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2013

Open to Public Inspection

Form 990

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

► Do not enter Social Security numbers on this form as it may be made public. By law, the IRS generally cannot redact the information on the form.

► Information about Form 990 and its instructions is at www.irs.gov/form990

A For the 2013 calendar year, or tax year beginning 01-01-2013, 2013, and ending 12-31-2013

B Check if applicable	C Name of organization THE BETHANY CIRCLE OF KING'S DAUGHTERS' OF MADISON INDIANA INC		D Employer identification number 35-0895832
<input checked="" type="checkbox"/> Address change	Doing Business As KING'S DAUGHTERS' HEALTH		E Telephone number (812) 801-0800
<input type="checkbox"/> Name change	Number and street (or P O box if mail is not delivered to street address) 1373 EAST STATE ROAD 62 PO BOX 447		F Gross receipts \$ 138,667,827
<input type="checkbox"/> Initial return	Room/suite		
<input type="checkbox"/> Terminated	G City or town, state or province, country, and ZIP or foreign postal code MADISON, IN 47250		
<input type="checkbox"/> Amended return			
<input type="checkbox"/> Application pending			

I Tax-exempt status 501(c)(3) 501(c) () (insert no) 4947(a)(1) or 527J Website: ► WWW.KDHMADISON.ORGK Form of organization Corporation Trust Association Other ► L Year of formation 1899 M State of legal domicile IN

Part I Summary

1 Briefly describe the organization's mission or most significant activities TO IMPROVE THE HEALTH OF THE HOSPITAL'S PATIENTS THROUGH CARE, SERVICE, AND EDUCATION		
2 Check this box ► if the organization discontinued its operations or disposed of more than 25% of its net assets		
3 Number of voting members of the governing body (Part VI, line 1a)	3	10
4 Number of independent voting members of the governing body (Part VI, line 1b)	4	8
5 Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	1,168
6 Total number of volunteers (estimate if necessary)	6	70
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	11,105
b Net unrelated business taxable income from Form 990-T, line 34	7b	-10,170

8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
9 Program service revenue (Part VIII, line 2g)	109,631	1,086,439
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	107,522,048	111,685,302
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-584,888	-1,787,533
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	0	2,948,480
	107,046,791	113,932,688

13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	Prior Year	Current Year
14 Benefits paid to or for members (Part IX, column (A), line 4)	59,688	64,750
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	0	0
16a Professional fundraising fees (Part IX, column (A), line 11e)	61,610,729	66,191,410
b Total fundraising expenses (Part IX, column (D), line 25) ► ⁰	0	0
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	42,011,317	55,574,589
18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	103,681,734	121,830,749
19 Revenue less expenses Subtract line 18 from line 12	3,365,057	-7,898,061

20 Total assets (Part X, line 16)	Beginning of Current Year	End of Year
21 Total liabilities (Part X, line 26)	239,072,764	235,555,035
22 Net assets or fund balances Subtract line 21 from line 20	114,496,229	115,305,835
	124,576,535	120,249,200

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 STEVE MEACHAM VP OF FINANCE Type or print name and title	2014-10-13 Date
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Paid Preparer Use Only	Print/Type preparer's name CARRIE A MERRILL CPA	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN P00832283
	Firm's name ► BLUE & CO LLC			Firm's EIN ► 35-1178661	
	Firm's address ► ONE AMERICAN SQUARE 2200 INDIANAPOLIS, IN 46282			Phone no (317) 633-4705	

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

Part III Statement of Program Service AccomplishmentsCheck if Schedule O contains a response or note to any line in this Part III **1** Briefly describe the organization's mission

THE MISSION OF THE HOSPITAL IS TO IMPROVE THE HEALTH OF THE HOSPITAL'S PATIENTS THROUGH CARE, SERVICE, AND EDUCATION

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 \$ 100,745,155 including grants of \$ 64,750) (Revenue \$ 114,241,985)

THE KING'S DAUGHTERS' HOSPITAL AND HEALTH SERVICES IS A NOT-FOR-PROFIT, ACUTE CARE HOSPITAL OWNED BY THE BETHANY CIRCLE OF KING'S DAUGHTERS' OF MADISON, INDIANA, INC., LOCATED IN MADISON, INDIANA. THE HOSPITAL IS ORGANIZED FOR THE PURPOSE OF PROVIDING HEALTHCARE SERVICES TO THE RESIDENTS OF JEFFERSON COUNTY AND THE SURROUNDING AREA. THE HOSPITAL PROVIDED HEALTHCARE TO PATIENTS AT THE FOLLOWING LEVELS FOR 2013: 14,111 DAYS OF CARE TO ACUTE INPATIENTS, 1,046 DAYS OF CARE TO NEWBORN INFANTS, 185,184 VISITS ASSOCIATED WITH HOSPITAL OUTPATIENTS, 137,291 VISITS ASSOCIATED WITH PHYSICIAN CLINICS

4b (Code) (Expenses \$ 6,508,098 including grants of \$) (Revenue \$)

THE HOSPITAL'S PRIMARY SOURCES OF SUPPORT ARE FROM PATIENT REVENUES. PATIENT REVENUES INCLUDE FUNDS RECEIVED FROM MEDICARE, STATE AGENCIES, INSURANCE COMPANIES, AND THE PATIENTS THEMSELVES. IN 2013, THE KING'S DAUGHTERS' HOSPITAL AND HEALTH SERVICES PROVIDED SERVICES TOTALING \$6,508,098 IN GROSS CHARGES TO PATIENTS WHO MET THE HOSPITAL'S CHARITY CARE POLICY

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

[10 blank lines for additional program services]

4d Other program services (Describe in Schedule O)

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

4e Total program service expenses ► 107,253,253

Part IV Checklist of Required Schedules

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

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

3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I

4 **Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II

5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III

6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I

7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II

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

9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV

10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V

11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable

a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI

b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII

c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII

d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX

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

f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part XI

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

b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional

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

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

b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV

15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? If "Yes," complete Schedule F, Parts II and IV

16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? If "Yes," complete Schedule F, Parts III and IV

17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)

18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II

19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III

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

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

	Yes	No
1	Yes	
2	Yes	
3		No
4	Yes	
5		No
6		No
7		No
8		No
9		No
10	Yes	
11a	Yes	
11b		No
11c		No
11d		No
11e	Yes	
11f	Yes	
12a		No
12b	Yes	
13		No
14a		No
14b		No
15		No
16		No
17		No
18		No
19		No
20a	Yes	
20b	Yes	

Part IV Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II	21	Yes	
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III	22		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? If "Yes," complete Schedule J	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a	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? If "Yes," complete Schedule L, Part I	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? If so, complete Schedule L, Part II	26	Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? If "Yes," complete Schedule L, Part III	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)	28a		No
a	A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28b		No
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28c	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV	29		No
29	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M	30		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M	31		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I	32		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II	33		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? If "Yes," complete Schedule R, Part I	34	Yes	
34	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1	35a		No
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35b		
b	If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2	36		No
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2	37		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI	38	Yes	
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O			

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

		Yes	No
1a Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . . .	1a	78	
1b Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable . . .	1b	0	
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? . . .	1c	Yes	
2a Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return . . .	2a	1,168	
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions) . . .	2b	Yes	
3a Did the organization have unrelated business gross income of \$1,000 or more during the year? . . .	3a	Yes	
b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O . . .	3b	Yes	
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)? . . .	4a	No	
b If "Yes," enter the name of the foreign country ► See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts . . .			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . . .	5a	No	
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? . . .	5b	No	
c If "Yes," to line 5a or 5b, did the organization file Form 8886-T? . . .	5c		
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a	No	
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? . . .	6b		
7 Organizations that may receive deductible contributions under section 170(c).			
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor? . . .	7a	Yes	
b If "Yes," did the organization notify the donor of the value of the goods or services provided? . . .	7b	Yes	
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? . . .	7c	No	
d If "Yes," indicate the number of Forms 8282 filed during the year . . .	7d		
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? . . .	7e	No	
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . . .	7f	No	
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? . . .	7g		
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? . . .	7h		
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? . . .	8		
9 Sponsoring organizations maintaining donor advised funds.			
a Did the organization make any taxable distributions under section 4966? . . .	9a		
b Did the organization make a distribution to a donor, donor advisor, or related person? . . .	9b		
10 Section 501(c)(7) organizations. Enter			
a Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a		
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities . . .	10b		
11 Section 501(c)(12) organizations. Enter			
a Gross income from members or shareholders . . .	11a		
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them) . . .	11b		
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041? . . .	12a		
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year . . .	12b		
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O . . .	13a		
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans . . .	13b		
c Enter the amount of reserves on hand . . .	13c		
14a Did the organization receive any payments for indoor tanning services during the tax year? . . .	14a	No	
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O . . .	14b		

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

Check if Schedule O contains a response or note to any line 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	1a	10		
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b Enter the number of voting members included in line 1a, above, who are independent	1b	8		
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		Yes	
7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a		Yes	
b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b		Yes	
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following	8a		Yes	
a The governing body?	8b		Yes	
b Each committee with authority to act on behalf of the governing body?	9		No	
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				

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

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

Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed IN
- 18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply
 Own website Another's website Upon request Other (explain in Schedule O)
- 19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
- 20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization
 DAWN NUNAN DIRECTOR OF ACCOUNTING 1373 EAST STATE ROAD 62 PO BOX 447 MADISON, IN 47250 (812) 801-0193

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent ContractorsCheck if Schedule O contains a response or note to any line 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	Office	Key Employee	Highest Compensated	Former			
(1) MAUREEN GETZ BOARD CHAIRWOMAN	1 00 1 00	X		X				750	0	0
(2) PAULA HEIDERMAN BOARD VICE CHAIRWOMAN	1 00 1 00	X		X				750	0	0
(3) PAM KIMMEL BOARD SECRETARY	1 00 0 00	X		X				750	0	0
(4) JEAN DONNELLON BOARD ASSN'T SECRETARY	1 00 0 00	X		X				500	0	0
(5) LINDA SLOFFER BOARD TREASURER	1 00 1 00	X		X				750	0	0
(6) ANDREA FORRESTER BOARD ASSN'T TREASURER	1 00 0 00	X		X				750	0	0
(7) GARY KENNON BOARD MEMBER	1 00 0 00	X						0	0	0
(8) JONATHAN HANSON MD BOARD MEMBER/PHYSICIAN	40 00 0 00	X						487,790	0	38,365
(9) PAT STACK MD BOARD MEMBER/PHYSICIAN	40 00 0 00	X						277,745	0	38,470
(10) MARY BETTE VOYLES BOARD MEMBER	1 00 0 00	X						750	0	0
(11) ROGER ALLMAN PRESIDENT/CEO 1/1/13-6/21/13	40 00 1 00			X				1,191,145	0	21,510
(12) CAROL DOZIER PRESIDENT/CEO 7/15/13-12/31/13	40 00 1 00			X				161,221	0	7,224
(13) STEVE MEACHAM VP FINANCE	40 00 0 00			X				216,374	0	28,661
(14) LARRY KEITH VP CLINICAL SERVICES 1/1/13-9/3/13	40 00 0 00			X				118,353	0	10,883
(15) LISA MORGAN VP PATIENT SERVICES	40 00 0 00			X				162,785	0	24,334
(16) DENINE FALLIS-HALLGARTH VP PHYSICIAN PRACTICES	40 00 0 00			X				143,073	0	16,810
(17) HOLLY ROBINSON CHIEF MEDICAL OFFICER	40 00 0 00			X				291,866	0	38,307

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

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **66**

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
WEHR CONSTRUCTORS INC 2517 PLANTSIDE DRIVE LOUISVILLE IN 40299	CONTRACTOR SERVICES FOR THE CONSTRUCTION	1,443,832
JACOBUS CONSULTING 29883 SANTA MARGARITA PKWY RANCHO SANTA MARGARITA CA 92688	HEALTHCARE CONSULTING	866,345
FIRST UROLOGY PSC PO BOX 1087 JEFFERSONVILLE IN 47131	CONTRACTED PHYSICIAN MEDICAL SERVICES	616,778
MAYO COLLABORATIVE SERVICES INC PO BOX 9146 MINNEAPOLIS MN 554809146	LABORATORY SERVICES	609,719
WEATHERBY LOCUMS INC PO BOX 972633 DALLAS TX 75397	CONTRACTED PHYSICIAN MEDICAL SERVICES	605,909
2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the corporation: 522		

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►32

Part VIII Statement of RevenueCheck if Schedule O contains a response or note to any line in this Part VIII

		(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a Federated campaigns	1a			
	b Membership dues	1b			
	c Fundraising events	1c			
	d Related organizations	1d	1,009,059		
	e Government grants (contributions)	1e	76,615		
	f All other contributions, gifts, grants, and similar amounts not included above	1f	765		
	g Noncash contributions included in lines 1a-1f \$				
	h Total. Add lines 1a-1f		1,086,439		
Program Service Revenue	2a NET PATIENT SERVICE REVENUE	Business Code 621110	111,685,302	111,674,197	11,105
	b				
	c				
	d				
	e				
	f All other program service revenue				
	g Total. Add lines 2a-2f		111,685,302		
	3 Investment income (including dividends, interest, and other similar amounts)		1,406,252		1,406,252
4 Income from investment of tax-exempt bond proceeds					
5 Royalties					
6a Gross rents	(I) Real 54,107				
b Less rental expenses	52,953				
c Rental income or (loss)	1,154				
d Net rental income or (loss)		1,154	1,154		
7a Gross amount from sales of assets other than inventory	(I) Securities 20,990,981	(II) Other 497,420			
b Less cost or other basis and sales expenses	18,696,907	5,985,279			
c Gain or (loss)	2,294,074	-5,487,859			
d Net gain or (loss)		-3,193,785		-3,193,785	
8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
b Less direct expenses	b				
c Net income or (loss) from fundraising events					
9a Gross income from gaming activities See Part IV, line 19	a				
b Less direct expenses	b				
c Net income or (loss) from gaming activities					
10a Gross sales of inventory, less returns and allowances	a				
b Less cost of goods sold	b				
c Net income or (loss) from sales of inventory					
Miscellaneous Revenue	Business Code				
11a EHR REVENUE	621110	2,370,500	2,370,500		
b CAFETERIA REVENUE	722210	284,316		284,316	
c OTHER	621110	196,134	196,134		
d All other revenue		96,376		96,376	
e Total. Add lines 11a-11d		2,947,326			
12 Total revenue. See Instructions		113,932,688	114,241,985	11,105	
				-1,406,841	

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 or note to any line 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	64,750	64,750		
2 Grants and other assistance to individuals in the United States See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees . . .	3,279,916	2,623,933	655,983	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . .				
7 Other salaries and wages	49,994,030	44,449,043	5,544,987	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions) . . .	1,941,927	1,747,734	194,193	
9 Other employee benefits . . .	7,651,774	6,886,597	765,177	
10 Payroll taxes . . .	3,323,763	2,991,387	332,376	
11 Fees for services (non-employees)				
a Management . . .				
b Legal . . .	321,297		321,297	
c Accounting . . .	413,970		413,970	
d Lobbying . . .				
e Professional fundraising services See Part IV, line 17				
f Investment management fees . . .	262,226		262,226	
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O) . . .				
12 Advertising and promotion . . .	244,483	220,035	24,448	
13 Office expenses . . .	1,658,586	1,360,041	298,545	
14 Information technology . . .	398,153	358,338	39,815	
15 Royalties . .				
16 Occupancy . . .	1,906,549	1,715,894	190,655	
17 Travel . . .	149,450	134,505	14,945	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials . . .				
19 Conferences, conventions, and meetings . . .				
20 Interest . . .	4,702,261	4,232,035	470,226	
21 Payments to affiliates . . .				
22 Depreciation, depletion, and amortization . . .	11,162,837	10,046,553	1,116,284	
23 Insurance . . .	1,267,119	1,140,407	126,712	
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 PURCHASED SERVICES	8,076,736	7,269,062	807,674	
b DRUGS	7,748,813	7,748,813		
c SUPPLIES	6,001,451	5,101,233	900,218	
d HOSPITAL ASSESSMENT FEE	4,026,986	4,026,986		
e All other expenses	7,233,672	5,135,907	2,097,765	
25 Total functional expenses. Add lines 1 through 24e	121,830,749	107,253,253	14,577,496	0
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ► if following SOP 98-2 (ASC 958-720)				

Part X Balance SheetCheck if Schedule O contains a response or note to any line in this Part X

		(A) Beginning of year	(B) End of year
Assets			
1	Cash—non-interest-bearing	1	
2	Savings and temporary cash investments	2	7,422,970
3	Pledges and grants receivable, net	3	1,000,000
4	Accounts receivable, net	4	10,039,288
5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		
		39,808	5
			195,049
6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		
		6	
7	Notes and loans receivable, net	7	422,538
8	Inventories for sale or use	8	2,323,063
9	Prepaid expenses and deferred charges	9	943,738
10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	175,200,077
b	Less accumulated depreciation	10b	38,579,141
		130,930,226	10c
			136,620,936
11	Investments—publicly traded securities	11	68,718,897
12	Investments—other securities See Part IV, line 11	12	
13	Investments—program-related See Part IV, line 11	13	
14	Intangible assets	14	
15	Other assets See Part IV, line 11	15	7,868,556
16	Total assets. Add lines 1 through 15 (must equal line 34)	16	235,555,035
Liabilities			
17	Accounts payable and accrued expenses	17	13,166,714
18	Grants payable	18	
19	Deferred revenue	19	
20	Tax-exempt bond liabilities	20	97,975,255
21	Escrow or custodial account liability Complete Part IV of Schedule D	21	
22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L	22	
23	Secured mortgages and notes payable to unrelated third parties	23	1,306,836
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	25	2,857,030
26	Total liabilities. Add lines 17 through 25	26	115,305,835
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	27	120,040,475
28	Temporarily restricted net assets	28	198,725
29	Permanently restricted net assets	29	10,000
	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	33	120,249,200
34	Total liabilities and net assets/fund balances	34	235,555,035

Part XI Reconciliation of Net AssetsCheck if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	113,932,688
2	Total expenses (must equal Part IX, column (A), line 25)	2	121,830,749
3	Revenue less expenses Subtract line 2 from line 1	3	-7,898,061
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	124,576,535
5	Net unrealized gains (losses) on investments	5	3,983,718
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	-412,992
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	120,249,200

Part XII Financial Statements and ReportingCheck if Schedule O contains a response or note to any line 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	2a	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 type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2b	Yes
2c If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes
3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	No
3b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	

SCHEDULE A
(Form 990 or 990EZ)**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.

