418,183
Unamortized bond discount	(185,357)	(206,993)
Total long-term debt	63,318,039	60,211,190
Less current portion	(9,758,236)	(3,266,091)
	<u><u>\$ 53,559,803</u></u>	<u><u>\$ 56,945,099</u></u>

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 8 – Long-Term Debt (Cont.)

Aggregate annual maturities and sinking fund requirements of long-term debt and payments on capital lease obligations at September 30, 2013 are

	Long-Term Debt (Exc. Leases)	Capital Lease Obligations
2014	\$ 9,238,318	\$ 533,003
2015	2,640,813	211,255
2016	2,713,835	85,048
2017	2,796,787	-
2018	2,858,671	-
Thereafter	42,446,058	-
	<u>62,694,482</u>	<u>829,306</u>
Unamortized bond discount	(185,357)	
Total	<u>\$ 62,509,125</u>	
Less amount representing interest		<u>20,392</u>
Present value of future minimum lease payments		<u>\$ 808,914</u>

Under the terms of the Series 2013, 2011, 2010, 2004 and 2003 revenue bond indentures, the System is required to maintain certain deposits with trustees. Such deposits are included with assets limited as to use. The revenue bond indentures also place limits on the incurrence of additional borrowings and require that the System satisfy certain measures of financial performance as long as the bonds are outstanding. The bonds are callable by the System at the redemption price of par, plus accrued interest thereon to the redemption date for the Series 2013, 2011, 2010, 2004 and 2003 bonds, respectively. The bonds are secured by the gross receipts of the System and bond funds held by the trustees.

The fair value of the System's bonds is estimated using current market prices. The carrying value of other long-term debt approximates fair value. The estimated fair value of aggregate long-term debt at September 30, 2013 and 2012 was \$66,168,381 and \$63,336,793, respectively.

Note 9 – Community Benefits

In pursuing its mission, the System provides services to the financially disadvantaged and to the broader community in which it operates, despite the lack or adequacy of payment for those services. These services are categorized as follows:

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 9 – Community Benefits (Cont.)

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

The System maintains records to identify and monitor the level of charity care it provides. The records include the amount of charges foregone for services and supplies furnished under its charity care policy. The following information measures the level of charity care provided during the years ended September 30, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Charges foregone, based on established rates	\$ 8,391,784	\$ 6,371,175
Estimated costs and expenses incurred to provide charity care	\$ 2,725,518	\$ 2,063,239
Equivalent percentage of charity care charges foregone to total gross revenue	1.616%	1.226%

Other community benefits – In addition to the services the System provides to the financially disadvantaged, it provides services to the broader community. These services include educational programs, community information on health services, donations and the cost of care in excess of payments for patients under federal and state programs.

Note 10 – Functional Expenses

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

	<u>2013</u>	<u>2012</u>
Health care services	\$ 110,708,126	\$ 108,629,155
General and administrative	<u>57,900,047</u>	<u>59,633,777</u>
	<u>\$ 168,608,173</u>	<u>\$ 168,262,932</u>

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 11 – Operating Lease

The System leases various equipment and facilities. Lease expense incurred under all operating leases was \$1,712,266 and \$1,705,360 in 2013 and 2012, respectively.

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

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2014	\$ 1,660,847
2015	1,428,618
2016	1,100,814
2017	591,624
2018	606,960
	<hr/>
Total minimum lease payments	<u><u>\$ 5,388,863</u></u>

Note 12 – Self-Funded Health Insurance Costs

The System has a self-funded health insurance program for its employees. The System has purchased insurance that limits its exposure for individual claims. An estimated accrual is made for claims incurred but not submitted for payment at year end. Total expense for claims for the years ended September 30, 2013 and 2012, was \$13,460,254 and \$13,976,223, respectively.

Note 13 – Pension Plan

The System has a defined-contribution pension plan covering substantially all employees. Contributions by employees are matched up to 4% by the System. Pension expense was \$1,482,831 and \$1,236,865 for 2013 and 2012, respectively, and is included in benefit expense in the accompanying consolidated statement of operations.

Note 14 – Medical Malpractice Claims

The System purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon loss run reports from insurers, \$256,954 and \$241,649 have been accrued as of September 30, 2013 and 2012, respectively. It is reasonably possible that these estimates could change materially in the near term.

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 15 – Investment in Equity Investee

On August 31, 2010 White River Health System, Inc. agreed to purchase 100 shares of stock of KN Professionals, Inc. for an initial investment of \$222,579 giving the Health System a 33% ownership in the joint venture. The System has elected to use the equity method of accounting for the investment in the joint venture. Under the equity method, the initial investment is recorded at cost then reduced by any partnership distributions and increased or decreased by the System's proportionate share of the KN Professionals, Inc.'s net earnings or loss. The System's carrying value of its investment in KN Professionals, Inc. at September 30, 2013 and 2012 was \$406,744 and \$321,676, respectively.

