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Part III

Statement of Program Service Accomplishments

Check 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 KADLEC REGIONAL MEDICAL CENTER IS TO PROVIDE QUALITY HEALTH CARE TO EVERY PATIENT

2

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

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?

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 \$ 306,800,087 including grants of \$ 0) (Revenue \$ 377,832,990)

THE PURPOSES OF KADLEC REGIONAL MEDICAL CENTER ARE TO OPERATE EXCLUSIVELY FOR CHARITABLE, SCIENTIFIC OR EDUCATIONAL PURPOSES,WITHIN THE MEANING OF SECTION 501(C) (3) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, INCLUDING WITHOUT LIMITATION, TO ENGAGE IN ACTIVITIES RELATING TO THE PROVISION OF HEALTHCARE SERVICES,TO ESTABLISH AND MAINTAIN A HOSPITAL OR HOSPITALS FOR THE CARE OF PERSONS SUFFERING FROM ILLNESSES OR DISABILITIES WHICH REQUIRE THAT THOSE PERSONS RECEIVE HOSPITAL CARE, TO PROMOTE THE HEALTH OF THE COMMUNITY, TO PROMOTE AND CARRY ON SCIENTIFIC RESEARCH RELATING TO THE CARE OF THE SICK AND INJURED, AND TO PROMOTE AND CARRY ON EDUCATIONAL ACTIVITIES RELATED TO RENDERING CARE TO THE SICK AND INJURED OR THE PROMOTION OF HEALTH

4b

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

4c

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

4d

Other program services (Describe in Schedule O)





















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

4e

Total program service expenses

306,800,087

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response 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	356	
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0	
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	2,841	
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		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8		
9	Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?	9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
10	Section 501(c)(7) organizations. Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a		
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b		
11	Section 501(c)(12) organizations. Enter			
a	Gross income from members or shareholders.	11a		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	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	11	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	11	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	Yes
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		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶WA
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶JULIE L MEEK 888 SWIFT BLVD RICHLAND, WA 993523583 (509) 946-4611

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

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

[illegible]

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	6,414,859	0	221,588

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 304

		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
BOUTEN CONSTRUCTION PO BOX 3507 SPOKANE WA 99220	CONSTRUCTION SERVICES	15,002,509
CHERVENELL CONSTRUCTION COMPANY PO BOX 6935 KENNEWICK WA 99336	CONSTRUCTION SERVICES	8,710,681
PREMIER ANESTHESIA OF RICHLAND 2655 NORTHWINDS PKWY ALPHARETTA GA 30009	ANESTHESIOLOGISTS	4,488,481
XTEND HEALTHCARE 500 W MAIN ST STE 14 HENDERSONVILLE TN 37075	HOSPITALISTS	1,981,324
TAYLOR GREGORY BROADWAY ARCHITECTS 21911 76TH AVE W STE 210 EDMONDS WA 98026	CONSTRUCTION SERVICES	1,599,707

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 ▶46

Part VIII

Statement of Revenue

Check 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	529,513			
	e	Government grants (contributions) 1e	1,018,196			
	f	All other contributions, gifts, grants, and similar amounts not included above 1f				
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f	1,547,709			
Program Service Revenue	2a	NET PATIENT REVENUE	Business Code 621400	378,115,863	378,115,863	
	b	OTHER OPERATING REVENUES	561499	4,766,737		4,766,737
	c	CAFETERIA REVENUE	722320	1,794,541		1,794,541
	d	CLINICAL ENGINEERING REVENUE	811000	101,530	101,530	
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f	384,778,671			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	3,816,539			3,816,539
	4	Income from investment of tax-exempt bond proceeds				
	5	Royalties				
	6a	Gross rents	(i) Real 588,686	(ii) Personal		
	b	Less rental expenses	252,898			
	c	Rental income or (loss)	335,788			
	d	Net rental income or (loss)	335,788			335,788
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other 2,100		
	b	Less cost or other basis and sales expenses		93,788		
	c	Gain or (loss)		-91,688		
	d	Net gain or (loss)	-91,688			-91,688
	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	TC HOME HEALTH	900099	500,752	500,752	
	b	RICHLAND MOB LLC	900099	168,639	168,639	
	c	TC LABORATORY LLC	900099	43,084	43,084	
	d	All other revenue		-995,348	-995,348	
	e	Total. Add lines 11a-11d		-282,873		
	12	Total revenue. See Instructions	390,104,146	377,832,990	101,530	10,621,917

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.				
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.	2,447,605		2,031,567	416,038
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.	160,056,884	128,658,977	31,330,217	67,690
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	4,861,815	3,825,575	1,021,768	14,472
9	Other employee benefits.	18,051,776	14,204,248	3,793,793	53,735
10	Payroll taxes.	10,593,992	8,380,597	2,184,782	28,613
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	1,652,731		1,609,621	43,110
c	Accounting.	84,010		84,010	
d	Lobbying.	40,000	40,000		
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	14,998,470	13,909,237	1,089,233	
12	Advertising and promotion.	1,005,608		1,005,608	
13	Office expenses.	64,908,754	59,992,560	4,882,602	33,592
14	Information technology.				
15	Royalties.				
16	Occupancy.	8,465,022	6,805,464	1,618,438	41,120
17	Travel.	1,987,865	858,162	1,118,737	10,966
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	772,692		772,605	87
20	Interest.	9,719,289	7,744,002	1,975,287	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	18,882,080	15,044,605	3,837,475	
23	Insurance.	3,736,436	3,614,079	122,357	
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	OUTSIDE PURCHASED SRVS	23,397,057	18,655,940	4,666,801	74,316
b	BAD DEBTS	10,199,182	10,199,182		
c	TAXES	8,051,360	6,415,052	1,636,308	
d	DUES,SUBSCRIPTIONS,LIC	5,933,619	4,712,202	1,190,702	30,715
e	All other expenses	5,113,661	3,740,205	1,373,456	
25	Total functional expenses. Add lines 1 through 24e.	374,959,908	306,800,087	67,345,367	814,454
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		19,897,375	1	29,179,320
	2	Savings and temporary cash investments		18,048,159	2	491,411
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		43,637,065	4	59,207,385
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		1,733,409	8	2,016,782
	9	Prepaid expenses and deferred charges		1,126,452	9	1,660,479
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a345,488,959			
	b	Less accumulated depreciation	10b135,405,375	185,368,920	10c	210,083,584
	11	Investments—publicly traded securities		112,887,063	11	111,641,008
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	952,000
	15	Other assets See Part IV, line 11		18,572,296	15	19,648,611
	16	Total assets. Add lines 1 through 15 (must equal line 34)		401,270,739	16	434,880,580
Liabilities	17	Accounts payable and accrued expenses		40,111,295	17	47,876,041
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		188,245,000	20	185,750,000
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		1,663,006	23	3,429,497
	24	Unsecured notes and loans payable to unrelated third parties		2,021,148	24	2,079,646
	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		21,557,303	25	18,230,466
	26	Total liabilities. Add lines 17 through 25		253,597,752	26	257,365,650
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		143,931,636	27	174,252,159
	28	Temporarily restricted net assets		3,741,351	28	3,262,771
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		147,672,987	33	177,514,930
	34	Total liabilities and net assets/fund balances		401,270,739	34	434,880,580