2013**Open to Public
Inspection**Department of the
Treasury
Internal Revenue Service

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

► Information about Schedule A (Form 990 or 990-EZ) and its instructions is at
www.irs.gov/form990.**Name of the organization**THE BETHANY CIRCLE OF KING'S DAUGHTERS'
OF MADISON INDIANA INC**Employer identification number**

35-0895832

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

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

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

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

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

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

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

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

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

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

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

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

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

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

f 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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 6, column (f) divided by line 11, column (f))	14	
15 Public support percentage for 2012 Schedule A, Part II, line 14	15	
16a 33 1/3% support test—2013. 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—2012. 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—2013. 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—2012. 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 III Support Schedule for Organizations Described in Section 509(a)(2)

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15
16 Public support percentage from 2012 Schedule A, Part III, line 15	16

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18
19a 33 1/3% support tests—2013. 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—2012. 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. 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**

Return Reference

Explanation

SCHEDULE C
(Form 990 or 990-EZ)**Political Campaign and Lobbying Activities****2013****Open to Public
Inspection****For Organizations Exempt From Income Tax Under section 501(c) and section 527**

- Complete if the organization is described below. ► Attach to Form 990 or Form 990-EZ.
- See separate instructions. ► Information about Schedule C (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

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 THE BETHANY CIRCLE OF KING'S DAUGHTERS' OF MADISON INDIANA INC	Employer identification number 35-0895832
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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? Yes No
- 4a Was a correction made? Yes No
- b If "Yes," describe in Part IV

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

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

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

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

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)			
b Total lobbying expenditures to influence a legislative body (direct lobbying)			
c Total lobbying expenditures (add lines 1a and 1b)			
d Other exempt purpose expenditures			
e Total exempt purpose expenditures (add lines 1c and 1d)			
f Lobbying nontaxable amount Enter the amount from the following table in both columns			
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) 2010	(b) 2011	(c) 2012	(d) 2013	(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		7,863
j Total Add lines 1c through 1i			7,863
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

1 Dues, assessments and similar amounts from members	1	
2 Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).	2a	
a Current year	2b	
b Carryover from last year	2c	
c Total	3	
3 Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues		
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

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.

Return Reference	Explanation
PART II-B, LINE 1	PORTION OF INDIANA HOSPITAL ASSOCIATION DUES AND AMERICAN HOSPITAL ASSOCIATION DUES ATTRIBUTABLE TO LOBBYING EXPENSES AS DISCLOSED ON THE DUES NOTICES OF THE RESPECTIVE ASSOCIATIONS

Part IV **Supplemental Information (continued)**

Schedule D (Form 990) 2013

SCHEDULE D
(Form 990)**Supplemental Financial Statements**

OMB No 1545-0047

2013

► Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
 ► Attach to Form 990. ► See separate instructions. ► Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.

Open to Public InspectionDepartment of the Treasury
Internal Revenue Service**Name of the organization**THE BETHANY CIRCLE OF KING'S DAUGHTERS'
OF MADISON INDIANA INC**Employer identification number**

35-0895832

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

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? Yes No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? Yes No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)	<input type="checkbox"/> Preservation of land for public use (e.g., recreation or education) <input type="checkbox"/> Preservation of an historically important land area
	<input type="checkbox"/> Protection of natural habitat <input type="checkbox"/> Preservation of a certified historic structure
	<input type="checkbox"/> Preservation of open space
2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year	
a Total number of conservation easements	Held at the End of the Year
b Total acreage restricted by conservation easements	2a
c Number of conservation easements on a certified historic structure included in (a)	2b
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2c
	2d

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a <input type="checkbox"/> Public exhibition	d <input type="checkbox"/> Loan or exchange programs
b <input type="checkbox"/> Scholarly research	e <input type="checkbox"/> Other
c <input type="checkbox"/> Preservation for future generations	

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

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

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

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No

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

	Amount
1c	
1d	
1e	
1f	

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	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	196,716	129,738	137,154	127,555	89,334
b Contributions	48,484	86,924	40,020	62,386	84,150
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs	36,475	19,946	47,436	52,787	45,929
f Administrative expenses					
g End of year balance	208,725	196,716	129,738	137,154	127,555

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 4 790 %

c Temporarily restricted endowment 95 210 %

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)	No
3a(ii)	No
3b	

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

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. 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		5,622,068			5,622,068
b Buildings		112,551,672	13,398,628		99,153,044
c Leasehold improvements					
d Equipment		56,126,079	25,180,513		30,945,566
e Other		900,258			900,258
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)					136,620,936

Part VII Investments—Other Securities. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

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

Total. (Column (b) must equal Form 990, Part X, col (B) line 12)

Part VIII Investments—Program Related. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

Total (Column (b) must equal Form 990, Part X, col (B), line 13.)

Part IX **Other Assets** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11.d. See Form 990, Part X, line 15.

Total. (Column (b) must equal Form 990, Part X, col.(B) line 15.)

Part X Other Liabilities. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1	(a) Description of liability	(b) Book value
Federal income taxes		
DEFERRED COMPENSATION		123,044
THIRD PARTY PAYABLE		1,300,000
LIFE INSURANCE POLICIES		1,433,990
Total (Column (b) must equal Form 203, Part X, col (b) line 25.)		3,977,034

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

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements	1	118,631,014
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	3,983,718
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	994,028
e	Add lines 2a through 2d	2e	4,977,746
3	Subtract line 2e from line 1	3	113,653,268
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	262,226
b	Other (Describe in Part XIII)	4b	17,194
c	Add lines 4a and 4b	4c	279,420
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)	5	113,932,688

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return. Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements	1	121,604,282
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII)	2d	52,953
e	Add lines 2a through 2d	2e	52,953
3	Subtract line 2e from line 1	3	121,551,329
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	262,226
b	Other (Describe in Part XIII)	4b	17,194
c	Add lines 4a and 4b	4c	279,420
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)	5	121,830,749

Part XIII Supplemental Information

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

Return Reference	Explanation
PART V, LINE 4	PERMANENT ENDOWMENT - INTENT IS TO HOLD THE INVESTMENT IN PERPETUITY PER AUDITED FINANCIAL STATEMENTS, "THE PORTION OF PERPETUAL ENDOWMENT FUNDS THAT IS REQUIRED TO BE RETAINED PERMANENTLY EITHER BY EXPLICIT DONOR STIPULATION OR UPMIFA" IS \$10,000 AT 12/31/2013 TERM ENDOWMENT - TEMPORARILY RESTRICTED NET ASSETS ARE DONOR-RESTRICTED FOR A SPECIFIC USE INCLUDING PRENATAL/POSTNATAL EDUCATION PROGRAM FUND, TOBACCO SETTLEMENT FUND, TEEN EVENT FUND, GIRLS ON THE RUN FUND, MAY LIBRARY FUND, AND FIT KIDS FUND
PART X, LINE 2	ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA REQUIRE MANAGEMENT TO EVALUATE TAX POSITIONS TAKEN BY THE HOSPITAL AND RECOGNIZE A TAX LIABILITY IF THE HOSPITAL HAS TAKEN AN UNCERTAIN TAX POSITION THAT MORE LIKELY THAN NOT WOULD NOT BE SUSTAINED UPON EXAMINATION BY VARIOUS FEDERAL AND STATE TAXING AUTHORITIES. MANAGEMENT HAS ANALYZED THE TAX POSITIONS TAKEN BY THE HOSPITAL, AND HAS CONCLUDED THAT AS OF DECEMBER 31, 2013 AND 2012, THERE ARE NO UNCERTAIN POSITIONS TAKEN OR EXPECTED TO BE TAKEN THAT WOULD REQUIRE RECOGNITION OF A LIABILITY OR DISCLOSURE IN THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS. THE HOSPITAL IS SUBJECT TO ROUTINE AUDITS BY TAXING JURISDICTIONS, HOWEVER, THERE ARE CURRENTLY NO AUDITS FOR ANY TAX PERIODS IN PROGRESS
PART XI, LINE 2D - OTHER ADJUSTMENTS	RENTAL EXPENSES 52,953 CHANGE IN CAPTIVE INSURANCE COMPANY 941,075
PART XI, LINE 4B - OTHER ADJUSTMENTS	GRANTS 17,194
PART XII, LINE 2D - OTHER ADJUSTMENTS	RENTAL EXPENSES 52,953
PART XII, LINE 4B - OTHER ADJUSTMENTS	GRANTS 17,194

Part XIII Supplemental Information (continued)

Return Reference	Explanation

SCHEDULE H
(Form 990)

Hospitals

OMB No 1545-0047

Department of the Treasury
Internal Revenue Service

► Complete if the organization answered "Yes" to Form 990, Part IV, question 20.

► Attach to Form 990. ► See separate instructions.

► Information about Schedule H (Form 990) and its instructions is at www.irs.gov/form990.

2013

Open to Public
Inspection

Name of the organization

THE BETHANY CIRCLE OF KING'S DAUGHTERS'
OF MADISON INDIANA INC

Employer identification number

35-0895832

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 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	3a Yes	
<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	3b No	
<input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %		
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4 Yes	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a Yes	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b Yes	
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c No	
6a Did the organization prepare a community benefit report during the tax year?	6a Yes	
b If "Yes," did the organization make it available to the public?	6b Yes	
Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H		
7 Financial Assistance and Certain Other Community Benefits at Cost		

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			2,411,706		2,411,706	1 980 %
b Medicaid (from Worksheet 3, column a)			19,884,449	9,529,455	10,354,994	8 500 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			22,296,155	9,529,455	12,766,700	10 480 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	2,533	207,529		49,404	158,125	0 130 %
f Health professions education (from Worksheet 5)	60	297,879		36,250	261,629	0 210 %
g Subsidized health services (from Worksheet 6)	4,727	4,387,899		3,782,900	604,999	0 500 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	250	74,706			74,706	0 060 %
j Total. Other Benefits	7,570	4,968,013		3,868,554	1,099,459	0 900 %
k Total. Add lines 7d and 7j	7,570	27,264,168		13,398,009	13,866,159	11 380 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development		50	195		195	0 %
3 Community support		128	1,056		1,056	0 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy		1,007	161,120		161,120	0 130 %
8 Workforce development		1,010	1,377		1,377	0 %
9 Other						
10 Total		2,195	163,748		163,748	0 130 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15? **1** Yes **No**

2 Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount **2** 14,239,677

3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit **3** 0

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

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME) **5** 21,146,638

6 Enter Medicare allowable costs of care relating to payments on line 5 **6** 24,678,149

7 Subtract line 6 from line 5 This is the surplus (or shortfall) **7** -3,531,511

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

Cost accounting system

Cost to charge ratio

Other

Section C. Collection Practices

9a Did the organization have a written debt collection policy during the tax year? **9a** Yes

b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI **9b** Yes

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 1 MADISON CATHETERIZATION SERVICES LLC	PROVIDES CATHETERIZATION SERVICES	51 000 %	0 %	0 %	
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information**Section A. Hospital Facilities**

(list in order of size from largest to smallest—see instructions)

How many hospital facilities did the organization operate during the tax year?

1

Name, address, primary website address, and state license number

See Additional Data Table

Other (Describe)

Facility reporting group

ER-other

ER-24 hours

Research facility

Critical access hospital

Teaching hospital

Children's hospital

General medical & surgical

Licensed hospital

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)

KING'S DAUGHTERS' HEALTH

Name of hospital facility or facility reporting group _____**If reporting on Part V, Section B for a single hospital facility 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	1 Yes	
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input checked="" type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 13		
3	In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests 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?	5 Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)		
a	<input checked="" type="checkbox"/> Hospital facility's website (list url) <u>WWW KDHMADISON.ORG/ABOUT_NEEDSASSESSMENT</u>		
b	<input type="checkbox"/> Other website (list url) _____		
c	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input checked="" type="checkbox"/> Execution of the implementation strategy		
c	<input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d	<input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input checked="" type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7 No	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a No	
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V Facility Information (continued)**Financial Assistance Policy**

	Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9 Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 000000000000%</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>%</u> If "No," explain in Part VI the criteria the hospital facility used	11	No
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 checked="" type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input checked="" type="checkbox"/> Residency i <input type="checkbox"/> Other (describe in Part VI)		
13 Explained the method for applying for financial assistance?	13 Yes	
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14 Yes	
a <input type="checkbox"/> The policy was posted on the hospital facility's website b <input type="checkbox"/> The policy was attached to billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" 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 individual's eligibility under the facility's FAP		
a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Section C)		
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 individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17 No	
a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Section C)		

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 individuals regarding the individuals' bills
- d Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- e Other (describe in Section C)

Policy Relating to Emergency Medical Care

19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?

If "No," indicate why

- a The hospital facility did not provide care for any emergency medical conditions
- b The hospital facility's policy was not in writing
- c The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d Other (describe in Part VI)

	Yes	No
19 Yes		

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

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

21		No

21 During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care?

If "Yes," explain in Part VI

22 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?

If "Yes," explain in Part VI

22		No

Form and Line Reference	
ING'S DAUGHTERS' HEALTH	PART PERF ISSUE

	<p>ABUSE/GAMBLING/ADDICTIONS, RESPONSIBLE SEXUAL BEHAVIOR, MENTAL HEALTH, INJURY AND VIOLENCE (INCLUDING DOMESTIC VIOLENCE AND SEXUAL ASSAULT), ENVIRONMENTAL QUALITY, IMMUNIZATION, ACCESS TO HEALTH CARE FOR THE INSURED AND UNINSURED, MATERNAL AND CHILD HEALTH, INFECTIOUS DISEASE, OCCUPATIONAL AND SAFETY HEALTH, SPECIAL NEEDS/DISABLED/IMPAIRED, AND CHRONIC DISEASE</p>
ING'S DAUGHTERS' HEALTH	<p>PART V, SECTION B, LINE 3 THE FACILITY TOOK INTO ACCOUNT INPUT FROM PERSONS IN THE COMMUNITY BY UTILIZING THE FOLLOWING COMPONENTS - ANALYSIS OF SECONDARY DATA TO DEVELOP A PROFILE OF THE RESIDENTS OF EACH COUNTY AND TO INDICATE, WHERE POSSIBLE FUTURE TRENDS AND TO SHOW COMPARISONS WITH STATE AND NATIONAL DATA, - IN-PERSON INTERVIEWS WITH 30 KEY LEADERS WITHIN KDH INCLUDING BOARD, STAFF AND MEDICAL STAFF, - IN-DEPTH-INTERVIEWS BY TELEPHONE OR IN-PERSON WITH 11 COMMUNITIES LEADERS INCLUDING GOVERNMENT</p>

Part V Facility Information (continued)**Section D. 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? **12**

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

Part VI Supplemental Information

Provide the following information

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNA's 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

Form and Line Reference	Explanation
PART I, LINE 3C	THE HOSPITAL USED FACTORS OTHER THAN FEDERAL POVERTY GUIDELINES IN DETERMINING ELIGIBILITY FOR DISCOUNTED CARE A PATIENT CAN APPLY FOR THE HOSPITAL'S CATASTROPHIC DISCOUNT PROGRAM. THIS POLICY WILL LIMIT THE PATIENT'S TOTAL FINANCIAL OBLIGATION TO 20% OF THE PATIENT'S TOTAL ANNUAL FAMILY INCOME
PART II, COMMUNITY BUILDING ACTIVITIES	COMMUNITY BUILDING ACTIVITIES PROMOTED THE HEALTH OF THE COMMUNITY IN THE FOLLOWING WAYS (1) PROVIDING CPR CLASSES FOR STUDENTS IN LOCAL SCHOOLS (2) PROMOTING HEALTHCARE CAREERS TO POTENTIAL "FUTURE EMPLOYEES" THROUGH CAREER DAYS AT LOCAL SCHOOLS AND JOBFAIRS AT THE LOCAL COMMUNITY COLLEGE (3) ASSISTING COMMUNITY MEMBERS WITH MEDICAID PROGRAM ENROLLMENT - FORMAL MEDICAID ENROLLMENT ASSISTANCE PROGRAM OFFERED BY KDHHS TO HELP COMMUNITY MEMBERS ENROLL TO RECEIVE ALL TYPES OF MEDICAID ASSISTANCE (HEALTHCARE, FOOD, ETC.)