Note 16 – Medicaid Inpatient/Outpatient Access Payments

The Arkansas Medicaid State Plan provides for annual calculated inpatient and outpatient access amounts to be paid by Arkansas Medicaid in quarterly increments to in-state private hospitals. This is predicated in part on the enhanced Federal Medicaid Assistance Percentage ("FMAP") contained in the American Reinvestment and Recovery Act ("ARRA"). A total annual inpatient and outpatient access payment amount is calculated and then distributed to individual eligible hospitals based on the number of each hospital's Medicaid inpatient discharges and outpatient payments as determined from the hospital's most recently audited cost report. These Medicaid supplemental payments are funded through a "Quality Assurance Fee" which is imposed on certain Arkansas hospitals. The total amount recorded as received by the Health System net of quality assurance fees paid for fiscal year ended September 30, 2013 and 2012 was \$3,830,538 and \$3,472,961, respectively.

Note 17 – Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Health care services		
Benevolence	\$ 36,787	\$ 33,420
Scholarships	97,075	38,325
Capital expansion project	1,161,396	1,374,707
Other Board designated purposes	88,700	146,554
	<u>\$ 1,383,958</u>	<u>\$ 1,593,006</u>

Permanently restricted net assets at September 30, 2013 and 2012 are restricted to:

	<u>2013</u>	<u>2012</u>
Investments to be held in perpetuity the income from which is temporarily restricted for specific scholarships and health education services	<u>\$ 25,000</u>	<u>\$ 65,000</u>

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 18 – Related Party Transactions

Certain notes payable and revenue bonds are financed through various financial institutions that employ certain members of the System's Board of Directors as officers of the respective financial institutions. It is the System's policy that Board members abstain from voting on any matters to which they have a conflict of interest and require each Board member and department manager to disclose any conflicts annually. Amount of borrowings outstanding at respective financial institution at September 30, 2013 and 2012 totaled \$441,066 and \$885,547. Book value of deposits and investments and each respective institution at September 30, 2013 and 2012 were \$47,393,194 and \$30,119,155, respectively.

Note 19 – Other Revenue

Other revenue is comprised mainly of cafeteria revenue, rental income, incentive payments related to the implementation and meaningful use of certified electronic health records and other miscellaneous revenue items.

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments for eligible hospitals and professionals that implement and achieve meaningful use of certified electronic health recorded ("EHR") technology. For Medicare and Medicaid EHR incentive payments the Health System utilizes a grant accounting model to recognize revenues. Under this accounting policy, EHR incentive payments were recognized as revenues when attestation that the EHR meaningful use criteria for the required period of time was demonstrated. Accordingly, the Health System recognized \$1,678,630 and \$1,750,282 of EHR revenues for the years ended September 30, 2013 and 2012. These amounts are included in other revenue in the consolidated statements of operations and changes in net assets. The Health System's attestation of compliance with the meaningful use criteria is subject to audit by the federal government or its designee. Additionally, Medicare EHR incentive payments received are subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated.

Note 20 – Significant Estimates and Concentrations

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

Allowance for Net Patient Service Revenue Adjustments

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

Self-Funded Health Insurance Costs

Estimates related to the accrual for self-funded insurance costs are described in Notes 1 and 12.

Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in Notes 1 and 14.

WHITE RIVER HEALTH SYSTEM, INC.
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 21 – Subsequent Events

White River Health System, Inc. has evaluated subsequent events in accordance with Accounting Standards Update (ASU) No. 2010-09, *Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements*, through the January 22, 2014 which is the date that the financial statements were available for issuance

On or about December 1, 2013, the System called and retired its outstanding Series 2003 bonds from the proceeds of the Series 2013 bonds that were held in escrow at September 30, 2013. As a result, the System's total outstanding long-term debt was reduced by approximately \$7,030,000.

**OTHER
REQUIRED
REPORTS**

HUGHES, WELCH & MILLIGAN, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT J. HUGHES, JR., CPA
(1951-2007)

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
White River Health System, Inc.
Batesville, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of White River Health System, Inc. (a nonprofit organization), which comprise the consolidated balance sheet as of September 30, 2013, and the related consolidated statements of operations, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered White River Health System, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of White River Health System, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether White River Health System, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such

an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hughes, Welch & Milligan, Ltd.
Certified Public Accountants

Batesville, Arkansas
January 22, 2014