Part XI Reconciliation of Net Assets

Check 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	390,104,146
2	Total expenses (must equal Part IX, column (A), line 25)	2	374,959,908
3	Revenue less expenses Subtract line 2 from line 1	3	15,144,238
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	147,672,987
5	Net unrealized gains (losses) on investments	5	3,633,945
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	11,063,760
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	177,514,930

Part XII Financial Statements and Reporting

Check 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		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 type="checkbox"/> Consolidated basis <input checked="" type="checkbox"/> Both consolidated and separate basis	Yes	
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	Yes	
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	Yes	

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
WILLIAM T WINGO VICE PRESIDENT	50 00 2 00			X				316,167	0	16,934
HANNAN CHAUGLE PHYSICIAN	50 00 0 00					X		861,799	0	16,880
MATTHEW FEWEL PHYSICIAN	50 00 0 00					X		839,406	0	20,948
DEBRA STEELE PHYSICIAN	50 00 0 00					X		818,604	0	20,172
CHERRAG UPADHYAYA PHYSICIAN	50 00 0 00					X		792,498	0	19,405
FAREED ARIF PHYSICIAN	50 00 0 00					X		778,948	0	20,182

SCHEDULE A

(Form 990 or 990EZ)

Department of the
Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

▶ Information about Schedule A (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization KADLEC REGIONAL MEDICAL CENTER	Employer identification number 91-0655392
--	--

Part I

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 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 IIISupport Schedule for Organizations Described in Section 509(a)(2)

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 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	
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SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

▶ **See separate instructions. ▶ Information about Schedule C (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.**

OMB No 1545-0047

2013

Open to Public Inspection

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

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

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

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

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

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

Name of the organization KADLEC REGIONAL MEDICAL CENTER	Employer identification number 91-0655392
--	--

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

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

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

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

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

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

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

Part II-A

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 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?	Yes		40,000
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?		No	
j	Total. Add lines 1c through 1i.			40,000
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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	\$10,000 PAID TO K&L GATES, AND \$30,000 PAID TO KELLER MCINTYRE BOTH ARE FEDERAL GRANT SEEKERS

[illegible]

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ **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.**

OMB No 1545-0047
2013
Open to Public Inspection

Name of the organization KADLEC REGIONAL MEDICAL CENTER	Employer identification number 91-0655392
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Part I

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

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

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or education)☐ Preservation of an historically important land area

☐ Protection of natural habitat☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ **Yes**☐ **No**

6

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

7

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

8

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

☐ **Yes**☐ **No**

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2013

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

- 3

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

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII
- 5

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

☐ Yes

☐ No

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

- 1a

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

☐ Yes

☐ No
- b

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

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	
- 2a

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

☐ Yes

☐ No
- b

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

☐

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

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

- 2

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

Board designated or quasi-endowment
- b

Permanent endowment
- c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%
- 3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by
- (i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

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	797,298	7,285,022		8,082,320
b Buildings	5,830,108	171,686,460	45,240,093	132,276,475
c Leasehold improvements		7,244,192	4,542,536	2,701,656
d Equipment		138,689,384	83,581,377	55,108,007
e Other		13,956,495	2,041,369	11,915,126
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				210,083,584

Schedule D (Form 990) 2013

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	400,275,601
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	2e	10,171,455
a	Net unrealized gains on investments	2a	3,633,945
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	6,537,510
e	Add lines 2a through 2d	2e	10,171,455
3	Subtract line 2e from line 1	3	390,104,146
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1	4c	0
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	
c	Add lines 4a and 4b	4c	
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)	5	390,104,146

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	374,959,908
2	Amounts included on line 1 but not on Form 990, Part IX, line 25	2e	0
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII)	2d	
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	374,959,908
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :	4c	0
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	
c	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)	5	374,959,908

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 X, LINE 2	EFFECTIVE JANUARY 1, 2009, THE MEDICAL CENTER ADOPTED ACCOUNTING FOR UNCERTAIN TAX POSITIONS. THE ACCOUNTING STANDARD PRESCRIBES A RECOGNITION THRESHOLD AND MEASUREMENT PROCESS FOR UNCERTAIN TAX POSITIONS. AS OF DECEMBER 31, 2013 AND 2012, THE MEDICAL CENTER HAD NO UNCERTAIN TAX POSITIONS REQUIRING ACCRUAL.
PART XI, LINE 2D - OTHER ADJUSTMENTS	BOOK/TAX DIFFERENCE IN JOINT VENTURE INCOME 29,293. INTEREST RATE SWAP CONTRACT 6,508,217.