Form and Line Reference	Explanation
PART III, LINE 2	AS REPORTED ON THE FINANCIAL STATEMENTS PAGE 5
PART III, LINE 3	THE HOSPITAL HAS A DETAILED FINANCIAL ASSISTANCE POLICY WHICH STATES THAT TO PARTICIPATE IN CHARITY CARE, CANDIDATES MUST COOPERATE FULLY. IN ADDITION, THE HOSPITAL EDUCATES PATIENTS WITH LIMITED ABILITY TO PAY REGARDING FINANCIAL ASSISTANCE. FOR THESE REASONS, THE HOSPITAL BELIEVES THAT IT ACCURATELY CAPTURES ALL CHARITY CARE DEDUCTIONS PROVIDED ACCORDING TO THE FINANCIAL ASSISTANCE POLICY, AND THE AMOUNT OF BAD DEBT ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY IS NEGLIGIBLE

Form and Line Reference	Explanation
PART III, LINE 4	<p>PATIENT ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUE - THE HOSPITAL RECOGNIZES NET PATIENT SERVICE REVENUES ON THE ACCRUAL BASIS OF ACCOUNTING IN THE REPORTING PERIOD IN WHICH SERVICES ARE PERFORMED BASED ON THE CURRENT GROSS CHARGE STRUCTURE, LESS ACTUAL ADJUSTMENTS AND ESTIMATED DISCOUNTS FOR CONTRACTUAL ALLOWANCES, PRINCIPALLY FOR PATIENTS COVERED BY MEDICARE, MEDICAID, MANAGED CARE, AND OTHER HEALTH PLANS. GROSS PATIENT SERVICE REVENUE IS RECORDED IN THE ACCOUNTING RECORDS USING THE ESTABLISHED RATES FOR THE TYPES OF SERVICE PROVIDED TO THE PATIENT. THE HOSPITAL RECOGNIZES AN ESTIMATED CONTRACTUAL ALLOWANCE TO REDUCE GROSS PATIENT CHARGES TO THE ESTIMATED NET REALIZABLE AMOUNT FOR SERVICE RENDERED BASED UPON PREVIOUSLY AGREED-TO RATES WITH A PAYOR. THE HOSPITAL UTILIZES THE PATIENT ACCOUNTING SYSTEM TO CALCULATE CONTRACTUAL ALLOWANCES ON A PAYOR-BY-PAYOR BASIS BASED ON THE RATES IN EFFECT FOR EACH PRIMARY THIRD-PARTY PAYOR. ANOTHER FACTOR THAT IS CONSIDERED AND COULD FURTHER INFLUENCE THE LEVEL OF THE CONTRACTUAL RESERVES INCLUDES THE STATUS OF ACCOUNTS RECEIVABLE BALANCES AS INPATIENT OR OUTPATIENT. THE HOSPITAL'S MANAGEMENT CONTINUALLY REVIEWS THE CONTRACTUAL ESTIMATION PROCESS TO CONSIDER AND INCORPORATE UPDATED LAWS AND REGULATIONS AND THE FREQUENT CHANGES IN MANAGED CARE CONTRACTUAL TERMS THAT RESULT FROM CONTRACT NEGOTIATIONS AND RENEWALS. PAYORS INCLUDE FEDERAL AND STATE AGENCIES, INCLUDING MEDICARE AND MEDICAID, MANAGED CARE HEALTH PLANS, COMMERCIAL INSURANCE COMPANIES, AND PATIENTS. THESE THIRD-PARTY PAYORS PROVIDE PAYMENTS TO THE HOSPITAL AT AMOUNTS DIFFERENT FROM ITS ESTABLISHED RATES BASED ON NEGOTIATED REIMBURSEMENT AGREEMENTS. PAYMENT ARRANGEMENTS INCLUDE PROSPECTIVELY DETERMINED RATES PER DISCHARGE, REIMBURSED COSTS, DISCOUNTED CHARGES, AND FEE SCHEDULE PAYMENTS. RETROACTIVE ADJUSTMENTS UNDER REIMBURSEMENT AGREEMENTS WITH THIRD-PARTY PAYORS ARE ACCRUED ON AN ESTIMATED BASIS IN THE PERIOD THE RELATED SERVICES ARE RENDERED AND ADJUSTED IN FUTURE PERIODS AS FINAL SETTLEMENTS ARE DETERMINED. ALLOWANCES FOR DOUBTFUL ACCOUNTS - ACCOUNTS RECEIVABLE ARE REDUCED BY AN ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED ON THE HOSPITAL'S EVALUATION OF ITS MAJOR PAYOR SOURCES OF REVENUE, THE AGING OF ACCOUNTS, HISTORICAL LOSSES, CURRENT ECONOMIC CONDITIONS, AND OTHER FACTORS UNIQUE TO THE SERVICE AREA AND THE HEALTHCARE INDUSTRY. MANAGEMENT REGULARLY REVIEWS DATA ABOUT THE MAJOR PAYOR SOURCES OF REVENUE IN EVALUATING THE SUFFICIENCY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY PAYOR COVERAGE. THE HOSPITAL ANALYZES CONTRACTUALLY DUE AMOUNTS AND PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR BAD DEBTS, IF NECESSARY (FOR EXAMPLE, EXPECTED UNCOLLECTIBLE DEDUCTIBLES AND COPAYMENTS ON ACCOUNTS FOR WHICH THE THIRD-PARTY PAYOR HAS NOT YET PAID, OR FOR PAYORS WHO ARE KNOWN TO BE HAVING FINANCIAL DIFFICULTY THAT MAKE THE REALIZATION OF AMOUNTS DUE UNLIKELY) FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PAYMENTS, WHICH INCLUDES BOTH PATIENTS WITHOUT INSURANCE AND PATIENTS WITH DEDUCTIBLE AND COPAYMENT BALANCES DUE FOR WHICH THIRD-PARTY COVERAGE EXISTS FOR PART OF THE BILL. THE HOSPITAL RECORDS A SIGNIFICANT PROVISION FOR BAD DEBTS IN THE PERIOD OF SERVICE ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE. THE DIFFERENCE BETWEEN THE STANDARD RATES (OR THE DISCOUNTED RATES IF NEGOTIATED) AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS. THE HOSPITAL'S CURRENT ALLOWANCE FOR DOUBTFUL ACCOUNTS POLICY IS TO RESERVE 85 PERCENT OF SELF-PAY ACCOUNTS LESS THAN 150 DAYS, 100 PERCENT OF SELF-PAY ACCOUNTS 150 AND OLDER, AND 100 PERCENT OF ALL OTHER PAYOR ACCOUNTS 150 DAYS AND OLDER, NET OF CONTRACTUAL ALLOWANCES ALREADY TAKEN. THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BALANCE WAS COMPRISED OF A \$8,554,563 RESERVE FOR SELF-PAY BALANCES AND A \$2,288,019 RESERVE FOR THIRD-PARTY PAYOR BALANCES.</p>
PART III, LINE 8	<p>THIS SHOULD BE TREATED AS COMMUNITY BENEFIT AS MORE SERVICES WERE PROVIDED TO THE ELDERLY POPULATION THAN WERE REIMBURSED. THE SOURCE USED TO DETERMINE THE AMOUNT OF MEDICARE ALLOWABLE COSTS REPORTED FOR PART III, SECTION B, MEDICARE HAS BEEN PROVIDED FROM THE YEAR ENDED 12/31/2013 REPORT HOSPITAL STATEMENT OF REIMBURSABLE COST (MEDICARE COST REPORT).</p>

Form and Line Reference	Explanation
PART III, LINE 9B	ALL UNINSURED PATIENTS RECEIVE AN AUTOMATIC 20% DISCOUNT FROM GROSS CHARGES AT REGISTRATION, PATIENTS ARE NOTIFIED OF THE HOSPITAL'S FINANCIAL ASSISTANCE PROGRAM THEY ARE PROVIDED PAMPHLETS DETAILING THE PROGRAM IF THE PATIENT IS KNOWN TO QUALIFY FOR FINANCIAL ASSISTANCE AND IS APPROVED FOR FINANCIAL ASSISTANCE, THE PATIENT WILL RECEIVE A DISCOUNT OF 100% ON THE OUTSTANDING ACCOUNT BALANCE THE HOSPITAL WILL ATTEMPT TO COLLECT ANY BALANCE REMAINING ON THE UNINSURED ACCOUNT AFTER ALL FINANCIAL ASSISTANCE DISCOUNTS HAVE BEEN APPLIED USING A SERIES OF STATEMENTS, LETTERS, AND TELEPHONE CALLS THE HOSPITAL WILL ALSO OFFER PATIENTS INTEREST-FREE EXTENDED PAYMENT PLANS IF THE ACCOUNT REMAINS UNPAID, THE ACCOUNT MAY BE TURNED OVER TO A COLLECTION AGENCY
PART VI, LINE 2	KING'S DAUGHTERS' HEALTH SERVICES CONDUCTED A COMMUNITY NEEDS ANALYSIS DURING 2013 THAT INVOLVED BOTH ITS PRIMARY SERVICE AREA (JEFFERSON COUNTY, RIPLEY COUNTY, AND SWITZERLAND COUNTY, INDIANA) AND ITS SECONDARY SERVICE AREA (TRIMBLE COUNTY AND CARROLL COUNTY, KENTUCKY) PRIOR TO THIS A COMMUNITY NEEDS ASSESSMENT WAS CONDUCTED IN 2010 THE FOCUS OF THIS ASSESSMENT WAS ON THE HEALTH NEEDS THAT COULD BE ADDRESSED BY KDH AND CAN BE USED BY KDH IN PLANNING FUTURE SERVICES, APPLYING FOR GRANTS AND PLANNING OUTREACH EFFORTS THE STUDY INCLUDED THE FOLLOWING COMPONENTS - ANALYSIS OF SECONDARY DATA TO DEVELOP A PROFILE OF THE RESIDENTS OF EACH COUNTY AND TO INDICATE, WHERE POSSIBLE FUTURE TRENDS AND TO SHOW COMPARISONS WITH STATE AND NATIONAL DATA,- IN-PERSON INTERVIEWS WITH 30 KEY LEADERS WITHIN KDH INCLUDING BOARD, STAFF AND MEDICAL STAFF,- IN-DEPTH-INTERVIEWS BY TELEPHONE OR IN-PERSON WITH 44 COMMUNITY LEADERS INCLUDING GOVERNMENT, MEDICAL, EDUCATION, AND OTHER COMMUNITY LEADERSHIP POSITIONS IN ALL FIVE COUNTIES,- IN-PERSON SURVEYS OF 72 INDIVIDUALS IN LOW INCOME LOCATIONS,- IN-PERSON DISCUSSIONS WITH 19 SENIOR CITIZENS,- A WEB-BASED SURVEY WAS OPEN TO THE GENERAL PUBLIC WHICH RESULTED IN 184 COMPLETED INTERVIEWS - THIS ASSESSMENT ALLOWED ALL INDIVIDUALS TO PROVIDE RESPONSES ON ANY COMMUNITY NEEDS NOT LISTED IN THE QUESTIONS AND ALLOWED INDIVIDUALS TO MAKE COMMENTS ON COMMUNITY HEALTH ISSUES ON WHICH KDH COULD HAVE AN IMPACT KEY HEALTH ISSUES EXPLORED WERE THE FOLLOWING- PHYSICAL ACTIVITY- OVERWEIGHT AND OBESITY- TOBACCO USE- SUBSTANCE ABUSE/GAMBLING/ADDICTIONS- RESPONSIBLE SEXUAL BEHAVIOR- MENTAL HEALTH- INJURY AND VIOLENCE (INCLUDING DOMESTIC VIOLENCE AND SEXUAL ASSAULT)- ENVIRONMENTAL QUALITY- IMMUNIZATION- ACCESS TO HEALTH CARE FOR THE INSURED AND UNINSURED- MATERNAL AND CHILD HEALTH- INFECTIOUS DISEASE- OCCUPATIONAL AND SAFETY HEALTH- SPECIAL NEEDS/DISABLED/IMPAIRED- CHRONIC DISEASE