[illegible]

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

► Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
► Attach to Form 990. ► See separate instructions.
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
KADLEC REGIONAL MEDICAL CENTER

Employer identification number
91-0655392

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		6,678	9,785,940		9,785,940	2 680 %
b Medicaid (from Worksheet 3, column a)		39,588	60,379,402	36,725,530	23,653,872	6 480 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs		46,266	70,165,342	36,725,530	33,439,812	9 160 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	228	306,540	1,651,161	536,937	1,114,224	0 310 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			270,996		270,996	0 070 %
j Total Other Benefits	228	306,540	1,922,157	536,937	1,385,220	0 380 %
k Total Add lines 7d and 7j	228	352,806	72,087,499	37,262,467	34,825,032	9 540 %

Part II

Community Building Activities

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

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

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

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

10,199,182

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

77,693,892

6

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

6

103,545,726

7

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

7

-25,851,834

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

9b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

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

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

Part V

Facility Information

Section A. Hospital Facilities

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

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

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	See Additional Data Table										

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)
KADLEC REGIONAL MEDICAL CENTER

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 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>13</u>		
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 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a <input type="checkbox"/> Hospital facility's website (list url) _____		
b <input type="checkbox"/> Other website (list url) _____		
c <input 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 type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	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 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes		
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes		
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes		
a <input checked="" type="checkbox"/> Income level					
b <input type="checkbox"/> Asset level					
c <input type="checkbox"/> Medical indigency					
d <input type="checkbox"/> Insurance status					
e <input type="checkbox"/> Uninsured discount					
f <input type="checkbox"/> Medicaid/Medicare					
g <input type="checkbox"/> State regulation					
h <input type="checkbox"/> 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 checked="" type="checkbox"/> The policy was posted on the hospital facility's website					
b <input type="checkbox"/> The policy was attached to billing invoices					
c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms					
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices					
e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility					
f <input checked="" type="checkbox"/> The policy was available upon request					
g <input type="checkbox"/> Other (describe in Part VI)					
Billing and Collections					
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes		
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP					
a <input type="checkbox"/> Reporting to credit agency					
b <input checked="" type="checkbox"/> Lawsuits					
c <input type="checkbox"/> Liens on residences					
d <input type="checkbox"/> Body attachments					
e <input type="checkbox"/> Other similar actions (describe in 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?				17	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
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

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

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

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible 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		No
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		No

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Schedule H (Form 990) 2013

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? _____

Name and address	Type of Facility (describe)
1	
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 CHNAs 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	N/A
PART I, LINE 6A	THE ORGANIZATION'S COMMUNITY BENEFIT REPORT IS NOT CONTAINED IN A REPORT PREPARED BY A RELATED ORGANIZATION

Form and Line Reference	Explanation
PART I, LINE 7	A COST-TO-CHARGE RATIO WAS USED TO COMPUTE FIGURES REPORTED ON LINES 7A-7C FOR LINES 7E-7I ACTUAL COSTS WERE USED
PART I, LINE 7G	N/A

Form and Line Reference	Explanation
PART I, LINE 7, COLUMN (F)	THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 10,199,182
PART II, COMMUNITY BUILDING ACTIVITIES	N/A

Form and Line Reference	Explanation
PART III, LINE 2	ACTUAL BAD DEBT WRITE OFFS LESS RECOVERIES ARE POSTED DAILY AT THE END OF EACH MONTH, AN ACCRUAL IS BOOKED ESTIMATING THE AMOUNT OF BAD DEBT EXPENSES PENDING ASSOCIATED WITH SELF PAY ACCOUNTS RECEIVABLE BALANCES AND SEVERAL THIRD PARTY PAYORS WHICH HAVE A RELATIVELY SMALL ACCOUNTS RECEIVABLE BALANCE AT ANY GIVEN TIME RESERVE PERCENTAGES ARE APPLIED AGAINST THE ACCOUNTS RECEIVABLE BALANCES BASED ON AGING, WITH ACCOUNTS OLDER THAN 180 DAYS BEING RESERVED FOR AT 100%
PART III, LINE 3	DISCOUNTS ARE POSTED ON A DAILY BASIS AND ARE CAPTURED AS AN "OTHER CONTRACTUAL ADJUSTMENT" TO GROSS CHARGES BOTH DISCOUNTS AND PAYMENTS WOULD REDUCE THE AMOUNT OF OUTSTANDING ACCOUNTS RECEIVABLE, THUS REDUCING THE AMOUNT OF BAD DEBT EXPENSE ACCRUAL POSTED AT THE END OF EACH MONTH FINANCIAL ASSISTANCE (CHARITY) POSTINGS ARE NOT ACCRUED THESE ADJUSTMENTS ARE POSTED ON A DAILY BASIS ONCE IT HAS BEEN DETERMINED WHAT AMOUNT FOR WHICH THE PATIENT HAS QUALIFIED

Form and Line Reference	Explanation
FORM 990, SCHEDULE H PART II	N/A
PART III, LINE 4	<p>ACCOUNTS RECEIVABLE ARE REDUCED BY AN ALLOWANCE FOR DOUBTFUL ACCOUNTS. IN EVALUATING THE COLLECTIBILITY OF ACCOUNTS RECEIVABLE, THE MEDICAL CENTER ANALYZES ITS PAST HISTORY AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYOR SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PROVISION FOR UNCOLLECTIBLE ACCOUNTS. MANAGEMENT REGULARLY REVIEWS DATA ABOUT THESE MAJOR PAYOR SOURCES OF REVENUE IN EVALUATING THE SUFFICIENCY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS. FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRDPARTY COVERAGE, THE MEDICAL CENTER ANALYZES CONTRACTUALLY DUE AMOUNTS AND PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR UNCOLLECTIBLE ACCOUNTS, IF NECESSARY (FOR EXAMPLE, FOR EXPECTED UNCOLLECTIBLE DEDUCTIBLES AND COPAYMENTS ON ACCOUNTS FOR WHICH THE THIRD-PARTY PAYOR HAS NOT YET PAID, OR FOR PAYORS WHO ARE KNOWN TO BE HAVING FINANCIAL DIFFICULTIES THAT MAKE THE REALIZATION OF AMOUNTS DUE UNLIKELY) FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS (WHICH INCLUDES BOTH PATIENTS WITHOUT INSURANCE AND PATIENTS WITH DEDUCTIBLE AND COPAYMENT BALANCES DUE FOR WHICH THIRD-PARTY COVERAGE EXISTS FOR PART OF THE BILL), THE MEDICAL CENTER RECORDS A SIGNIFICANT PROVISION FOR UNCOLLECTIBLE ACCOUNTS IN THE PERIOD OF SERVICE ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE. THE DIFFERENCE BETWEEN THE STANDARD RATES (OR THE DISCOUNTED RATES IF NEGOTIATED) AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS. THE MEDICAL CENTER'S ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR SELF-PAY PATIENTS DECREASED FROM 70% OF SELF-PAY ACCOUNTS RECEIVABLE AT DECEMBER 31, 2012, TO 66% OF SELF-PAY ACCOUNTS RECEIVABLE AT DECEMBER 31, 2013. IN ADDITION, SELF-PAY WRITE-OFFS DECREASED \$348,429 FROM \$1,289,718 FOR FISCAL YEAR 2012 TO \$941,289 FOR FISCAL YEAR 2013. THESE CHANGES WERE THE RESULT OF TRENDS EXPERIENCED IN THE COLLECTION OF AMOUNTS FROM SELF-PAY PATIENTS IN FISCAL YEAR 2013. THE MEDICAL CENTER HAS NOT CHANGED ITS CHARITY CARE POLICY DURING FISCAL YEARS 2013 OR 2012. DURING 2012, THE MEDICAL CENTER ADDED A POLICY FOR DISCOUNTS FOR UNINSURED PATIENTS. THE MEDICAL CENTER DOES NOT MAINTAIN A MATERIAL ALLOWANCE FOR DOUBTFUL ACCOUNTS FROM THIRD-PARTY PAYORS, NOR DID IT HAVE SIGNIFICANT WRITE-OFFS FROM THIRD-PARTY PAYORS.</p>

Form and Line Reference	Explanation
PART III, LINE 9B	IF A PATIENT QUALIFIES FOR 100% FINANCIAL ASSISTANCE, THE ACCOUNT IS NOT PLACED WITH A COLLECTION AGENCY A PATIENT QUALIFYING FOR PARTIAL ADJUSTMENT IS RESPONSIBLE FOR THE REMAINING BALANCE AND THE ACCOUNT IS HANDLED ACCORDING TO OUR COLLECTION POLICY
FORM 990, SCHEDULE H, PART III, LINE 3	N/A

Form and Line Reference	Explanation
PART VI, LINE 2	THROUGH A COALITION BETWEEN BENTON-FRANKLIN COMMUNITY HEALTH ALLIANCE, LOURDES HEALTH NETWORK, KADLEC REGIONAL MEDICAL CENTER, KENNEWICK GENERAL HOSPITAL, GROUP HEATLH COOPERATIVE, PROSSER MEMORIAL HOSPITAL AND BENTON FRANKLIN HEALTH DISTRICT THE ASSESSMENT IS PRODUCED FROM DATA, STAKEHOLDER INTERVIEWS, SURVEYS AND FORUMS AND INTERESTED COMMUNITY REPRESENTATIVES
PART VI, LINE 3	INFORMATION ABOUT THE AVAILABILITY OF FINANCIAL ASSISTANCE IS PROMINENTLY POSTED IN PATIENT AREAS IN ADDITION, INFORMATION IS AVAILABLE ON KADLEC'S WEBSITE AND ALSO INCLUDED ON PATIENT STATEMENTS

Form and Line Reference	Explanation
PART VI, LINE 4	KADLEC SERVES A DIVERSE POPULATION WITHIN ITS PRIMARY SERVICE AREA OF BENTON AND FRANKLIN COUNTIES IN ADDITION, KADLEC SERVES A LARGE HISPANIC POPULATION
PART VI, LINE 5	N/A

Form and Line Reference	Explanation
PART VI, LINE 6	N/A
FORM 990, SCHEDULE H, PART VI, LINE 7	WASHINGTON

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
KADLEC REGIONAL MEDICAL CENTER

Employer identification number
91-0655392

Part I

Questions Regarding Compensation

	Yes	No
<div><div>1a</div><div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</div><div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input checked="" type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input checked="" type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div></div>		
<div><div>b</div><div>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</div></div>	<div>1b</div> Yes	
<div><div>2</div><div>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?</div></div>	<div>2</div> Yes	
<div><div>3</div><div>Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III</div><div><div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div></div>		
<div><div>4</div><div>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</div></div>		
<div><div>a</div><div>Receive a severance payment or change-of-control payment?</div></div>	<div>4a</div>	No
<div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>	<div>4b</div>	No
<div><div>c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div><div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div></div>	<div>4c</div>	No
<div><div></div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div>		
<div><div>5</div><div>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</div></div>		
<div><div>a</div><div>The organization?</div></div>	<div>5a</div>	No
<div><div>b</div><div>Any related organization?</div><div>If "Yes," to line 5a or 5b, describe in Part III</div></div>	<div>5b</div>	No
<div><div>6</div><div>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</div></div>		
<div><div>a</div><div>The organization?</div></div>	<div>6a</div> Yes	
<div><div>b</div><div>Any related organization?</div><div>If "Yes," to line 6a or 6b, describe in Part III</div></div>	<div>6b</div>	No
<div><div>7</div><div>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</div></div>	<div>7</div>	No
<div><div>8</div><div>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</div></div>	<div>8</div>	No
<div><div>9</div><div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div></div>	<div>9</div>	