Form and Line Reference	Explanation
PART VI, LINE 3	AT THE TIME OF REGISTRATION, THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY IS DISCUSSED WITH EACH PATIENT. THE PATIENT IS PROVIDED A PAMPHLET REGARDING THE POLICY, ELIGIBILITY REQUIREMENTS AND THE ASSOCIATED APPLICATION PROCESS. THE PATIENT MUST SIGN A FORM INDICATING THAT THEY RECEIVED THIS INFORMATION. THE HOSPITAL HAS A REPRESENTATIVE ON SITE TO ASSIST PATIENTS WITH THE FINANCIAL AID APPLICATION PROCESS. PATIENTS ARE REMINDED TO CONTACT CUSTOMER SERVICE REGARDING FINANCIAL AID AND FEDERAL/STATE ASSISTANCE DIRECTLY ON THE PATIENT BILL ITSELF. THE HOSPITAL'S WEBSITE HAS A LINK TO THE FINANCIAL AID APPLICATION.
PART VI, LINE 4	JEFFERSON COUNTY JEFFERSON COUNTY IS EXPERIENCING A SLOW GROWTH IN TOTAL POPULATION, CURRENTLY AT 32,554. BY 2020, THE POPULATION IS EXPECTED TO BE ABOUT 38,811. IT HAS A MEDIAN AGE OF 37.1, NEARLY IDENTICAL TO THE STATE AVERAGE OF 37.0. THE UNEMPLOYMENT RATE OF 8.4% IS SLIGHTLY ABOVE THE INDIANA RATE OF 8.2%. THE POPULATION IS FAIRLY HOMOGENEOUS WITH A LARGELY CAUCASIAN POPULATION, 96%. THE MEDIAN AVERAGE HOUSEHOLD INCOME, OF \$40,386, IS LOWER THAN THAT FOR INDIANA AND THE NATION. IN JEFFERSON CTY, ABOUT 14.3% OF THE INDIVIDUALS, OR ABOUT 4,326, LIVE BELOW THE POVERTY LEVEL, BELOW THE 15.8% POVERTY RATE OF INDIVIDUALS IN INDIANA AND THE 15.9% RATE FOR THE ENTIRE U.S. 35% OF ALL FAMILIES IN JEFFERSON COUNTY ARE SINGLE PARENT FAMILIES. WITH 28.3% OF THESE FAMILIES IN POVERTY IN INDIANA, 32.9% OF ALL FAMILIES ARE SINGLE PARENT FAMILIES. WITH 27.4% OF THESE FAMILIES IN POVERTY, JEFFERSON CTY RANKS FIRST IN INDIANA IN TERMS OF THE NUMBER OF ACRES DEVOTED TO TOBACCO. WITH TOBACCO CROP SALES OF \$1.6 MILLION IN 2007, 28% OF ADULTS IN JEFFERSON CTY USE TOBACCO COMPARED TO 24% OF ADULTS LIVING IN THE STATE OF INDIANA. ACCORDING TO THE INDIANA STATE DEPARTMENT OF HEALTH 2012 REPORT, JEFFERSON COUNTY WAS NOT LISTED AS A COUNTY THAT HAD A SHORTAGE OF HEALTHCARE PROFESSIONALS OR OF MENTAL HEALTH PROFESSIONALS. HOWEVER, THE 2012 REPORT LISTS MILTON, SHELBY AND SMYRNA TOWNSHIPS AS MEDICALLY UNDERSERVED. THE RATE OF ALL CANCER INCIDENCE IS HIGHER IN JEFFERSON COUNTY, AT 502 FOR 100,000 POPULATION, THAN FOR INDIANA, AT 476 FOR 100,000 POPULATION. THE RATE OF LUNG CANCER IS HIGHER IN JEFFERSON, AT 96 PER 100,000 POPULATION, THAN FOR INDIANA AT 80 PER 100,000. THE RATE OF PROSTATE CANCER IS HIGHER IN JEFFERSON, AT 152 PER 100,000 POPULATION, THAN FOR INDIANA AT 136 PER 100,000. THE RATE OF BREAST CANCER IN JEFFERSON IS SLIGHTLY LOWER, AT 115 PER 100,000 POPULATION, THAN FOR INDIANA AT 116 PER 100,000 POPULATION. THE RATE OF COLORECTAL CANCER IS LOWER IN JEFFERSON, AT 48 PER 100,000, THAN THE RATE FOR INDIANA, AT 51 PER 100,000. THE RATE OF ADULT ASTHMA IN JEFFERSON COUNTY, AT 7.3%, IS SLIGHTLY HIGHER THAN THE RATE FOR INDIANA, AT 7.2%. AS IS THE RATE OF CHRONIC BRONCHITIS (3.4% FOR JEFFERSON, 3.3% FOR INDIANA) AND FOR EMPHYSEMA (1.6% FOR JEFFERSON, 1.4% FOR INDIANA). THE PERCENT OF MOTHERS WHO SMOKED DURING PREGNANCY IN JEFFERSON COUNTY IS 25.8%, SIGNIFICANTLY HIGHER THAN THE STATE OF INDIANA AVERAGE OF 17.1%. IN 2010, THE PERCENT OF LOW-WEIGHT BIRTHS FOR JEFFERSON CTY WAS 9.6%, ABOVE THE 8.0% FOR INDIANA. THE NUMBER OF TEEN PREGNANCIES AMONG WOMEN 15 TO 19 YEARS OLD HAS SLIGHTLY DECREASED IN JEFFERSON CTY FROM 2007 TO THE MOST RECENT MEASUREMENT IN 2010. IN JEFFERSON COUNTY, THERE WERE 46 TEEN PREGNANCIES IN 2007 AND 44 TEEN PREGNANCIES IN 2010. IN INDIANA A SIGNIFICANT DECREASE TOOK PLACE - THERE WERE 11,683 TEEN PREGNANCIES IN 2007 AND 8,654 IN 2010. JEFFERSON CTY REPORTED 97 NEWLY DIAGNOSED CASES OF CHLAMYDIA IN 2011, AN INCREASE FROM THE 82 REPORTED IN 2009. THERE WERE 12 CASES OF GONORRHEA IN 2011 AND INCREASE FROM THE LESS THAN FIVE REPORTED IN JEFFERSON COUNTY IN 2009. THE MOST RECENT INFORMATION FROM THE INDIANA FAMILY AND SOCIAL SERVICE ADMINISTRATION IN 2008 SHOWS 1,324 ADULTS IN JEFFERSON COUNTY WITH SERIOUS MENTAL ILLNESS AND 247 SERIOUSLY EMOTIONALLY DISTURBED CHILDREN. THE RATE OF DEATHS RELATED TO MAJOR CARDIOVASCULAR DISEASES IN JEFFERSON CTY INCREASED FROM 2008-249.8 PER 100,000 POPULATION TO 2010-372.1 PER 100,000 POPULATION. THE OPPOSITE TREND OCCURRED IN INDIANA WITH 214.3 PER 100,000 DEATHS RECORDED IN 2008 FALLING TO 206.5 PER 100,000 IN 2010. THE STROKE DEATH RATE IN JEFFERSON, AT 79.4 PER 100,000 POPULATION IN 2010, WAS SIGNIFICANTLY HIGHER THAN THE 47.5 PER 100,000 POPULATION FOR INDIANA AND THE 41.9 PER 100,000 FOR THE NATION. THE INCIDENCE OF CANCER RATE (ALL SITES) WAS HIGHER IN JEFFERSON CTY - 502 PER 100,000 POPULATION COMPARED TO INDIANA'S RATE OF 476 PER 100,000. RIPLEY COUNTY RIPLEY CTY HAS A CURRENT POPULATION OF 28,583. THERE IS A NET OUTWARD MIGRATION BY THE YEAR 2020, THE POPULATION WILL BE ABOUT 30,754. THE POPULATION IS 97.8% CAUCASIAN. THE MEDIAN HOUSEHOLD INCOME IN RIPLEY IS \$47,900 - LOWER THAN THE NATIONAL AVERAGE OF \$50,502, BUT HIGHER THAN THE INDIANA AVERAGE OF \$46,438. THE PERCENT OF FAMILIES BELOW POVERTY IN RIPLEY IS 15.4%, LOWER THAN THE INDIANA AVERAGE OF 20.6% AND THE NATIONAL AVERAGE OF 20.8%. 29.8% OF ALL FAMILIES IN RIPLEY CTY ARE SINGLE PARENT FAMILIES. WITH 27% OF THESE FAMILIES IN POVERTY IN INDIANA, 32.9% OF ALL FAMILIES ARE SINGLE PARENT FAMILIES. WITH 27.4% OF THESE FAMILIES IN POVERTY, THE PERCENT OF MOTHER IN RIPLEY CTY WHO SMOKE DURING PREGNANCY IS 22.8%, COMPARED TO 17.1% IN INDIANA. THE PERCENT OF LOW BIRTH WEIGHT IN RIPLEY CTY IS 7%, COMPARED TO 8% IN INDIANA. THE MOST RECENT INFORMATION FROM THE INDIANA FAMILY AND SOCIAL SERVICE ADMINISTRATION IN 2008 SHOWS 1,071 ADULTS IN RIPLEY CTY WITH SERIOUS MENTAL ILLNESS AND 250 SERIOUSLY EMOTIONALLY DISTURBED CHILDREN. RIPLEY CTY DOES NOT HAVE A SHORTAGE OF HEALTH CARE PROFESSIONALS. THE TOWNSHIPS OF DELAWARE, CENTER AND BROWN ARE CONSIDERED MEDICALLY UNDERSERVED. RIPLEY HAS A SHORTAGE OF MENTAL HEALTH PROFESSIONALS. THE RATE OF INDIVIDUALS WITH PROSTATE CANCER IN RIPLEY WAS 146 PER 100,000 POPULATIONS COMPARED TO 136 FOR INDIANA IN 2008. THE DEATH RATE FROM MAJOR CARDIOVASCULAR DISEASE WAS 246.6 PER 100,000 POPULATION FOR RIPLEY CTY IN 2010. THIS IS HIGHER THAN INDIANA'S 206.5 AND THE NATION'S 193.6 PER 100,000. DURING THE SAME PERIOD THE INCIDENCE OF CANCER RATE (ALL SITES) WAS HIGHER IN RIPLEY CTY - 518 PER 100,000 POPULATION COMPARED TO INDIANA'S RATE OF 476 PER 100,000. SWITZERLAND COUNTY SWITZERLAND CTY HAS A POPULATION OF 10,424 AND HAS A SLOW GROWTH RATE OF 0.5% WHICH MIRRORS THAT FOR INDIANA. THERE IS A NET MIGRATION INTO THE COUNTY. BY 2020, THE POPULATION WILL BE 11,950. THE ETHNICITY IS 98.1% WHITE. THE UNEMPLOYMENT RATE IS 6.9% IN SWITZERLAND COUNTY, LOWER THAN THE INDIANA RATE OF 8.4%. THE MEDIAN HOUSEHOLD INCOME IS \$42,285, COMPARED TO \$46,438 FOR INDIANA AND \$50,502 FOR THE NATION. IN SWITZERLAND, 28% OF THE FAMILIES ARE BELOW THE POVERTY LEVEL, COMPARED TO 20.6% OF INDIANA FAMILIES, AND 20.8% OF FAMILIES IN THE NATION. 29.4% OF THE CHILDREN IN SWITZERLAND CTY ARE BELOW THE POVERTY LEVEL. IN 2010, 22.5% OF ALL ADULTS AGE 25+ HAD LESS THAN A HIGH SCHOOL DIPLOMA. THE TEEN BIRTH RATE FOR SWITZERLAND CTY IN 2009 WAS 37.8 PER 1,000 FEMALES AGE 15-17. THIS IS SIGNIFICANTLY HIGHER THAN THE RATE FOR INDIANA OF 20.8 PER 1,000. THE RATE OF MOTHERS SMOKING DURING PREGNANCY IS 27.3% IN SWITZERLAND COUNTY, COMPARED TO 17.1% IN INDIANA. IN SWITZERLAND, THERE IS A 6.8% LOW BIRTH WEIGHT, COMPARED TO 8.0% IN INDIANA. SWITZERLAND CTY HAS A SHORTAGE OF HEALTH CARE PROFESSIONALS. ALL AREAS OF SWITZERLAND CTY ARE CONSIDERED MEDICALLY UNDERSERVED. SWITZERLAND CTY ALSO HAS A SHORTAGE OF MENTAL HEALTH PROFESSIONALS. THE RATE OF CHRONIC BRONCHITIS IN SWITZERLAND CTY AND IN INDIANA IS 30%. THE RATE OF EMPHYSEMA IN SWITZERLAND IS 1.5%, SLIGHTLY HIGHER THAN THE INDIANA RATE OF 1.4%. THERE ARE 379 ADULTS WITH SERIOUS MENTAL ILLNESS IN SWITZERLAND CTY AND 78 SERIOUSLY EMOTIONALLY DISTURBED CHILDREN. THE DEATH RATE FROM MAJOR CARDIOVASCULAR DISEASE WAS 347.0 PER 100,000 POPULATION FOR SWITZERLAND CTY IN 2010. THIS IS SIGNIFICANTLY HIGHER THAN INDIANA'S 206.5 AND THE NATION'S 193.6 PER 100,000. DURING THE SAME PERIOD THE INCIDENCE OF CANCER RATE (ALL SITES) WAS HIGHER IN SWITZERLAND CTY - 562 PER 100,000 POPULATION COMPARED TO INDIANA'S RATE OF 476 PER 100,000. THE ONLY TYPE OF CANCER IN WHICH SWITZERLAND CTY RECORDED AN INCIDENCE RATE LOWER THAN INDIANA WAS BREAST CANCER. SWITZERLAND CTY 82 PER 100,000 VERSUS INDIANA'S 116 PER 100,000 POPULATION. CARROLL COUNTY KENTUCKY CARROLL CTY KENTUCKY CURRENTLY HAS A POPULATION OF 11,013 WITH A TOTAL OF 4,195 HOUSEHOLDS. THE POPULATION IS PROJECTED TO BE ABOUT 11,440 BY 2020. THE POPULATION IS 95.1% CAUCASIAN. THE AVERAGE MEDIAN HOUSEHOLD INCOME IN 2011 WAS \$40,685 - HIGHER THAN THE \$41,141 FOR KENTUCKY, BUT LOWER THAN THE \$50,512 FOR THE NATION. THE AVERAGE PERCENT OF MOTHERS WHO SMOKE DURING PREGNANCY FOR CARROLL CTY IS 30% COMPARED TO 24% FOR KENTUCKY. AS FAR AS SMOKING PREVALENCE IS CONCERNED, 30% OF THE ADULTS IN CARROLL SMOKE, COMPARED TO 29% OF KENTUCKY AND 21% OF THE NATION. THE PERCENT OF HIGH SCHOOL STUDENTS IN CARROLL WHO SMOKE IS 31%, COMPARED TO 25% FOR KENTUCKY AND 19% FOR THE NATION. CARROLL CTY KENTUCKY HAS 25% OF THE POPULATION OBESE, COMPARED TO 29% OF KENTUCKY AND 24% OF THE NATION. IN CARROLL, 43% OF THE POPULATION LACK PHYSICAL ACTIVITY, COMPARED TO 32% IN KENTUCKY AND 24% IN THE NATION. THE UNEMPLOYMENT RATE IN CARROLL CTY IS 9.6%, HIGHER THAN BOTH KENTUCKY'S 8.2% AND THE NATION'S 8.1%. THE DEATH RATE FROM HEART DISEASE IN CARROLL CTY IS 299.8 PER 100,000 COMPARED TO 205.6 PER 100,000 FOR KENTUCKY AND 173.7 PER 100,000 FOR THE NATION. CONTINUED.

Form and Line Reference	Explanation
PART VI, LINE 5	<p>THE MAJORITY OF KING'S DAUGHTERS' HEALTH BOARD OF MANAGERS IS COMPRISED OF INDIVIDUALS WHO LIVE AND WORK IN THE HOSPITAL SERVICES AREA. THE MAJORITY OF THESE INDIVIDUALS ARE NEITHER EMPLOYEES, NOR CONTRACTORS OF THE ORGANIZATION, NOR FAMILY MEMBERS THEREOF. THE HOSPITAL EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN ITS COMMUNITY FOR SOME OR ALL OF ITS DEPARTMENTS. THE ORGANIZATION ALSO APPLIES A PORTION OF SURPLUS FUNDS TO IMPROVEMENTS IN PATIENT CARE. HISTORICALLY, KDH HAS EMPLOYED A FULL TIME COMMUNITY WELLNESS COORDINATOR. THIS POSITION PROVIDES OUTREACH SERVICES IN AREAS OF NEED TO THE COMMUNITIES WE SERVE. IN ADDITION TO THESE SERVICES, KDH ALSO SERVES AS THE FISCAL AGENT FOR SEVERAL STATE AND FEDERAL GRANTS. ALL OF THESE SERVICES HELP US MEET THE IDENTIFIED NEEDS OF THE COMMUNITIES WE SERVE. PARTICIPATION IN THE BELOW COMMUNITY ORGANIZATIONS IS PART OF THE HOSPITAL'S INDIANA STATE DEPARTMENT OF HEALTH COMMUNITY BENEFIT PLAN AND GOALS OVERVIEW OF 2013 COMMUNITY BENEFIT ACTIVITIES- PARTICIPATED IN FIVE HEALTH FAIRS - ORCHESTRATED FOUR CORPORATE HEALTH SCREENING SESSIONS - ADMINISTERED SPECIFIC SCREENINGS FOR SKIN CANCER, PROSTATE CANCER, COLON CANCER AND BREAST CANCER - PROVIDED CORPORATE FLU SHOTS - EXHIBITED AT REGIONAL EXPO - CONDUCTED 26 SPEAKING ENGAGEMENTS - HELD CLASSES ON FIT KIDS PROGRAM, SMOKING CESSATION, PRE-NATAL PREP/CHILDBIRTH EDUCATION/LAMAZE TECHNIQUES AND CPR & FIRST AID - ORGANIZED KDH EMPLOYEE WELLNESS, WEIGHT WATCHERS, AND HEALTH SCREENS IN ADDITION TO PROVIDING NEWSLETTERS ABOUT HEALTH ISSUES - IMPLEMENTED INSURANCE PREMIUM REDUCTION INCENTIVE PROGRAM IN CONJUNCTION WITH EMPLOYEE HEALTH SCREENS AND EMPLOYEE HEALTH RISK ASSESSMENT - COORDINATED A LOCAL COUNCIL OF GIRLS ON THE RUN, PART OF A NATIONAL PROGRAM, DESIGNED TO EDUCATE AND PREPARE PRETEEN GIRLS FOR A LIFETIME OF SELF-RESPECT AND HEALTHY LIVING. FALL SEASON AND 5K - CONDUCTED ANNUAL 5K WALK/RUNS - OFFERED A CANCER SURVIVORS DINNER IN CONJUNCTION WITH THE RELAY FOR LIFE- OFFERED LARGE COMMUNITY WOMEN'S HEALTH EVENT SPEAKING OF WOMEN'S HEALTH AT IVY TECH COLLEGE IN FEBRUARY - PARTICIPATED IN NUMEROUS COMMUNITY PROGRAMS INVOLVING DEALING WITH SUBSTANCE ABUSE, ANTI-SMOKING, AND WELLNESS - OFFERED BREAST CANCER SUPPORT GROUPS DIABETES EDUCATION GROUPS- SUPPORTED LOCAL HIGH SCHOOL AND COLLEGES' MEDICAL INTERNSHIPS AND MEDICAL JOB SHADOWING EXPERIENCES - OBTAINED GRANTS TO ADDRESS SMOKING PREVENTION & CESSATION - EMS STANDBY AT LOCAL EVENTS AND ACTIVITIES</p>
PART VI, LINE 6	NA

Form and Line Reference	Explanation
PART VI, LINE 7, REPORTS FILED WITH STATES	IN
PART VI, LINE 4 CONTINUED	<p>CARROLL COUNTY, KENTUCKY (CONTINUED) THE DEATH RATE PER 100,000 DUE TO CHRONIC RESPIRATORY DISEASE IN 2011 WAS 112.1 FOR CARROLL COUNTY COMPARED TO 63.1 PER 100,000 FOR KENTUCKY AND 42.7 PER 100,000 FOR THE NATION IN 2011, CARROLL COUNTY HAD NEARLY TWO AND A HALF TIMES THE NUMBER OF DRUG ARRESTS PER 100,000 IN COMPARISON TO KENTUCKY 2,162 VERSUS 870 TRIMBLE COUNTY, KENTUCKY TRIMBLE COUNTY, KENTUCKY, HAS A POPULATION OF 8,725 AND A DECLINING GROWTH RATE OF -1.0 PER 1,000 POPULATION, COMPARED TO 0.6% INCREASED GROWTH FOR KENTUCKY BY 2020, THE POPULATION WILL BE 9,514. THE POPULATION IS 97.2% WHITE. THE AVERAGE MEDIAN HOUSEHOLD INCOME IN TRIMBLE COUNTY IS \$44,141 COMPARED TO \$43,677 IN KENTUCKY AND \$50,502 IN THE NATION. THE UNEMPLOYMENT RATE IS 8.2%, COMPARED TO 8.2% FOR KENTUCKY AND 8.1% FOR THE NATION. THE RATE OF SMOKING DURING PREGNANCY IN TRIMBLE COUNTY IS 44%, COMPARED TO 24% IN KENTUCKY. THE LOW BIRTH WEIGHT RATE IN TRIMBLE COUNTY IS 6% WHICH IS BELOW KENTUCKY'S 9%. IN TRIMBLE COUNTY, 30% OF ADULTS SMOKE, WHICH IS HIGHER THAN THE 29% FOR KENTUCKY AND THE 19% FOR THE NATION. IN TRIMBLE COUNTY, 25% OF HIGH SCHOOL STUDENTS SMOKE, THE SAME AS IN KENTUCKY, BUT HIGHER THAN THE 23% IN THE NATION. IN TRIMBLE COUNTY, 29% OF THE ADULTS ARE OBESE, THE SAME AS FOR KENTUCKY, BUT HIGHER THAN THE 24% FOR THE NATION. IN TRIMBLE, 14% LACK PHYSICAL ACTIVITY, COMPARED TO 32% IN KENTUCKY AND 24% IN THE NATION. IN TRIMBLE COUNTY, THERE IS A 9% RATE OF ADULT DIABETES, COMPARED TO 8% IN KENTUCKY AND 10% FOR THE NATION. THE DEATH RATE PER 100,000 DUE TO DIABETES WAS 55.4 FOR TRIMBLE COUNTY, COMPARED TO 28.0 FOR KENTUCKY AND 25.3 FOR THE NATION. DEATHS DUE TO BREAST CANCER WERE 15 PER 100,000 FOR TRIMBLE COUNTY COMPARED TO 14 PER 100,000 FOR KENTUCKY. DEATHS DUE TO PROSTATE CANCER WERE 23 PER 100,000 FOR TRIMBLE COUNTY AND 18 PER 100,000 FOR KENTUCKY.</p>

Additional Data

Software ID:
Software Version:
EIN: 35-0895832
Name: THE BETHANY CIRCLE OF KING'S DAUGHTERS' OF MADISON INDIANA INC