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 I, LINE 1A	THE BOARD IS ALLOWED TO TAKE THEIR COMPANION ON THE ANNUAL BOARD RETREAT THE TRAVEL POLICY STATES THAT IT WILL ONLY REIMBURSE UNPAID BOARD MEMBERS FOR SPOUSES' MEALS AND BAGGAGE FEES RAND WORTMAN KHS PRESIDENT & CEO, KRMC CEO, LANE SAVITCH, KRMC PRESIDENT, LARRY CHRISTENSEN, VP RESOURCE DEVELOPMENT FOR KHS AND KADLEC FOUNDATION EXECUTIVE DIRECTOR, WILLIAM WINGO, VP, CORPORATE COUNSEL FOR KRMC AND KHS WILLIAM BAKER, VP, REGIONAL BUSINESS DEVELOPMENT FOR KRMC AND KHS, THEIR MEADOW SPRINGS COUNTRY CLUB DUES ARE PAID BY THE MEDICAL CENTER COUNTRY CLUB DUES ARE BONA FIDE BUSINESS EXPENES AND ARE NOT REPORTED AS TAXABLE INCOME
PART I, LINE 6	THE KHS BOARD ESTABLISHED AN INCENTIVE COMPENSATION PROGRAM FOR SENIOR KHS AND KRMC EXECUTIVES TO ENSURE LEADERSHIP WAS FOCUSED ON KHS AND KRMC PRIORITIES, PATIENT SATISFACTION, EMPLOYEE SATISFACTION, QUALITY CARE, STRATEGIC GOALS, AND OPERATING INCOME PERFORMANCE EXPECTATIONS ARE SET EACH YEAR WITH THE OPERATING BUDGET, CAPITAL BUDGET, AND BUSINESS PLAN THE INCENTIVE GOALS ARE WEIGHTED ACCORDING TO THE PARTICIPANTS CONTRIBUTION THE GOALS ARE ALL OR NOTHING AND THE PAYOUT OCCURS AFTER A FINAL REPORT IS PRESENTED TO THE BOARD EXECUTIVE COMMITTEE

Additional Data

Software ID:
Software Version:
EIN: 91-0655392
Name: KADLEC REGIONAL MEDICAL CENTER

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				
LARRY CHRISTENSEN VICE PRESIDENT	(i) (ii)	168,894 0	29,829 0	2,919 0	9,289 0	3,263 0	214,194 0	0 0
GLENN WELCH VICE PRESIDENT	(i) (ii)	180,035 0	0 0	8,084 0	0 0	13,725 0	201,844 0	0 0
KIRK W HARPER VICE PRESIDENT	(i) (ii)	189,802 0	30,119 0	0 0	9,536 0	780 0	230,237 0	0 0
LANE A SAVITCH VICE PRESIDENT	(i) (ii)	330,322 0	60,985 0	0 0	13,750 0	3,211 0	408,268 0	0 0
JULIE L MEEK VICE PRESIDENT	(i) (ii)	310,692 0	56,413 0	0 0	13,750 0	3,289 0	384,144 0	0 0
DAVID R ROACH VICE PRESIDENT	(i) (ii)	246,409 0	38,792 0	0 0	12,897 0	4,208 0	302,306 0	0 0
JEFFREY A CLARK VICE PRESIDENT	(i) (ii)	231,568 0	38,874 0	0 0	12,652 0	6,055 0	289,149 0	0 0
WILLIAM T WINGO VICE PRESIDENT	(i) (ii)	268,587 0	47,580 0	0 0	13,750 0	3,184 0	333,101 0	0 0
HANNAN CHAUGLE PHYSICIAN	(i) (ii)	550,018 0	247,948 0	63,833 0	11,328 0	5,552 0	878,679 0	0 0
MATTHEW FEWEL PHYSICIAN	(i) (ii)	747,306 0	100 0	92,000 0	13,750 0	7,198 0	860,354 0	0 0
DEBRA STEELE PHYSICIAN	(i) (ii)	725,504 0	100 0	93,000 0	13,750 0	6,422 0	838,776 0	0 0
CHERRAG UPADHYAYA PHYSICIAN	(i) (ii)	699,398 0	100 0	93,000 0	13,750 0	5,655 0	811,903 0	0 0
FAREED ARIF PHYSICIAN	(i) (ii)	421,424 0	302,318 0	55,206 0	13,750 0	6,432 0	799,130 0	0 0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
KADLEC REGIONAL MEDICAL CENTER

Employer identification number
91-0655392

Part I

Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	WASHINGTON HEALTHCARE FACILITIES AUTHORITY	91-1108929	93978ED25	09-07-2006	33,165,247	REFUNDING SERIES 1996 AND 2001 BONDS		X		X		X
B	WASHINGTON HEALTHCARE FACILITIES AUTHORITY	91-1108929	93978ED33	09-07-2006	50,000,000	FINANCING MAJOR ADDITION		X		X		X
C	WASHINGTON HEALTHCARE FACILITIES AUTHORITY	91-1108929	93978HAV7	11-04-2010	56,114,049	FINANCING MAJOR ADDITION		X		X		X
D	WASHINGTON HEALTHCARE FACILITIES AUTHORITY	91-1108929	93978HGZ2	08-30-2012	60,297,918	FINANCING MAJOR ADDITION		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	8,470,000		3,650,000		1,950,000			
2	Amount of bonds legally defeased								
3	Total proceeds of issue	33,165,247		50,000,000		56,114,049		60,297,918	
4	Gross proceeds in reserve funds	2,250,591		3,337,655		5,243,038		5,509,958	
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	1,019,953		1,876,321		785,275		848,400	
8	Credit enhancement from proceeds	933,645		1,712,033					
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	1,828,067		44,453,250		43,016,619		38,123,121	
11	Other spent proceeds	15,700,094						15,700,094	
12	Other unspent proceeds								
13	Year of substantial completion	2002		2008		2012			
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
		X			X		X		X
15	Were the bonds issued as part of an advance refunding issue?	X		X			X		X
16	Has the final allocation of proceeds been made?	X		X			X		X
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X			X		X

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X		X		X
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X	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?	X						X	
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %		0 %		0 %		0 %	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %		0 %		0 %		0 %	
6	Total of lines 4 and 5	0 %		0 %		0 %		0 %	
7	Does the bond issue meet the private security or payment test?		X		X		X		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		X		X		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		X		X		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		X			X		X
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X				X		X
b	Exception to rebate?		X				X		X
c	No rebate due?		X				X		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	X			X		X
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X	X			X		X
b	Name of provider	PIPER JAFFRAY		PIPER JAFFRAY					
c	Term of hedge	28 500000000000		28 500000000000					
d	Was the hedge superintegrated?		X		X				
e	Was the hedge terminated?		X		X				

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
	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		X		X		X

Part VI

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

Return Reference	Explanation
SCHEDULE K, PART IV, LINE 2C	(C) THE ORGANIZATION HAS NOT DONE A COMPUTATION AT THIS POINT IN TIME (D) THE ORGANIZATION HAS NOT DONE A COMPUTATION AT THIS POINT IN TIME

efile GRAPHIC print - DO NOT PROCESS		As Filed Data -		DLN: 93493318075644	
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 .				OMB No 1545-0047
					2013
					Open to Public Inspection
Name of the organization KADLEC REGIONAL MEDICAL CENTER				Employer identification number 91-0655392	

990 Schedule O, Supplemental Information

Return Reference	Explanation
FORM 990, PART III, LINE 3	
FORM 990, PART VI, SECTION A, LINE 3	THE BOARD OF DIRECTORS HIRED QUORUM HEALTH RESOURCES AS A MANAGEMENT COMPANY TO OVERSEE DAY TO DAY OPERATIONS OF THE HEALTH SYSTEM THE PRESIDENT AND CEO (RAND WORTMAN) IS AN EMPLOYEE OF QUORUM HEALTH RESOURCES REPORTABLE AND OTHER COMPENSATION PAID BY QUORUM TO RAND TOTALED \$1,039,477 FOR 2013
FORM 990, PART VI, SECTION A, LINE 6	KADLEC HEALTH SYSTEM (KHS) IS THE SOLE VOTING MEMBER OF KADLEC REGIONAL MEDICAL CENTER(KRMC) KHS SHALL HAVE SUCH RIGHTS AND POWERS AS ARE SPECIFIED IN THE WASHINGTON NONPROFIT CORPORATION ACT, THE ARTICLES OF INCORPORATION OF KRMC AND THE BYLAWS
FORM 990, PART VI, SECTION A, LINE 7A	THE ANNUAL MEETING OF THE SOLE VOTING MEMBER OF KADLEC REGIONAL MEDICAL CENTER (KRMC) TO RA TIFY ELECTION AND RE-ELECTION OF DIRECTORS OF KRMC AND FOR THE TRANSACTION OF SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE SOLE VOTING MEMBER, SHALL BE HELD EACH YEAR AS SPECIFIED IN THE BYLAWS OF THE SOLE VOTING MEMBER THE SOLE VOTING MEMBER MAY DELEGATE OR APPOINT AN OFFICER OF KADLEC HEALTH SYSTEM TO EXERCISE ANY OF THE RIGHTS AND POWERS OF THE SOLE VOTING MEMBER
FORM 990, PART VI, SECTION A, LINE 7B	THE SOLE VOTING MEMBER HAS THE RIGHT (1)TO RATIFY THE ELECTION OR APPOINTMENT OF EACH MEMBER OF THE BOARD OF DIRECTORS AND THE ELECTION OF OFFICERS (2) TO REMOVE ANY DIRECTOR (3) TO AMEND THE ARTICLES OF INCORPORATION OR BYLAWS OF KADLEC REGIONAL MEDICAL CENTER, AND TO APPROVE ANY AMENDMENTS TO THE ARTICLES OF INCORPORATION OF BYLAWS OF KRMC RECOMMENDED BY THE BOARD OF DIRECTORS (4) TO APPROVE ANY MERGERS OR CONSOLIDATION (5) TO APPROVE THE ANNUAL OPERATING AND CAPITAL BUDGETS AND DEVELOPMENT AND REVISION (6) TO APPROVE THE ENTRY INTO JOINT VENTURES OR PARTNERSHIPS (7) TO APPROVE THE ENCUMBRANCE, LEASE, SALE OR OTHER TRANSFER OF ASSETS WITH A VALUE OF \$1,000,000 OR GREATER (8) TO APPROVE THE SELECTION OR REMOVAL OF KRMC'S INDEPENDENT AUDITOR OR LEGAL COUNSEL (9) TO APPROVE THE INITIATION OF LITIGATION OR SETTLEMENT OF MATERIAL LITIGATION IN WHICH KRMC IS THE PLAINTIFF OR DEFENDANT (10) TO APPROVE THE EXECUTION OF ANY MANAGEMENT AGREEMENT, OR ANY OTHER CONTRACT
FORM 990, PART VI, SECTION B, LINE 11	ONCE THE 990 IS PREPARED BY A THIRD PARTY, ACCOUNTING STAFF REVIEWS THE DOCUMENTS TO VERIFY INFORMATION HAS BEEN PROVIDED AND INPUT ACCURATELY ONCE THIS PROCESS HAS BEEN COMPLETED, THE 990 IS REVIEWED AND APPROVED BY THE EXECUTIVE COMMITTEE OF THE BOARD THE 990 IS ALSO UPLOADED TO THE BOARD WEBSITE AND IS AVAILABLE FOR ALL BOARD MEMBERS TO REVIEW
FORM 990, PART VI, SECTION B, LINE 12C	THE COMPLIANCE PROGRAM IS DIRECTED BY THE COMPLIANCE OFFICER AND THE CORPORATE COMPLIANCE COMMITTEE, WHO ARE CHARGED WITH ENSURING THAT THE HOSPITAL MAINTAINS AN EFFECTIVE COMPLIANCE PROGRAM
FORM 990, PART VI, SECTION B, LINE 15	AN INDEPENDENT THIRD PARTY IS USED TO DETERMINE APPROPRIATE COMPENSATION AND REVIEWED AND APPROVED BY THE COMPENSATION COMMITTEE DOCUMENTED AND COMPLETED IN FEBRUARY 2013 FOR RAND WORTMAN, AND THE EXECUTIVE TEAM IN OCTOBER 2013
FORM 990, PART VI, SECTION C, LINE 19	HARD COPIES OF THE AUDITED FINANCIAL STATEMENTS ARE KEPT IN THE ACCOUNTING DEPARTMENT AND ARE AVAILABLE UPON REQUEST THE HOSPITAL'S "MISSION, VISION, VALUES" STATEMENT IS DISPLAYED IN NUMEROUS PUBLIC LOCATIONS THROUGHOUT THE FACILITY CONFLICT OF INTEREST POLICY IS AVAILABLE TO PUBLIC UPON REQUEST
FORM 990, PART XI, LINE 9	INTEREST RATE SWAP CONTRACT 6,508,217 BOOK/TAX DIFFERENCE IN JOINT VENTURE INCOME 29,293 TRANSFER OF NET ASSETS FROM RELATED ORGANIZATIONS 4,526,250