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

Section D. 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 REHABILITATION CENTER AND HOME CARE 2670 N MICHIGAN ROAD MADISON, IN 47250	OUTPATIENT REHABILITATION CENTER AND HOME CARE SERVICES
2 CLIFTY DRIVE MEDICAL OFFICE BUILDING 445 CLIFTY DRIVE MADISON, IN 47250	OUTPATIENT REHABILITATION CENTER AND HOME CARE SERVICES
3 VERSAILLES MEDICAL OFFICE BLDG-MAIN ST 128 NORTH MAIN STREET VERSAILLES, IN 47042	OUTPATIENT REHABILITATION CENTER AND HOME CARE SERVICES
4 VERSAILLES MEDICAL OFFICE BLDG-TYSON ST 206 W TYSON STREET VERSAILLES, IN 47042	OUTPATIENT REHABILITATION CENTER AND HOME CARE SERVICES
5 TRIMBLE COUNTY MEDICAL OFFICE BLDG 10235 US HIGHWAY 421 MILTON, KY 40045	OUTPATIENT REHABILITATION CENTER AND HOME CARE SERVICES
6 CARROLLTON MEDICAL OFFICE BLDG 205 MARWILL DRIVE CARROLLTON, KY 41008	OUTPATIENT REHABILITATION CENTER AND HOME CARE SERVICES
7 SWITZERLAND CNTY MEDICAL OFFICE BLDG 727 STATE RD 56 VEVAY, IN 47043	OUTPATIENT REHABILITATION CENTER AND HOME CARE SERVICES
8 HANOVER MEDICAL OFFICE BLDG 36 MEDICAL PLAZA HANOVER, IN 47243	OUTPATIENT REHABILITATION CENTER AND HOME CARE SERVICES
9 VEVAY MEDICAL OFFICE BLDG 213 WEST MAIN STREET VEVAY, IN 47043	OUTPATIENT REHABILITATION CENTER AND HOME CARE SERVICES
10 CONVENIENT CARE CENTER 445 CLIFTY DRIVE MADISON, IN 47250	OUTPATIENT REHABILITATION CENTER AND HOME CARE SERVICES
11 DOWNTOWN MEDICAL OFFICE BLDG 630 NORTH BROADWAY MADISON, IN 47250	OUTPATIENT REHABILITATION CENTER AND HOME CARE SERVICES
12 CANCER TREATMENT CENTER 621 WEST STREET MADISON, IN 47250	OUTPATIENT REHABILITATION CENTER AND HOME CARE SERVICES

**Schedule I
(Form 990)**

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

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

► Attach to Form 990

► **Information about Schedule I (Form 990) and its instructions is at www.irs.gov/form990.**

2013

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
**THE BETHANY CIRCLE OF KING'S DAUGHTERS
OF MADISON INDIANA INC**

Employer identification number

Name of the organization

35-0895832

Part I General Information on Grants and Assistance

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

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

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) THE KING'S DAUGHTERS' HOSPITAL FOUNDATION INC PO BOX 447 MADISON, IN 47250	20-2148950	501(C)(3)	54,750				SUPPORT ORGANIZATION'S MISSION
(2) IVY TECH FOUNDATION 50 WEST FALL CREEK PARKWAY NORTH DRIVE INDIANAPOLIS, IN 46208	23-7073977	501(C)(3)	5,000				SUPPORT ORGANIZATION'S MISSION
(3) MIDCOR CORPORATION- ECONOMIC DEVELOPMENT PARTNERS 301 EAST MAIN STREET PO BOX 258 MADISON, IN 47250	35-1695852	501(C)(4)	5,000				SUPPORT ORGANIZATION'S MISSION

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

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance

Part IV Supplemental Information. Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
PART I, LINE 2	FUNDS ARE NOT GRANTED TO ORGANIZATIONS BUT ARE DONATED. DONATIONS ARE DETERMINED ON A DISCRETIONARY BASIS

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

OMB No 1545-0047

Department of the Treasury
Internal Revenue ServiceFor certain Officers, Directors, Trustees, Key Employees, and Highest
Compensated Employees

► Complete if the organization answered "Yes" to Form 990, Part IV, line 23.

► Attach to Form 990. ► See separate instructions.

► Information about Schedule J (Form 990) and its instructions is at www.irs.gov/form990.**2013****Open to Public
Inspection**

Name of the organization

THE BETHANY CIRCLE OF KING'S DAUGHTERS'
OF MADISON INDIANA INC

Employer identification number

35-0895832

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

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

b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain**2** Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?**3** Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III

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

4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization**a** Receive a severance payment or change-of-control payment?**b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?**c** Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.**5** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of**a** The organization?**b** Any related organization?

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

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

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

7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III**8** Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1b		
2		
4a		No
4b		No
4c		No
5a		No
5b		No
6a		No
6b		No
7		No
8		No
9		

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

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

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

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

Part III Supplemental Information

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

Return Reference	Explanation
PART II	BOARD MEMBERS PAT STACK, MD AND JON HANSON, MD LISTED ABOVE ARE EMPLOYED PHYSICIANS OF THE HOSPITAL DR STACK AND DR HANSON DO NOT RECEIVE COMPENSATION FOR SERVICES PROVIDED AS BOARD MEMBERS. THE COMPENSATION LISTED ABOVE FOR DR STACK AND DR HANSON IS COMPENSATION RECEIVED FOR SERVICES PROVIDED AS EMPLOYED PHYSICIANS

Additional Data**Software ID:**
Software Version:**EIN:** 35-0895832**Name:** THE BETHANY CIRCLE OF KING'S DAUGHTERS'
OF MADISON INDIANA 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				
JONATHAN HANSON MD BOARD MEMBER/PHYSICIAN	(i) 354,005 (ii) 0	133,545 0	240 0	12,750 0	25,615 0	526,155 0	0 0
PAT STACK MD BOARD MEMBER/PHYSICIAN	(i) 171,682 (ii) 0	105,031 0	1,032 0	12,750 0	25,720 0	316,215 0	0 0
ROGER ALLMAN PRESIDENT/CEO 1/1/13-6/21/13	(i) 248,578 (ii) 0	3,557 0	939,010 0	9,483 0	12,027 0	1,212,655 0	0 0
CAROL DO ZIER PRESIDENT/CEO 7/15/13-12/31/13	(i) 152,838 (ii) 0	35 0	8,348 0	6,648 0	576 0	168,445 0	0 0
STEVE MEACHAM VP FINANCE	(i) 195,278 (ii) 0	2,012 0	19,084 0	10,089 0	18,572 0	245,035 0	0 0
LISA MORGAN VP PATIENT SERVICES	(i) 143,355 (ii) 0	1,378 0	18,052 0	7,493 0	16,841 0	187,119 0	0 0
DENINE FALLIS- HALLGARTH VP PHYSICIAN PRACTICES	(i) 125,178 (ii) 0	35 0	17,860 0	6,435 0	10,375 0	159,883 0	0 0
HOLLY ROBINSON CHIEF MEDICAL OFFICER	(i) 205,903 (ii) 0	68,223 0	17,740 0	12,750 0	25,557 0	330,173 0	0 0
THOMAS ECKERT MD EMPLOYED PHYSICIAN	(i) 422,006 (ii) 0	310,289 0	1,032 0	12,749 0	23,593 0	769,669 0	0 0
TRAVIS CLEGG MD EMPLOYED PHYSICIAN	(i) 575,252 (ii) 0	489,302 0	79,683 0	12,750 0	26,052 0	1,183,039 0	0 0
WILLIAM SKILES MD EMPLOYED PHYSICIAN	(i) 435,837 (ii) 0	218,275 0	1,032 0	12,750 0	13,086 0	680,980 0	0 0
MICHAEL SCHMIDT MD EMPLOYED PHYSICIAN	(i) 431,136 (ii) 0	200,812 0	15,728 0	12,750 0	26,748 0	687,174 0	0 0
GEORGE ALCORN MD EMPLOYED PHYSICIAN	(i) 295,454 (ii) 0	524,318 0	17,400 0	12,750 0	15,787 0	865,709 0	0 0

**Schedule K
(Form 990)****Supplemental Information on Tax Exempt Bonds****2013****Open to Public
Inspection**Department of the Treasury
Internal Revenue Service

► 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.
 ► Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

Name of the organization

THE BETHANY CIRCLE OF KING'S DAUGHTERS'
OF MADISON INDIANA INC

Employer identification number

35-0895832

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
INDIANA FINANCE A AUTHORITY	35-1602316	45471ACW0	11-03-2010	97,847,058	SEE PART VI		X		X		X

Part II Proceeds

1	Amount of bonds retired	A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
2	Amount of bonds legally defeased								
3	Total proceeds of issue		97,847,058						
4	Gross proceeds in reserve funds			6,756,861					
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds		1,749,243						
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds		88,974,097						
11	Other spent proceeds		366,857						
12	Other unspent proceeds								
13	Year of substantial completion	2013							
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III Private Business Use (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?	X							
b If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X							
c Are there any research agreements that may result in private business use of bond-financed property?		X						
d If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ►								
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ►								
6 Total of lines 4 and 5								
7 Does the bond issue meet the private security or payment test?		X						
8a Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9 Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?		X						

Part IV Arbitrage

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

Part IV Arbitrage (Continued)

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

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
SCH K PART 1 LINE A - PURPOSE	THE PURPOSE OF THE BOND ISSUANCE IS TO FINANCE, REFINANCE, OR REIMBURSE A PORTION OF THE COSTS OF ACQUIRING, CONSTRUCTING, RENOVATING AND EQUIPPING VARIOUS HEALTH CARE FACILITIES OF THE HOSPITAL, INCLUDING A REPLACEMENT ACUTE CARE HOSPITAL FACILITY AND A COMMUNITY AND MEDICAL ARTS CENTER

Schedule L (Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

► Attach to Form 990 or Form 990-EZ. ► See separate instructions.
► Information about Schedule L (Form 990 or 990-EZ) and its instructions is at
www.irs.gov/form990

Name of the organization

THE BETHANY CIRCLE OF KING'S DAUGHTERS'
OF MADISON INDIANA INC

Employer identification number

35-0895832

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

(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			► \$		195 049						

Part III Grants or Assistance Benefitting Interested Persons.

CLIENTS OR ASSISTANCE BENEFICIARIES IDENTIFIED PERSONS. Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) A DATTILO FRUIT COMPANY	VICE PRESIDENT OF PATIENT SERVICES OF KDHHS HAS 51% OWNERSHIP INTEREST	39,628	LISA MORGAN, VICE PRESIDENT OF PATIENT SERVICES OF KDHHS OWNS A 51% INTEREST IN A DATILLO FRUIT COMPANY KDHHS PURCHASES PRODUCE FROM A DATTILO FRUIT COMPANY		No
(2) RIVER VALLEY FINANCIAL BANK	BOARD MEMBER IS THE SPOUSE OF PRESIDENT AND CEO OF RIVER VALLEY FIN BANK		ANDREA FORRESTER, BOARD ASST TREASURER, IS MARRIED TO THE PRESIDENT AND CEO OF RIVER VALLEY FINANCIAL BANK THE HOSPITAL'S OPERATING ACCOUNT IS WITH THE BANK ALONG WITH INVESTMENTS TOTALING 1,000,000 THE HOSPITAL RECORDED INTEREST INCOME OF \$72,996, DIVIDEND INCOME OF \$72,500 AND SERVICE FEES OF \$9,208 FROM ACTIVITY WITH THE BANK		No

Part V Supplemental Information

Provide additional information for responses to questions on Schedule L (see instructions)

Return Reference

Explanation

SCHEDULE O
(Form 990 or 990-EZ)Department of the Treasury
Internal Revenue Service**Supplemental Information to Form 990 or 990-EZ****Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.****► Attach to Form 990 or 990-EZ.****► Information about Schedule O (Form 990 or 990-EZ) and its instructions is at
www.irs.gov/form990.****2013****Open to Public
Inspection**

Name of the organization

THE BETHANY CIRCLE OF KING'S DAUGHTERS'
OF MADISON INDIANA INC**Employer identification number**

35-0895832

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6	PER THE BYLAWS, THE MEMBERSHIP OF THE ORGANIZATION SHALL BE NON-SECTARIAN, NON-POLITICAL AND NOT CONFINED TO ANY CHRISTIAN RELIGIOUS DENOMINATION OR SECT. ANY SUCH PERSON OF GOOD REPUTE WHO HOLDS HERSELF RESPONSIBLE TO THE KING, CHRIST, OUR LORD AND SAVIOR, MAY BECOME A MEMBER OF THE ORGANIZATION. ALL MEMBERS MUST BE AND REMAIN PERMANENT RESIDENTS OF THE SERVICE AREA OF THE HOSPITAL, AS DETERMINED FROM TIME TO TIME BY THE HOSPITAL BOARD OF MANAGERS, AS A CONTINUING REQUIREMENT FOR MEMBERSHIP. FAILURE TO MAINTAIN SUCH RESIDENCY STATUS AUTOMATICALLY TERMINATES A PERSON'S MEMBERSHIP. HOSPITAL EMPLOYEES, MEMBERS OF THE MEDICAL STAFF, AND THEIR IMMEDIATE FAMILY MEMBERS SHALL NOT BE ELIGIBLE FOR MEMBERSHIP IN THE ORGANIZATION. THE IMMEDIATE FAMILY SHALL BE DEFINED AS INCLUDING THE MOTHER, FATHER, HUSBAND, WIFE, SISTER, BROTHER, DAUGHTER, SON, AND STEPCHILDREN.

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A	THE ORGANIZATION SHALL HAVE TWO (2) CLASSES OF MEMBERS, ACTIVE AND HONORARY, AND ALL MEMBERS SHALL HAVE THE RIGHTS, PRIVILEGES, DUTIES, LIABILITIES, LIMITATIONS AND RESTRICTIONS AS SET FORTH FROM TIME TO TIME IN THE STANDING RULES ANY ACTIVE MEMBER OF THE ORGANIZATION MAY PROPOSE ANY OTHER PERSON MEETING THE ELIGIBILITY REQUIREMENTS OUTLINED IN PART VI, 7A ABOVE FOR MEMBERSHIP ONLY ACTIVE MEMBERS IN GOOD STANDING THAT HAVE BEEN A MEMBER FOR AT LEAST TWO ANNIVERSARY YEARS CAN PRESENT A PERSON'S NAME FOR MEMBERSHIP OR TO SERVE ON THE BOARD OF DIRECTORS A MAJORITY VOTE OF THOSE PRESENT AND VOTING AFFIRMATIVELY AT ANY REGULAR MEETING OF THE ORGANIZATION AT WHICH A QUORUM IS PRESENT SHALL BE SUFFICIENT TO ELECT SUCH PROPOSED PERSON TO MEMBERSHIP ONLY ACTIVE MEMBERS SHALL HAVE THE RIGHT AT EVERY MEETING OF THE MEMBERS TO CAST ONE (1) VOTE FOR HER MEMBERSHIP THIS RIGHT TO VOTE MUST BE EXERCISED IN PERSON, OR AS THE BYLAWS MAY PROVIDE FROM TIME TO TIME

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7B	ONLY ACTIVE MEMBERS SHALL HAVE THE RIGHT AT EVERY MEETING OF THE MEMBERS TO CAST ONE (1) VOTE FOR HIS/HER MEMBERSHIP THIS RIGHT TO VOTE MUST BE EXERCISED IN PERSON, OR AS THE BYLAWS MAY PROVIDE FROM TIME TO TIME

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11	THE PROCESS OF REVIEWING THE FORM 990 ENTAILS A DETAILED REVIEW BY THE ORGANIZATION'S MANAGEMENT. THE BOARD OF MANAGERS RECEIVES A DRAFT COPY OF THE FORM 990 INCLUDING REQUESTED SCHEDULES PRIOR TO FILING WITH THE IRS. CHANGES OR REVISIONS ARE SUGGESTED BY THE BOARD IF NECESSARY. THE 990 WILL BE REVIEWED AT THE NEXT BOARD MEETING.

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 12C	<p>BOARD MEMBERS ARE REQUIRED TO DISCLOSE ANNUALLY INTERESTS THAT COULD GIVE RISE TO CONFLICT. OFFICERS AND KEY EMPLOYEES ARE NOT REQUIRED TO ANNUALLY DISCLOSE INTERESTS THAT COULD GIVE RISE TO CONFLICTS. HOWEVER THE HR CONFLICT OF INTEREST POLICY DOES STATE THAT ANY EMPLOYEE WHO IS AN OFFICER, OWNER, PARTNER OR EMPLOYEE OF AN ORGANIZATION WITH WHICH THE HOSPITAL MAY ENTER INTO A RELATIONSHIP OR TRANSACTION (OR WHOSE SPOUSE OR CHILD IS AN OFFICER, OWNER, PARTNER OR EMPLOYEE OF AN ORGANIZATION WITH WHICH THE HOSPITAL MAY ENTER INTO A RELATIONSHIP OR TRANSACTION) MUST DISCLOSE THIS INFORMATION TO THE APPROPRIATE VICE PRESIDENT AND THE PRESIDENT/CEO. SHOULD SUCH INFORMATION BE DISCLOSED, THE EMPLOYEE WILL REFRAIN FROM ANY SUBSEQUENT DISCUSSION AND DECISIONS RELATED TO THE OUTSIDE FIRM. A CONFLICT OF INTEREST STATEMENT MUST BE COMPLETED BY EVERY BOARD MEMBER EACH YEAR. AT SUCH TIME AS ANY MATTER COMES BEFORE THE BOARD CONCERNING AN EXISTING OR CONTEMPLATED TRANSACTION OR RELATIONSHIP BETWEEN THE ORGANIZATION AND ANY PARTY IN WHICH A BOARD MEMBER OR THE SPOUSE OR MINOR CHILDREN OF SUCH BOARD MEMBER HAS AN INTEREST OR OTHERWISE MAY GIVE RISE TO A CONFLICT OF INTEREST BETWEEN THE BOARD MEMBER AND THE ORGANIZATION, THE AFFECTED BOARD MEMBER SHALL MAKE KNOWN THE POTENTIAL CONFLICT, WHETHER DISCLOSED BY HIS OR HER WRITTEN STATEMENT OR NOT, AND AFTER ANSWERING ANY QUESTIONS THAT MIGHT BE ASKED OF HIM OR HER, SHALL WITHDRAW FROM THE MEETING FOR SO LONG AS THE MATTER SHALL CONTINUE UNDER DISCUSSION. SHOULD THE MATTER BE BROUGHT TO A VOTE, THE AFFECTED BOARD MEMBER SHALL NOT VOTE ON IT.</p>

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 15A	THE HOSPITAL'S BOARD EXECUTIVE COMMITTEE REVIEWS ANNUAL CEO SURVEY INFORMATION FROM THE INDIANA HOSPITAL ASSOCIATION THAT COMPARES THE HOSPITAL'S CEO'S COMPENSATION WITH OTHER HOSPITAL CEO'S IN INDIANA. COMPARISONS ARE MADE WITH HOSPITALS THAT ARE IN THE HOSPITAL'S REGION IN INDIANA, HOSPITALS SIMILAR IN SIZE TO KDHHS, AND HOSPITALS THAT MIGHT REASONABLY BE EXPECTED TO COMPETE FOR SERVICES OF THE HOSPITAL'S CEO. THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U) FOR THE PRIOR TWELVE MONTH PERIOD IS ALSO REVIEWED AND CONSIDERED. THE EXECUTIVE COMMITTEE, AFTER REVIEWING A STATUS REPORT OF THE CEO'S ANNUAL GOALS, RECOMMENDS CHANGES IN THE CEO'S COMPENSATION TO THE FULL BOARD OF MANAGERS. ANY ACTION TAKEN ON THE RECOMMENDATION IS MADE BY THE FULL BOARD. HOWEVER, PHYSICIAN BOARD MEMBERS WHO ARE HOSPITAL EMPLOYEES DO NOT PARTICIPATE IN VOTING FOR ANY CHANGE TO CEO COMPENSATION. MINUTES ARE TAKEN AT ALL BOARD EXECUTIVE COMMITTEE AND FULL BOARD MEETINGS.

Return Reference	Explanation
FORM 990, PART VI, SECTION C, LINE 19	THE GOVERNING DOCUMENTS, CONFLICT OF INTEREST, OR FINANCIAL STATEMENTS ARE NOT MADE AVAILABLE FOR PUBLIC INSPECTION. THE FORM 990 TAX RETURN IS AVAILABLE FOR PUBLIC INSPECTION UPON REQUEST

Return Reference	Explanation
FORM 990, PART XI, LINE 9	CHANGE IN SUBSCRIBER SAVINGS CUMULATIVE ACCOUNT 941,075 GOODWILL IMPAIRMENT -1,354,067

Return Reference	Explanation
FORM 990, PART XI, LINE 2C, AUDIT OVERSIGHT	THE HOSPITAL'S FINANCE COMMITTEE ASSUMES RESPONSIBILITY FOR THE SELECTION OF AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM TO PERFORM THE ANNUAL AUDIT OF THE FINANCIAL STATEMENTS. THE FINANCE COMMITTEE ALSO IS RESPONSIBLE FOR OVERSIGHT OF THAT AUDIT PROCESS. THE TREASURER OF THE HOSPITAL'S BOARD OF MANAGERS SERVES AS THE CHAIR OF THE FINANCE COMMITTEE. THE FINANCE COMMITTEE REGULARLY MEETS EVERY OTHER MONTH, AND MEETS ONCE PER YEAR WITH THE INDEPENDENT AUDITORS.

SCHEDULE R
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2013

Department of the Treasury
Internal Revenue Service

- Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
 - Attach to Form 990. ► See separate instructions.
- Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.

Open to Public Inspection

Name of the organization

THE BETHANY CIRCLE OF KING'S DAUGHTERS
OF MADISON INDIANA INC

Employer identification number

35-089583:

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

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

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

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

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

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

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

- a** Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)
- f** Dividends from related organization(s)
- g** Sale of assets to related organization(s)
- h** Purchase of assets from related organization(s)
- i** Exchange of assets with related organization(s)
- j** Lease of facilities, equipment, or other assets to related organization(s)
- k** Lease of facilities, equipment, or other assets from related organization(s)
- l** Performance of services or membership or fundraising solicitations for related organization(s)
- m** Performance of services or membership or fundraising solicitations by related organization(s)
- n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o** Sharing of paid employees with related organization(s)
- p** Reimbursement paid to related organization(s) for expenses
- q** Reimbursement paid by related organization(s) for expenses
- r** Other transfer of cash or property to related organization(s)
- s** Other transfer of cash or property from related organization(s)

	Yes	No
1a		No
1b	Yes	
1c	Yes	
1d		No
1e		No
1f		No
1g		No
1h	Yes	
1i		No
1j		No
1k		No
1l		No
1m		No
1n	Yes	
1o	Yes	
1p		No
1q	Yes	
1r		No
1s		No

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) THE KING'S DAUGHTERS' HOSPITAL FOUNDATION INCORPORATED	C	1,009,059	

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

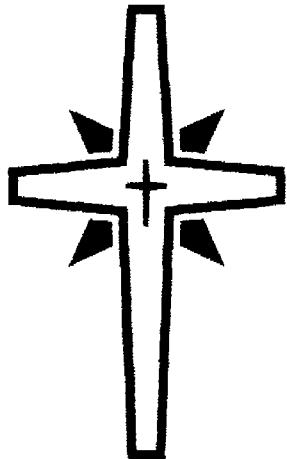
Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

Part VII Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation
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Schedule R (Form 990) 2013



KDH

King's Daughters' Health

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

CPAs ADVISORS

blue

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

TABLE OF CONTENTS DECEMBER 31, 2013 AND 2012

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blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Managers
 King's Daughters' Health
 and Affiliated Organizations
 Madison, Indiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of King's Daughters' Health and its affiliated organizations (the "Hospital") (a nonprofit organization), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blue & Co., LLC

Louisville, Kentucky
April 9, 2014

**KING'S DAUGHTERS' HEALTH AND
AFFILIATED ORGANIZATIONS**

**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013 AND 2012**

	ASSETS	
	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 8,176,716	\$ 11,894,610
Investments - short term	301,323	-0-
Patient accounts receivable, net of allowance for doubtful accounts of \$10,842,582 in 2013 and \$11,062,908 in 2012	10,039,288	10,420,027
Inventories	2,323,063	2,316,588
Prepaid expenses and other current assets	4,408,672	1,338,550
Other assets - current portion	<u>262,982</u>	<u>324,796</u>
Total current assets	25,512,044	26,294,571
Assets whose use is limited	68,344,082	76,401,757
Property and equipment		
Land	5,622,068	5,157,538
Buildings and improvements	112,551,672	42,618,876
Fixtures and equipment	<u>56,126,079</u>	<u>46,851,417</u>
Less accumulated depreciation	174,299,819	94,627,831
Construction in progress	<u>38,579,141</u>	<u>60,633,566</u>
Property and equipment, net	135,720,678	33,994,265
Property and equipment, net	900,258	96,938,140
Property and equipment, net	136,620,936	130,932,405
Other assets, net of current portion	4,762,727	6,854,494
Investments - long term	<u>1,000,000</u>	<u>1,000,000</u>
 Total assets	<u><u>\$ 236,239,789</u></u>	<u><u>\$ 241,483,227</u></u>

See accompanying notes to consolidated financial statements.

**KING'S DAUGHTERS' HEALTH AND
AFFILIATED ORGANIZATIONS**

**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013 AND 2012**

LIABILITIES AND NET ASSETS		
	<u>2013</u>	<u>2012</u>
Current liabilities		
Accounts payable	\$ 4,688,962	\$ 4,462,305
Accrued payroll and payroll withholdings	1,505,996	1,382,258
Accrued expenses	6,974,767	7,832,579
Estimated third-party payor settlements	1,300,000	1,300,000
Current portion of obligations under capital leases	<u>339,430</u>	<u>139,617</u>
Total current liabilities	14,809,155	15,116,759
Long-term liabilities		
Obligations under capital leases, net of current portion	967,406	350,285
Long-term debt, net of current portion	97,975,255	97,934,743
Life insurance policies	1,433,990	2,397,928
Deferred compensation liabilities	<u>123,040</u>	<u>1,087,902</u>
Total long-term liabilities	<u>100,499,691</u>	<u>101,770,858</u>
 Total liabilities	 115,308,846	 116,887,617
 Net assets		
Controlling interest - unrestricted	120,097,033	124,379,819
Noncontrolling interest - unrestricted	<u>-0-</u>	<u>19,075</u>
Total unrestricted net assets	<u>120,097,033</u>	<u>124,398,894</u>
 Temporarily restricted	 813,910	 186,716
Permanently restricted	<u>20,000</u>	<u>10,000</u>
 Total net assets	 <u>120,930,943</u>	 <u>124,595,610</u>
 Total liabilities and net assets	 <u>\$ 236,239,789</u>	 <u>\$ 241,483,227</u>

See accompanying notes to consolidated financial statements.

**KING'S DAUGHTERS' HEALTH AND
AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Changes in unrestricted net assets		
Operating revenues		
Net patient service revenue	\$ 125,924,979	\$ 122,754,469
Less: Provision for bad debts	<u>(14,239,677)</u>	<u>(15,232,421)</u>
Net patient service revenue less provision for bad debts	111,685,302	107,522,048
Other revenue	3,005,688	592,733
Net assets released from restrictions	<u>65,933</u>	<u>19,946</u>
Total operating revenues	114,756,923	108,134,727
Operating expenses		
Salaries and wages	53,273,734	49,300,672
Employee benefits and payroll taxes	12,917,464	12,483,314
Professional medical fees	1,067,152	1,402,095
Medical supplies	5,588,434	4,358,861
Other supplies	1,247,864	1,186,605
Drugs	7,750,542	7,099,364
Purchased services	9,323,284	8,050,030
Utilities	1,911,709	1,616,192
Insurance	1,267,048	1,168,188
Depreciation and amortization	11,216,404	6,233,961
Interest	4,702,261	35,278
Hospital assessment fee	4,026,986	4,454,745
Other operating expenses	<u>7,384,528</u>	<u>5,957,851</u>
Total operating expenses	<u>121,677,410</u>	<u>103,347,156</u>
Income (loss) from operations	<u>(6,920,487)</u>	<u>4,787,571</u>
Nonoperating gains (losses)		
Goodwill impairment		
Excess revenues (expenses)	<u>(5,322,508)</u>	<u>9,869,876</u>
Distributions		
Change in unrestricted net assets	<u>(5,374,585)</u>	<u>9,798,826</u>
Changes in temporarily restricted net assets		
Contributions	283,723	86,924
Net assets released from restrictions	<u>(65,933)</u>	<u>(19,946)</u>
Change in temporarily restricted net assets	<u>217,790</u>	<u>66,978</u>
Change in net assets	<u>\$ (5,156,795)</u>	<u>\$ 9,865,804</u>

See accompanying notes to consolidated financial statements.

**KING'S DAUGHTERS' HEALTH AND
AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Controlling Interest	Noncontrolling Interest	Total
Unrestricted Net Assets			
Balance, December 31, 2011	\$ 114,586,599	\$ 13,469	\$ 114,600,068
Excess revenues (expenses)	9,793,220	76,656	9,869,876
Distributions	<u>-0-</u>	<u>(71,050)</u>	<u>(71,050)</u>
Balance, December 31, 2012	<u>\$ 124,379,819</u>	<u>\$ 19,075</u>	<u>\$ 124,398,894</u>
Consolidation of affiliated organization previously not consolidated (Note 1), January 1, 2013	1,072,724	-0-	1,072,724
Excess revenues (expenses)	(5,355,510)	33,002	(5,322,508)
Distributions	<u>-0-</u>	<u>(52,077)</u>	<u>(52,077)</u>
Balance, December 31, 2013	<u>\$ 120,097,033</u>	<u>\$ -0-</u>	<u>\$ 120,097,033</u>
Temporarily Restricted Net Assets			
Balance, December 31, 2011		\$ 119,738	
Change in temporarily restricted net assets		<u>66,978</u>	
Balance, December 31, 2012		<u>\$ 186,716</u>	
Consolidation of affiliated organization previously not consolidated (Note 1), January 1, 2013		409,404	
Change in temporarily restricted net assets		<u>217,790</u>	
Balance, December 31, 2013		<u>\$ 813,910</u>	
Permanently Restricted Net Assets			
Balance, December 31, 2011		\$ 10,000	
Change in permanently restricted net assets		<u>-0-</u>	
Balance, December 31, 2012		<u>\$ 10,000</u>	
Consolidation of affiliated organization previously not consolidated (Note 1), January 1, 2013		10,000	
Change in permanently restricted net assets		<u>-0-</u>	
Balance, December 31, 2013		<u>\$ 20,000</u>	

See accompanying notes to consolidated financial statements.

**KING'S DAUGHTERS' HEALTH AND
AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ (5,156,795)	\$ 9,865,804
Adjustments to reconcile total change in net assets to net cash from operating activities		
Depreciation	11,162,932	6,180,489
Amortization	53,472	53,472
Provision for bad debts	14,239,677	15,232,421
Reclass of distributions to financing activities	52,077	71,050
Loss on disposal of capital assets	5,399,613	510,712
Amortization of bond discount	40,512	40,624
Net realized gains and losses and unrealized gains and losses on assets whose use is limited	(6,299,482)	(3,835,089)
Goodwill impairment	1,354,067	-0-
Changes in operating assets and liabilities		
Patient accounts receivable	(13,858,938)	(14,679,426)
Inventories	(6,475)	(203,037)
Prepaid expenses and other current assets	(3,070,122)	(379,309)
Accounts payable	193,767	(3,220,780)
Accrued payroll and payroll withholdings	123,738	285,602
Accrued expenses	(857,812)	708,351
Estimated third-party payor settlements	-0-	254,362
Net cash from operating activities	<u>3,370,231</u>	<u>10,885,246</u>
Cash flows from investing activities		
Purchases of property and equipment	(21,512,899)	(59,017,608)
Proceeds from sale of capital assets	587,750	20,777
Change in investments	(301,323)	-0-
Change in assets whose use is limited	14,357,157	53,602,452
Change in other assets	746,042	(773,997)
Change in life insurance policies	(963,938)	194,549
Change in deferred compensation liabilities	(964,862)	94,548
Net cash from investing activities	<u>(8,052,073)</u>	<u>(5,879,279)</u>
Cash flows from financing activities		
Consolidation of affiliated organization previously not consolidated	1,492,128	-0-
Principal payments on obligations under capital leases	(476,103)	(546,468)
Distributions to noncontrolling interest holders	(52,077)	(71,050)
Net cash from financing activities	<u>963,948</u>	<u>(617,518)</u>
Net change in cash and cash equivalents	(3,717,894)	4,388,449
Cash and cash equivalents, beginning of year	<u>11,894,610</u>	<u>7,506,161</u>
Cash and cash equivalents, end of year	<u>\$ 8,176,716</u>	<u>\$ 11,894,610</u>

See accompanying notes to consolidated financial statements.

**KING'S DAUGHTERS' HEALTH AND
AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 4,702,261</u>	<u>\$ 35,278</u>
Supplemental disclosure of noncash operating and investing activities		
Property and equipment acquired under accounts payable	<u>\$ 32,890</u>	<u>\$ 2,381,811</u>
Supplemental disclosure of noncash investing and financing activities		
Property and equipment acquired under capital leases	<u>\$ 1,293,037</u>	<u>\$ 140,505</u>

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

1. NATURE OF OPERATIONS

King's Daughters' Health ("KDH") is a not-for-profit, acute care hospital owned by the Bethany Circle of King's Daughters' of Madison, Indiana, Inc., located in Madison, Indiana. KDH is organized for the purpose of providing healthcare services to the residents of Jefferson County, Indiana and the surrounding area. KDH's primary sources of support are from patient revenues. Patient revenues include funds received from Medicare, state agencies, insurance companies, and the patients themselves.

Madison Catheterization Services, LLC ("MCS"), is a limited liability company owned 51 percent by KDH. MCS performs catheterization services for the residents of Jefferson County, Indiana and surrounding areas. MCS's primary source of support is from patient revenues. MCS was legally dissolved on December 31, 2013.

The King's Daughters' Hospital Foundation, Inc. (the "Foundation") is a not-for-profit organization created in 2005 and located in Madison, Indiana. The Foundation operates for the benefit of KDH. The Foundation's main sources of revenue are earnings on investments, and contributions received. Prior to 2013, the Foundation was excluded from the consolidated financial statements due to its immaterial nature. The inclusion of the Foundation in the consolidated financial statements increased total net assets by \$1,492,128 on January 1, 2013. The 2012 consolidated financial statements have not been restated for the effects of the Foundation due to immateriality.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by KDH, MCS, and the Foundation (collectively the "Hospital") in the preparation of the consolidated financial statements are summarized below:

Reporting Entity and Consolidation Policy

The accompanying consolidated financial statements include the accounts of KDH, MCS, and the Foundation. Intercompany transactions and balances have been eliminated in consolidation.

Management's Estimates

Management uses estimates and assumptions in preparing the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, if any, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less excluding amounts included in assets whose use is limited.

Investments

Short-term investments are recorded at cost, which approximates market value, and include certificates of deposit that are not board-designated or donor restricted. Short-term investments are recorded at cost, which approximates market value. Long-term investments include shares of preferred stock in a local bank, with a term of five years and carrying a dividend rate of 7.25 percent. Long-term investments are recorded at cost, which approximates market value.

Patient Accounts Receivable and Net Patient Service Revenue

The Hospital recognizes net patient service revenues on the accrual basis of accounting in the reporting period in which services are performed based on the current gross charge structure, less actual adjustments and estimated discounts for contractual allowances, principally for patients covered by Medicare, Medicaid, managed care, and other health plans. Gross patient service revenue is recorded in the accounting records using the established rates for the types of service provided to the patient. The Hospital recognizes an estimated contractual allowance to reduce gross patient charges to the estimated net realizable amount for service rendered based upon previously agreed-to rates with a payor. The Hospital utilizes the patient accounting system to calculate contractual allowances on a payor-by-payor basis based on the rates in effect for each primary third-party payor. Another factor that is considered and could further influence the level of the contractual reserves includes the status of accounts receivable balances as inpatient or outpatient. The Hospital's management continually reviews the contractual estimation process to consider and incorporate updated laws and regulations and the frequent changes in managed care contractual terms that result from contract negotiations and renewals.