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ 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.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
KADLEC REGIONAL MEDICAL CENTER

Employer identification number
91-0655392

Part I Identification of Disregarded Entities Complete if the organization answered "Yes" on Form 990, Part IV, line 33.					
(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) KADLEC CLINIC LLC 945 GOETHALS SUITE 220 RICHLAND, WA 99352 20-4265899	PRIMARY CARE PHYSICIAN SERVICES	WA			KADLEC HEALTH SYSTEM
(2) KADLEC MEDICAL ASSOCIATES LLC 888 SWIFT BLVD RICHLAND, WA 993523583 20-3980865	INPATIENT HOSPITALISTS SERVICES	WA			KADLEC HEALTH SYSTEM
(3) KADLEC NEUROSCIENCE CENTER LLC 800 SWIFT BLVD SUITE 300 RICHLAND, WA 993523583 20-1613946	NEUROLOGICAL RELATED PHYSICIAN SERVICES	WA			KADLEC HEALTH SYSTEM
(4) TRICITIES NEPHROLOGY LLC 309 BRADLEY SUITE 109 RICHLAND, WA 99352 27-1041915	NEPHROLOGY PHYSICIAN SERVICES	WA			KADLEC HEALTH SYSTEM

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.							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) THE NEUROLOGICAL RESOURCE CENTER 712 SWIFT BLVD SUITE 1 RICHLAND, WA 993523583 91-1266345	EDUCATION ON NEUROLOGICAL DISORDERS	WA	501(C)(3)	LINE 7	KADLEC HEALTH SYSTEM		No
(2) KADLEC HEALTH SYSTEM 888 SWIFT BLVD RICHLAND, WA 993523583 91-1266346	HOSPITAL & PHYSICIAN SERVICES	WA	501(C)(3)	LINE 3	N/A		No
(3) KADLEC FOUNDATION 800 SWIFT BLVD RICHLAND, WA 993523583 23-7005501	FUNDRAISING	WA	501(C)(3)	LINE 11A, I	KADLEC HEALTH SYSTEM		No

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.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Dispropportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

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.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) KADLEC ENTERPRISES INC 888 SWIFT BOULEVARD RICHLAND, WA 99352 91-1323736	ENGAGE IN BUSINESS RELATED TO HEALTHCARE AND TO SUPPORT KHS	WA	N/A	C					No

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

No

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

Yes

1k

Yes

1l

No

1m

No

1n

No

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) KADLEC FOUNDATION	C	529,513	
(2) KADLEC HEALTH SYSTEM	K	778,433	
(3) THE NEUROLOGICAL RESOURCE CENTER	J	70,815	
(4) THE NEUROLOGICAL RESOURCE CENTER	O	208,763	
(5) THE NEUROLOGICAL RESOURCE CENTER	Q	4,448	

Schedule R (Form 990) 2013

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

[illegible]

Part VII

Supplemental Information

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

Return Reference	Explanation
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Report of Independent Auditors
In Accordance with OMB Circular A-133
and Financial Statements

Kadlec Regional Medical Center

December 31, 2013 and 2012

MOSS-ADAMS_{LLP}

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Kadlec Regional Medical Center

Report on the Financial Statements

We have audited the accompanying financial statements of Kadlec Regional Medical Center, which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations and net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kadlec Regional Medical Center as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the operations of four limited liability companies were merged into Kadlec Regional Medical Center and have been reflected in the 2013 and restated 2012 balances.

Other Matters***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014 on our consideration of the Kadlec Regional Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kadlec Regional Medical Center's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Yakima, Washington
March 31, 2014

KADLEC REGIONAL MEDICAL CENTER
BALANCE SHEET

ASSETS

	December 31,	
	2013	2012
		(restated)
CURRENT ASSETS		
Cash and cash equivalents	\$ 29,670,728	\$ 39,203,711
Accounts receivable, less allowance for uncollectible accounts of \$25,048,456 in 2013 and \$21,928,280 in 2012	54,741,593	43,012,691
Assets held by trustee under bond indenture agreement required for current liabilities	160,131	394,157
Related-party receivables	3,318,669	27,849
Other receivables	1,147,123	1,049,245
Supplies inventory	2,016,782	1,771,933
Prepaid expenses	1,660,479	1,126,452
Total current assets	<u>92,715,505</u>	<u>86,586,038</u>
ASSETS LIMITED AS TO USE, net of amounts required for current liabilities		
Held by trustee under bond indenture agreement	31,881,246	58,107,046
Assets held for future expansion	79,599,631	54,385,860
Assets held for professional liabilities trust	5,211,157	5,907,486
Total assets limited as to use	<u>116,692,034</u>	<u>118,400,392</u>
LAND, BUILDINGS, AND EQUIPMENT, net	<u>210,083,584</u>	<u>187,291,540</u>
OTHER ASSETS		
Deferred financing costs	4,529,950	4,731,062
Investment in joint ventures	4,864,809	6,068,939
Related-party receivables	-	3,764,860
Other assets	5,179,204	1,012,970
Total other assets	<u>14,573,963</u>	<u>15,577,831</u>
TOTAL ASSETS	<u><u>\$ 434,065,086</u></u>	<u><u>\$ 407,855,801</u></u>