Payors include federal and state agencies, including Medicare and Medicaid, managed care health plans, commercial insurance companies, and patients. These third-party payors provide payments to the Hospital at amounts different from its established rates based on negotiated reimbursement agreements. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and fee schedule payments. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Allowances for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts based on the Hospital's evaluation of its major payor sources of revenue, the aging of the accounts, historical losses, current economic conditions, and other factors unique to the service area and the healthcare industry. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party payor coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulty that make the realization of amounts due unlikely). For receivables associated with self-pay payments, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Hospital's current allowance for doubtful accounts policy is to reserve 85 percent of self-pay accounts less than 150 days, 100 percent of self-pay accounts 150 and older, and 100 percent of all other payor accounts 150 days and older, net of contractual allowances already taken. The December 31, 2013 and 2012 allowance for doubtful accounts balances were comprised of the following:

	<u>2013</u>	<u>2012</u>
Reserve for third-party payor balances	\$ 2,288,019	\$ 2,729,734
Reserve for self-pay balances	<u>8,554,563</u>	<u>8,333,174</u>
 Total allowance for doubtful accounts	 <u>\$ 10,842,582</u>	 <u>\$ 11,062,908</u>

Inventories

Inventories consist of medical supplies, pharmaceuticals, and office supplies and are valued at the lower-of-cost or market, with cost being determined on the first-in, first-out (FIFO) method.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Assets Whose Use is Limited

Assets whose use is limited include assets set aside by the Hospital's Board of Managers for future capital improvements and other long-term uses, over which the Board retains control and may at its discretion subsequently use for other purposes; assets held by trustees under indenture agreements; temporarily restricted assets whose use by the Hospital has been limited by donors to a specific time period or purpose; permanently restricted net assets whose use by the Hospital has been restricted by donors in perpetuity; and deferred compensation assets related to certain deferred compensation agreements.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value in the consolidated balance sheets. Investment income or loss, including unrealized gains and losses on trading securities, interest, and dividends is included in nonoperating gains of unrestricted net assets, unless the income is restricted by donor or law.

Property and Equipment

Property and equipment are recorded at cost, except for donations, which are recorded at the fair market value at the date of the donation.

Property and equipment include expenditures for additions and repairs which substantially increase the useful lives of existing property and equipment. Maintenance, repairs, and minor improvements are expensed as incurred.

The property and equipment of the Hospital are being depreciated using the straight-line method of depreciation over their estimated useful lives based upon the American Hospital Association's *Estimated Useful Lives of Depreciable Hospital Assets*.

Cost of Borrowing

Interest costs incurred on borrowed funds during the period of construction of capital assets, if any, are capitalized as a component of the cost of acquiring those assets. For the years ended December 31, 2013 and 2012, interest costs incurred were as follows:

	2013	2012
Interest costs capitalized	\$ 783,042	\$ 4,517,787
Interest costs expensed	<u>4,702,261</u>	<u>35,278</u>
Interest costs incurred	<u>\$ 5,485,303</u>	<u>\$ 4,553,065</u>

Temporarily and Permanently Restricted Net Assets

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

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Consolidated Statements of Operations

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and expenses and included within the line *income (loss) from operations* in the consolidated statements of operations. Peripheral and incidental transactions are reported as nonoperating gains (losses). Nonoperating gains (losses) which are excluded from *income (loss) from operations* include contributions and donations, investment income or loss, goodwill impairment, and gain or loss on disposal of capital assets.

Performance Indicator

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

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are reported as deductions from revenue.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give, if any, are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Income Taxes

KDH and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. As such, KDH and the Foundation are generally exempt from income taxes. However, KDH and the Foundation are required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

MCS is a limited liability company which is treated as a partnership for income tax purposes. As such, net taxable income or loss is taxed directly to the members and not to MCS. Accordingly, income taxes have not been reflected in the accompanying consolidated financial statements. As of December 31, 2013, the 2009 – 2013 income tax years are still open for tax examinations.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital and recognize a tax liability if the Hospital has taken an uncertain tax position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Hospital, and has concluded that as of December 31, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Hospital is subject to routine audits by taxing jurisdictions. However, as of the date of the financial statements were issued, there were no audits for any tax periods in progress.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Hospital is insured for medical malpractice claims and judgments.

Non-Controlling Interest

Non-controlling interests represent the portion of the equity (net assets) that is attributable to investors that are external to and not included in the Hospital's consolidated financial statements.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Reclassifications

Certain 2012 amounts have been reclassified to provide for consistency with reporting of 2013 information. These reclassifications have no effect on the previously reported total change in net assets or net assets.

Subsequent Events

The Hospital has evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are issued, which is April 9, 2014.

3. INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Total investments are reported at cost which approximates market value and include the following at December 31, 2013 and 2012:

	2013	%	2012	%
Certificates of deposit	\$ 301,323	23.2 %	\$ -0-	0.0 %
Bank preferred stock	1,000,000	76.8	1,000,000	100.0
Total investments	\$ 1,301,323	100.0 %	\$ 1,000,000	100.0 %

Assets whose use is limited are reported at market value and include the following at December 31, 2013 and 2012:

	2013	%	2012	%
Cash and cash equivalents	\$ 18,150,321	26.6 %	\$ 25,122,881	32.9 %
Common stocks	13,185,710	19.3	13,708,512	17.9
Mutual funds	29,635,167	43.4	29,781,304	39.0
Certificates of deposit	490,901	0.7	-0-	0.0
Corporate bonds	1,461,319	2.1	1,062,352	1.4
U.S. Government securities	5,420,664	7.9	6,726,708	8.8
Total assets whose use is limited	\$ 68,344,082	100.0 %	\$ 76,401,757	100.0 %

	2013	%	2012	%
Board-Designated Funds	\$ 60,630,270	88.7 %	\$ 52,729,610	69.0 %
Trustee-Held Funds	6,756,862	9.9	22,387,529	29.3
Donor-Restricted Funds	833,910	1.2	196,716	0.3
Deferred Compensation	123,040	0.2	1,087,902	1.4
Total	\$ 68,344,082	100.0 %	\$ 76,401,757	100.0 %

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Investment income is comprised of the following for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Dividends and interest income	\$ 1,410,261	\$ 1,391,687
Realized gains (losses) on investments	2,294,385	(1,465,863)
Change in net unrealized gains (losses) on investments	4,005,097	5,300,952
Investment fees	<u>(262,766)</u>	<u>(248,370)</u>
 Total investment income, net	 <u>\$ 7,446,977</u>	 <u>\$ 4,978,406</u>

Board-Designated Funds

The Hospital's Board of Managers approved the funding of depreciation expense to meet the capital asset replacement needs of the facility. Depreciation is funded totally with expenditures for capital assets reducing the funded depreciation balance. All income amounts earned by the Board-designated funds are left to accumulate as additions to the funds.

Trustee-Held Funds

The trustee-held funds are restricted for the payments of principal, interest, and construction costs related to certain long-term debt agreements.

Donor-Restricted Funds

Donor-restricted funds represent contributions that have been restricted by the donors for a specific purpose.

Deferred Compensation Funds

The deferred compensation funds represent assets that have accumulated under separate deferred compensation plans. The Hospital simply maintains the funds for the participants until they are withdrawn according to the specific terms of each separate deferred compensation agreement. The Hospital records liabilities equal to the deferred compensation assets.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Fair Value Measurements and Disclosures

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

- *Common stocks:* Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.
- *Corporate bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

- *U.S. government securities:* Valued using pricing models maximizing the use of observable inputs for similar securities.

The following table sets forth by level, within the hierarchy, the Hospital's assets measured at fair value on a recurring basis as of December 31, 2013 are as follows:

	Level 1	Level 2	Level 3	Total
Assets whose use is limited				
Common stocks				
Basic materials	\$ 1,534,106	\$ -0-	\$ -0-	\$ 1,534,106
Consumer goods	1,471,179	-0-	-0-	1,471,179
Consumer services	2,798,666	-0-	-0-	2,798,666
Financials	2,359,265	-0-	-0-	2,359,265
Health care	1,566,116	-0-	-0-	1,566,116
Industrials	1,036,117	-0-	-0-	1,036,117
Technology	2,256,785	-0-	-0-	2,256,785
Utilities	163,476	-0-	-0-	163,476
	13,185,710	-0-	-0-	13,185,710
Mutual funds				
Fixed income	4,004,999	-0-	-0-	4,004,999
High yield	2,194,240	-0-	-0-	2,194,240
Domestic mid cap core	2,133,304	-0-	-0-	2,133,304
World blend	2,416,756	-0-	-0-	2,416,756
Inflation protected	1,016,002	-0-	-0-	1,016,002
Intermediate term	6,573,818	-0-	-0-	6,573,818
Foreign large blend	9,448,967	-0-	-0-	9,448,967
International emerging markets	1,847,081	-0-	-0-	1,847,081
	29,635,167	-0-	-0-	29,635,167
Corporate bonds				
Consumer discretionary	-0-	145,318	-0-	145,318
Consumer services	-0-	362,108	-0-	362,108
Financials	-0-	493,328	-0-	493,328
Industrials	-0-	99,121	-0-	99,121
Information technology	-0-	145,660	-0-	145,660
Materials	-0-	114,750	-0-	114,750
Utilities	-0-	101,034	-0-	101,034
	-0-	1,461,319	-0-	1,461,319
U.S. Government Securities				
U.S. Treasury notes	-0-	4,112,663	-0-	4,112,663
Federal National Mortgage Association	-0-	853,803	-0-	853,803
Federal Home Loan Mortgage Corp	-0-	454,198	-0-	454,198
	-0-	5,420,664	-0-	5,420,664
Total assets at fair value	<u>\$ 42,820,877</u>	<u>\$ 6,881,983</u>	<u>\$ -0-</u>	<u>49,702,860</u>
Cash				18,150,321
Certificates of deposit				490,901
Total investments				<u>\$ 68,344,082</u>

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

The following table sets forth by level, within the hierarchy, the Hospital's assets measured at fair value on a recurring basis as of December 31, 2012 are as follows:

	Level 1	Level 2	Level 3	Total
Assets whose use is limited				
Common stocks				
Basic materials	\$ 2,215,461	\$ -0-	\$ -0-	\$ 2,215,461
Consumer goods	970,636	-0-	-0-	970,636
Consumer services	2,420,093	-0-	-0-	2,420,093
Financials	2,174,601	-0-	-0-	2,174,601
Health care	1,344,294	-0-	-0-	1,344,294
Industrials	1,255,040	-0-	-0-	1,255,040
Technology	2,628,973	-0-	-0-	2,628,973
Utilities	699,414	-0-	-0-	699,414
	13,708,512	-0-	-0-	13,708,512
Mutual funds				
Fixed Income	4,632,627	-0-	-0-	4,632,627
High yield	4,275,736	-0-	-0-	4,275,736
Domestic mid cap core	1,577,453	-0-	-0-	1,577,453
Domestic small cap growth	774,404	-0-	-0-	774,404
Domestic small cap value	802,638	-0-	-0-	802,638
Intermediate term	4,952,260	-0-	-0-	4,952,260
Foreign large blend	11,096,054	-0-	-0-	11,096,054
International emerging markets	1,670,132	-0-	-0-	1,670,132
	29,781,304	-0-	-0-	29,781,304
Corporate bonds				
Consumer discretionary	-0-	46,264	-0-	46,264
Consumer staples	-0-	95,298	-0-	95,298
Financials	-0-	570,059	-0-	570,059
Industrials	-0-	99,378	-0-	99,378
Information technology	-0-	59,004	-0-	59,004
Materials	-0-	97,858	-0-	97,858
Telecommunications	-0-	94,491	-0-	94,491
	-0-	1,062,352	-0-	1,062,352
U.S. Government Securities				
U S Treasury notes	-0-	3,233,609	-0-	3,233,609
U S Treasury inflation notes	-0-	525,251	-0-	525,251
Federal National Mortgage Association	-0-	1,885,949	-0-	1,885,949
Federal Home Loan Mortgage Corp	-0-	1,081,899	-0-	1,081,899
	-0-	6,726,708	-0-	6,726,708
Total assets at fair value	\$ 43,489,816	\$ 7,789,060	\$ -0-	51,278,876
Cash				25,122,881
Certificates of deposit				-0-
Total investments				\$ 76,401,757

The Hospital's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels 1 and 2 during 2013 and 2012.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Risks and Uncertainties

The Hospital holds investments in common stocks, mutual funds, corporate bonds, and U.S. Government Securities. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could affect the amounts reported in the accompanying financial statements. The Hospital's management is currently unable to determine the effect, if any, the decline in market conditions may ultimately have on the Hospital's investment portfolio and ability to fund certain projects.

4. OTHER ASSETS

Other assets consist of the following at December 31, 2013 and 2012:

	2013	2012
Bond issue costs, net of accumulated amortization	\$ 1,693,246	\$1,746,718
Goodwill of physician practices, net of accumulated amortization	-0-	1,354,067
Investment in captive insurance company	335,311	335,311
Captive insurance company subscriber savings	941,075	621,691
Life insurance policies	1,433,990	2,397,928
Notes receivable	<u>622,087</u>	<u>723,575</u>
 Total other assets	 5,025,709	 7,179,290
Less: current portion of other assets	<u>(262,982)</u>	<u>(324,796)</u>
 Other assets, net of current portion	 <u>\$ 4,762,727</u>	 <u>\$6,854,494</u>

Bond issue costs are being amortized over the 35-year life of the bonds beginning in 2010.

Goodwill relates to the purchase of physician practices in 1997 and 2000. Goodwill is tested each year for impairment. The fair value of goodwill is determined based on discounted expected future cash inflows. During 2013, the Hospital determined that the carrying amount of the goodwill exceeded its fair value, resulting in a write-off of the remaining goodwill balance of \$1,354,067.

The Hospital is a 12.5 percent owner of Indiana Healthcare Reciprocal Risk Retention Group (the "Captive"), a risk retention company created to purchase professional liability and general liability insurance for its members. The Hospital accounts for this investment using the cost method. In addition, the Captive retains a subscriber savings account for each of its members based upon the premiums paid in and the resulting claims paid out, plus other factors. Members are paid the balance of their subscriber savings account once they leave the Captive in accordance with the terms of the Captive agreement.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

The Hospital is the holder of life insurance policies for several different physicians and key management members. The Hospital has a liability outstanding for the expected payout that will be paid out on the insured's behalf.

Physician recruiting notes receivable are forgiven if the physicians meet the period of service requirement. If the physicians do not meet the period-of-service requirement, the notes are immediately due in full. Other physician notes receivable are paid back over the terms of the notes. All physician notes receivable are in varying amounts maturing through July 2019 and carry interest rates ranging from 3.25 percent to 5.25 percent.

The current portion of other assets represents the amount of notes receivable from physicians expected to be repaid or forgiven in the next fiscal year, according to individual employment contracts.

5. OBLIGATIONS UNDER CAPITAL LEASES

The Hospital is the lessee of certain equipment under capital leases expiring in various years through 2018. The assets and liabilities under capital leases are initially recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. Amortization of assets held under capital leases is included in depreciation expense and was \$280,800 and \$124,326 for the years ended December 31, 2013 and 2012, respectively.

Following is a summary of property held under capital leases:

	<u>2013</u>	<u>2012</u>
Equipment	\$ 1,740,889	\$ 689,742
Less: accumulated amortization	378,133	202,500
	<u>\$ 1,362,756</u>	<u>\$ 487,242</u>

Minimum future lease payments under capital leases as of December 31, 2013 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 391,382
2015	386,671
2016	357,973
2017	226,072
2018	62,499
	<u>1,424,597</u>
Less: amount representing interest	<u>117,761</u>
Present value of minimum lease payments	<u>\$ 1,306,836</u>

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

6. LONG-TERM DEBT

At December 31, 2013 and 2012, the Hospital was obligated for long-term debt agreements as follows:

	<u>2013</u>	<u>2012</u>
Indiana Finance Authority Hospital Revenue Bonds, dated October 2010, payable in annual principal installments commencing August 2015 through August 2045, in amounts ranging from \$1,370,000 to \$6,400,000. Serial remaining fixed interest rates ranging from 4.5% to 5.5%. Secured by gross revenues.	\$ 100,035,000	\$100,035,000
Less unamortized bond discounts	<u>(2,059,745)</u>	<u>(2,100,257)</u>
Long-term debt, net of current portion	<u>\$ 97,975,255</u>	<u>\$ 97,934,743</u>

Maturities of long-term debt for each of the five years subsequent to December 31, 2013, are as follows:

<u>Year Ending December 31,</u>	<u>Principal Amount</u>
2014	\$ -0-
2015	1,370,000
2016	1,430,000
2017	1,495,000
2018	1,570,000
Thereafter	94,170,000
Unamortized bond discounts	<u>(2,059,745)</u>
Total	<u>\$ 97,975,255</u>

Under the terms of the Series 2010 Bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are reported in the consolidated financial statements as assets whose use is limited. These agreements also place limits on the occurrence of additional borrowings and require that the Hospital satisfy certain covenants, including debt service coverage ratio, days cash on hand, and submission of audited financial statements. Management believes the Hospital is in compliance with all restrictive covenants.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

7. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are donor-restricted for a specific use or by the passage of time. Permanently restricted net assets are donor-restricted assets whereby the principal amount is never to be expended. Income earned from these principal amounts includes both temporarily restricted and unrestricted amounts. Temporarily and permanently restricted net assets include the following at December 31, 2013 and 2012:

	2013	2012
Temporarily restricted		
Prenatal/Postnatal Education Program Fund	\$ 1,851	\$ 1,869
Tobacco Settlement Fund	185,383	169,681
Teen Event Fund	6,751	6,751
Girls on the Run Fund	-0-	3,779
May Library Fund	4,638	4,636
Fit Kids	102	-0-
Art Work (New Hospital)	3,000	-0-
Bill Zink Scholarship Fund	26,583	-0-
Building	5,115	-0-
Building/Technology (Cancer Center)	5,560	-0-
Cardio Rulmonary Rehab	230	-0-
Cardiology	26	-0-
Caring and Responding to Employees (CARE)	13,735	-0-
CEO Discretionary Fund	7,750	-0-
Community Benefit Initiative (Jefferson Co. Fdn)	45,430	-0-
Dialysis	50	-0-
E. Pendleton Fund	14,492	-0-
E. Pendleton Interest Earned (Hospice)	612	-0-
Education	996	-0-
EMS Development	850	-0-
Girls on the Run	12,263	-0-
Home Health/Hospice	21,241	-0-
Hospice	64,092	-0-
Immediate Response Fund	31,460	-0-
Oncology	17,268	-0-
Hope & Healing campaign	173,371	-0-
Pediatrics	39,027	-0-
Physician Wall	3,158	-0-
Prostate Health	1,917	-0-
Radiology	1,227	-0-

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Rehab	30	-0-
Ripley County	1,100	-0-
Scholarship Endowment - W. Wright	9,359	-0-
Scholarship Fund	27,005	-0-
Taustine	1,000	-0-
Wellness	17,605	-0-
Women's Health	<u>69,633</u>	<u>-0-</u>
 Total temporarily restricted net assets	 <u>\$ 813,910</u>	 <u>\$ 186,716</u>
 Permanently restricted		
Heberhart Endowment	\$ 10,000	\$ 10,000
E. Pendleton Hospice Endowment	<u>10,000</u>	<u>-0-</u>
 Total permanently restricted net assets	 <u>\$ 20,000</u>	 <u>\$ 10,000</u>

8. ENDOWMENTS

The Hospital's endowments consist of individual donor-restricted funds established by the donors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Managers to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Managers has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Hospital classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets, if any, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Hospital in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- (1) The duration and preservation of the fund
- (2) The purposes of the Hospital and the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Hospital
- (7) The investment policies of the Hospital

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

The Hospital has adopted investment and spending policies for endowment assets that attempt to balance the mission of building capital for future use with the corresponding obligation to support current and future needs of the Hospital. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Managers, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk.

To satisfy its long-term rate of return objectives, the Hospital relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

On balances of endowed funds, as of the beginning of each fiscal year, an amount as determined by the Hospital Board will be distributed for the intended purposes of the endowment annually. Growth of the endowment will come from the annual earnings of investments in excess of distributions plus contributions made to the endowment.

Endowment Net Asset Composition by Type of Fund as of December 31, 2013:

	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ 612	\$ 20,000	\$ 20,612

Changes in Endowment Net Assets for the Year Ended December 31, 2013:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -0-	\$ 10,000	\$ 10,000
Consolidation of affiliated organization previously not consolidated	-0-	10,000	10,000
Contributions	-0-	-0-	-0-
Investment income	612	-0-	612
Appropriation of endowment assets for expenditure	-0-	-0-	-0-
Endowment net assets, end of year	<u>\$ 612</u>	<u>\$ 20,000</u>	<u>\$ 20,612</u>

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Endowment Net Asset Composition by Type of Fund as of December 31, 2012:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -0-	\$ 10,000	\$ 10,000

Changes in Endowment Net Assets for the Year Ended December 31, 2012:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -0-	\$ 10,000	\$ 10,000
Contributions	-0-	-0-	-0-
Investment income	-0-	-0-	-0-
Appropriation of endowment assets for expenditure	-0-	-0-	-0-
Endowment net assets, end of year	<u>\$ -0-</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

	<u>2013</u>	<u>2012</u>
Permanently restricted net assets		

The portion of perpetual endowment
funds that is required to be retained
permanently either by explicit
donor stipulation or UPMIFA

	<u>\$ 20,000</u>	<u>\$ 10,000</u>

9. NET PATIENT SERVICE REVENUE

For the years ended December 31, 2013 and 2012, net patient service revenue was as follows:

	<u>2013</u>	<u>2012</u>
Gross patient service revenue		
Inpatient revenue	\$ 78,954,367	\$ 73,074,641
Outpatient revenue	228,666,270	209,142,562
Total gross patient service revenue	<u>307,620,637</u>	<u>282,217,203</u>
Deductions from revenue		
Contractual allowances	175,187,560	154,942,068
Charity care	6,508,098	4,520,666
Provision for bad debts	14,239,677	15,232,421
Total deductions from revenue	<u>195,935,335</u>	<u>174,695,155</u>
Total net patient service revenue	<u>\$ 111,685,302</u>	<u>\$ 107,522,048</u>

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

For the years ended December 31, 2013 and 2012, net patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), by major payor source was as follows:

	2013	2012
Patient service revenue (net of contractual allowances and discounts):		
Third party payors	\$ 117,493,298	\$ 115,455,516
Patients	<u>8,431,681</u>	<u>7,298,953</u>
Total	<u><u>\$ 125,924,979</u></u>	<u><u>\$ 122,754,469</u></u>

The Hospital grants credit without collateral to its patients, most of who are local residents and insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2013 and 2012 is as follows:

	2013		2012	
	Revenue	Receivables	Revenue	Receivables
Medicare	45 %	33 %	47 %	32 %
Medicaid	16	17	15	17
Blue Cross	16	12	16	12
Other Commercial	17	17	17	19
Self-Pay	6	21	5	20
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

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

- **Medicare.** The Hospital is a provider of services to patients entitled to coverage under Title XVIII (Medicare) of the Health Insurance Act. The Hospital is reimbursed for Medicare inpatient services based on a fixed price per discharge for each diagnosis related grouping (DRG) and Medicare outpatient services based on a fixed price per clinical unit of service. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At the Hospital's year end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party program. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. As of December 31, 2013, the Hospital's submitted Medicare cost reports have been final settled with the Fiscal Intermediary through December 31, 2009.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

- **Medicaid.** The Hospital is a provider of services to patients entitled to coverage under Title XIX (Medicaid) of the Health Insurance Act. The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and Medicaid outpatient services based on a fixed price per clinical unit of service. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. There is no cost settlement for either of the inpatient or outpatient programs.
- **Other.** The Hospital has also entered into preferred provider agreements with certain commercial insurance carriers. The basis for payment to the Hospital under these arrangements is a discount from established charges and fee schedule payments.
- **Charity Care and Uninsured Discounts.** The Hospital provides care without charge or at less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not collect amounts deemed to be charity care, they are not reported as revenue. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associating with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total operating expenses divided by gross patient service revenue. For the years ended December 31, 2013 and 2012, the Hospital incurred estimated charity costs of \$2,524,743 and \$1,657,961, respectively.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Final determination of compliance of such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs. The Hospital believes that it is in compliance with all applicable laws and regulations.

10. ELECTRONIC HEALTH RECORDS (EHR) INCENTIVE PAYMENTS

The Hospital receives EHR incentive payments under the Medicare and Medicaid programs. To qualify for EHR incentive payments, the Hospital must meet "meaningful use" criteria that become more stringent over time. The Hospital periodically submits and attests to its use of certified EHR technology, satisfaction of meaningful use objectives, and various patient data. These submissions generally include performance measures for each annual EHR reporting period (Federal fiscal year ending on September 30th). The related EHR incentive payments are paid out over a four year transition schedule and are based upon data that is captured in the Hospital's cost reports. The payment calculation is based upon an initial amount as adjusted for discharges, program utilization using inpatient days multiplied by a factor of total charges excluding charity care to total charges, and a transitional factor that ranges from 100% in first payment year and thereby decreasing by 25% each payment year until it is completely phased out in the fifth year.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

The Hospital recognizes EHR incentive payments as grant income when there is reasonable assurance that the Hospital will comply with the conditions of the meaningful use objectives and any other specific grant requirements. In addition, the financial statement effects of the grants must be both recognizable and measurable. During 2013 and 2012, the Hospital recognized approximately \$2,370,500 and \$0, respectively, in EHR incentive payments as grant income using the cliff recognition method. Under the cliff recognition method, the Hospital records income at the end of the EHR reporting period in which compliance is achieved. EHR incentive income is included in other revenue in the consolidated statements of operations. EHR incentive income recognized is based on management's estimate and amounts are subject to change, with such changes impacting operations in the period the changes occur.

Receipt of these funds is subject to the fulfillment of certain obligations by the Hospital as prescribed by the program, subject to future audits and may be subject to repayment upon a determination of noncompliance.

11. PENSION PLAN

The Hospital sponsors a defined contribution pension plan that covers all eligible employees who work over 1,000 hours a year. All employees are eligible for enrollment on the first day of the month following their hire date. The Hospital contributes 2 percent for each eligible employee. The employee may contribute up to 15 percent with a maximum of 6 percent being matched at a rate of 50 percent. For the years ended December 31, 2013 and 2012, the amount of pension expense was \$1,941,927 and \$1,912,602, respectively.

12. DEFERRED COMPENSATION AGREEMENTS

Previously, the Hospital maintained an informal deferred compensation plan whereby amounts were withdrawn from participating physicians' pay and held by the Hospital until such time that the participating physicians retired. The Hospital no longer offers this plan, but still records a liability for any amounts which were unpaid at year-end. The deferred compensation asset and liability amounts under this agreement were both \$39,601 and \$80,580 at December 31, 2013 and 2012, respectively.

The Hospital funded an executive deferred compensation plan. The plan accumulated cash value over time. The Hospital recorded an asset and liability amount equal to the market value of the deferred compensation plan. The Hospital no longer offers this plan. The deferred compensation asset and liability amounts under this agreement were \$-0- and \$919,536 at December 31, 2013 and 2012, respectively.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Previously, the Hospital maintained a deferred compensation plan for a select group of key management employees. Under the terms of the plan, the Hospital contributed 4 percent of a participant's compensation, as defined in the agreement, each calendar quarter. The Hospital no longer offers this plan, but still records a liability for any amounts that were unpaid at year-end. The deferred compensation asset and liability amounts under this agreement were both \$83,439 and \$87,786 at December 31, 2013 and 2012, respectively.

13. PROFESSIONAL LIABILITY INSURANCE

The Indiana Medical Malpractice Act (the "Act"), IC 34-18, provides a maximum recovery of \$250,000 for an occurrence of malpractice and \$1,250,000 for an injury or death of a patient due to an act of malpractice. The Act requires physicians to maintain medical malpractice liability insurance in the minimum amount of \$250,000 per occurrence and \$750,000 in the annual aggregate and hospitals to maintain medical malpractice liability insurance in the minimum amount of \$250,000 per occurrence and \$5,000,000 for hospitals with less than 100 occupied beds. The Hospital's insurance policies conform to the Act. The Act also requires the Hospital to pay a surcharge to the State Patient's Compensation Fund. This fund may be used to pay medical malpractice claims in excess of the annual aggregate amount noted above, under certain terms and conditions.

The Hospital maintains professional liability insurance through a multiprovider reciprocal risk retention group (the "Group"), in which premiums are accrued based on the Group's experience to date. This provides protection from liability in amounts not to exceed as follows:

	2013	2012
Hospital per occurrence	<u>\$ 250,000</u>	<u>\$ 250,000</u>
Hospital aggregate	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Group umbrella aggregate	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Group first additional umbrella aggregate	<u>10,000,000</u>	<u>10,000,000</u>
Group second additional umbrella aggregate	<u>10,000,000</u>	<u>10,000,000</u>
Total Group umbrella aggregate	<u>\$ 30,000,000</u>	<u>\$ 30,000,000</u>

Liabilities for incurred but not reported losses at December 31, 2013 and 2012 are not determinable; however, in management's opinion, such liabilities, if any, will not have a material effect on the Hospital's financial position and its malpractice and general liability insurance is adequate to cover losses, if any. Should the policies not be renewed or replaced with appropriate insurance coverage, claims based upon occurrences during these terms, but reported subsequently, will be uninsured. The Hospital intends to continue carrying such insurance.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

14. HOSPITAL ASSESSMENT FEE

During 2012, the Hospital Assessment Fee ("HAF") Program for the period July 1, 2011 through June 30, 2013 was approved by Centers for Medicare & Medicaid Services ("CMS") retroactive to July 1, 2011. During March 2014, the HAF program was reinstated by CMS retroactive to July 1, 2013. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share ("DSH") payments for Indiana hospitals as reflected as Hospital assessment fee reported in the consolidated statements of operations. Previously, the State share was funded by government entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. The Hospital recognized HAF program expense of \$4,026,986 and \$4,454,745 at December 31, 2013 and 2012, respectively.

15. OPERATING LEASES

The Hospital leases certain equipment under noncancelable operating leases expiring in various years through 2014. Minimum future rental payments under these noncancelable operating leases as of December 31, 2013, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 22,355

The Hospital incurred \$395,065 and \$513,562 in total rent expense for the years ended December 31, 2013 and 2012, respectively, under both cancelable and noncancelable leases.

16. CONCENTRATIONS OF CREDIT RISK

The Hospital maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Hospital has not experienced any losses on such accounts. The Hospital believes it is not exposed to any significant credit risk on cash.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

17. FUNCTIONAL EXPENSES

The Hospital provides general healthcare services to residents within its geographic area. Expenses related to providing these services are broken down as follows for the years ended December 31, 2013 and 2012:

	2013	2012
Healthcare services	<u>\$106,952,205</u>	\$ 90,641,222
General and administrative	<u>14,725,205</u>	<u>12,705,934</u>
	<u><u>\$121,677,410</u></u>	<u><u>\$103,347,156</u></u>

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Cash and Cash Equivalents

The carrying amount reported in the consolidated balance sheets for cash and cash equivalents approximates its fair value based on short term maturities of those items.

Assets Whose Use is Limited

These assets are reported in the consolidated balance sheets at fair value. The fair value amounts are based on quoted market prices, if available, or are estimated using quoted market prices for similar securities.

Accounts Payable, Accrued Payroll and Payroll Withholdings, and Accrued Expenses

The carrying amounts reported in the consolidated balance sheets for accounts payable, accrued payroll and payroll withholdings, and accrued expenses approximate their fair value based upon short maturities of those items.

Estimated Third-Party Payor Settlements

The carrying amount reported in the consolidated balance sheets for estimated third-party payor settlements approximates its fair value because they are expected to be settled in the near future.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Long-Term Debt and Obligations Under Capital Leases

The carrying amount and fair value reported in the consolidated balance sheets for the combined amounts of long-term debt and obligations under capital leases were based on incremental borrowing rates available to similar entities with similar credit ratings. The combined carrying amounts and fair value of long-term debt and obligations under capital leases were \$99,282,091 and \$105,406,444, respectively, for 2013 and \$98,424,645 and \$99,059,513, respectively, for 2012.

Deferred Compensation Liabilities and Life Insurance Policies

The carrying amount reported in the consolidated balance sheets for deferred compensation liabilities approximates its fair value based on quoted market prices, if available, or is estimated using quoted market prices for similar securities. The carrying amount reported in the consolidated balance sheets for life insurance policies approximates its fair value based on the cash surrender value of the insurance policies.

19. CONTINGENCIES

Legal proceedings and claims

There are a variety of legal proceedings and claims by others against the Hospital in a variety of matters arising out of the conduct of the Hospital's business. The ultimate resolution of such claims would not, in the opinion of management, have a material adverse effect on the consolidated financial statements.

Discounted receivables

The Hospital has entered into a contract with a collection company to sell at a discount patient accounts receivable balances meeting a minimum credit score by 18 percent, with recourse. Should all or a portion of the discounted patient accounts receivable balances prove to be uncollectible by the collection company based on the terms outlined in the contract agreement, the Hospital is obligated to buy back the remaining unpaid patient accounts receivable balance net of the 18 percent collection fee/discount amount. The Hospital estimates the amount of patient accounts it anticipates being required to buy back from the collection company and records a liability and recognizes bad debt expense based on the estimate. The Hospital's liability estimate is calculated based on its historical losses and other factors unique to the service area and the healthcare industry and is included in accounts payable on the consolidated balance sheets. The Hospital recorded patient accounts receivable recourse liability amounts in accounts payable on the consolidated balance sheets at December 31, 2013 and 2012 totaling \$372,750 and \$176,612, respectively.

KING'S DAUGHTERS' HEALTH AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

20. COMMITMENTS

As of December 31, 2013, the Hospital has construction and renovation project commitments as follows:

Project	Expected Date of Completion	Estimated Total Cost of Project	Costs Incurred as of December 31, 2013
Hilltop Cancer Center	2015	\$ 11,000,000	\$ 402,002
Meditech EHR Migration	2014	550,000	466,818
All others	Various	150,000	31,438
		<u>\$ 11,700,000</u>	<u>\$ 900,258</u>

21. RELATED PARTY TRANSACTIONS

River Valley Financial Bank

A Hospital Board member is the spouse of the President and Chief Executive Officer of River Valley Financial Bank. At December 31, 2013 and 2012, the Hospital had the following related party transactions with River Valley Financial Bank:

	2013	2012
Deposits	\$ 7,401,548	\$ 11,787,470
Investments	\$ 1,000,000	\$ 1,000,000
Interest income	\$ 72,996	\$ 48,612
Interest expense	\$ 9,208	\$ 10,409

CLASS ADVISORS

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