KADLEC REGIONAL MEDICAL CENTER
BALANCE SHEET

LIABILITIES AND NET ASSETS

	December 31,	
	2013	2012
		(restated)
CURRENT LIABILITIES		
Line of credit	\$ 5,000,000	\$ 5,000,000
Accounts payable and other accrued liabilities	23,160,790	19,806,031
Salaries, wages, and benefits payable	18,138,421	16,893,543
Estimated third-party payor settlements	991,417	700,000
Accrued interest payable	585,410	592,523
Current portion of long-term debt	3,065,999	2,546,300
Total current liabilities	<u>50,942,037</u>	<u>45,538,397</u>
 ESTIMATED MALPRACTICE COSTS	 4,573,700	 4,591,700
 OTHER LONG-TERM LIABILITIES	 13,089,562	 16,381,896
 LONG-TERM DEBT, net of current portion	 <u>187,944,857</u>	 <u>189,144,570</u>
Total liabilities	<u>256,550,156</u>	<u>255,656,563</u>
 NET ASSETS		
Unrestricted	174,252,159	148,457,887
Temporarily restricted	3,262,771	3,741,351
Total net assets	<u>177,514,930</u>	<u>152,199,238</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 434,065,086</u></u>	 <u><u>\$ 407,855,801</u></u>

KADLEC REGIONAL MEDICAL CENTER
STATEMENT OF OPERATIONS AND NET ASSETS

	Year Ended December 31,	
	2013	2012
		(restated)
OPERATING REVENUE		
Net patient service revenue	\$ 378,115,863	\$ 363,150,410
Provision for uncollectible accounts	(10,199,182)	(19,712,547)
Net patient service revenue less provision for uncollectible accounts	367,916,681	343,437,863
Other operating revenue	7,472,853	8,765,858
	<u>375,389,534</u>	<u>352,203,721</u>
OPERATING EXPENSES		
Salaries, wages, and benefits	194,972,594	181,018,677
Supplies and other expenses	141,186,764	135,968,957
Depreciation and amortization	18,882,080	17,715,261
Interest and amortization	9,719,289	7,812,833
	<u>364,760,727</u>	<u>342,515,728</u>
INCOME FROM OPERATIONS	10,628,807	9,687,993
NON-OPERATING INCOME, net of depreciation expense of \$58,136 in 2013 and 2012	<u>7,685,911</u>	<u>4,809,587</u>
EXCESS OF REVENUES OVER EXPENSES	18,314,718	14,497,580
CHANGE IN NET UNREALIZED LOSSES ON OTHER THAN TRADING SECURITIES	2,412	(23,509)
GAIN ON INTEREST RATE SWAP AGREEMENT	6,508,217	650,379
DISTRIBUTION FROM KADLEC HEALTH SYSTEM	-	503,700
NET ASSETS RELEASED FROM RESTRICTIONS USED FOR PURCHASE OF PROPERTY AND EQUIPMENT	<u>968,925</u>	<u>-</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>25,794,272</u>	<u>15,628,150</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions for acquisition of equipment and other special purposes	490,345	856,638
Net assets released from restrictions	<u>(968,925)</u>	<u>-</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(478,580)</u>	<u>856,638</u>
CHANGE IN NET ASSETS	25,315,692	16,484,788
NET ASSETS, beginning of year	<u>152,199,238</u>	<u>135,714,450</u>
NET ASSETS, end of year	<u>\$ 177,514,930</u>	<u>\$ 152,199,238</u>

KADLEC REGIONAL MEDICAL CENTER
STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2013	2012 (restated)
CASH FLOWS FROM OPERATING AND NON-OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$ 360,146,178	\$ 350,753,835
Cash received from other operating revenue	7,723,548	7,941,607
Cash paid to employees and suppliers	(335,540,571)	(318,935,294)
Interest received	1,789,444	1,575,236
Interest paid	(9,462,559)	(7,292,877)
Lease revenue	588,686	602,973
Net cash from operating and non-operating activities	<u>25,244,726</u>	<u>34,645,480</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in related-party receivables	(3,290,820)	(12,823)
Purchase of land, buildings, and equipment	(39,592,425)	(28,179,199)
Proceeds from the sale of equipment	2,100	4,600
Change in funds held by trustee	26,459,826	(37,436,365)
Change in assets held for future expansion	(19,550,319)	(1,442,764)
Change in assets for professional liability trust	696,329	(1,338,724)
Investment in joint ventures, net	750,000	1,618,919
Net cash from investing activities	<u>(34,525,309)</u>	<u>(66,786,356)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution from Kadlec Health System	-	503,700
Proceeds from long-term debt	1,824,989	60,487,988
Payments on long-term debt	(2,505,003)	(2,437,983)
Proceeds from line of credit	5,000,000	5,000,000
Payments on line of credit	(5,000,000)	(9,995,000)
Other financing activities	(62,731)	(986,052)
Contributions restricted for acquisition of equipment and other special purposes	490,345	856,638
Net cash from financing activities	<u>(252,400)</u>	<u>53,429,291</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(9,532,983)</u>	<u>21,288,415</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>39,203,711</u>	<u>17,915,296</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 29,670,728</u></u>	<u><u>\$ 39,203,711</u></u>

KADLEC REGIONAL MEDICAL CENTER
STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2013	2012
		(restated)
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING AND NON-OPERATING ACTIVITIES		
Change in net assets	\$ 25,315,692	\$ 16,484,788
Adjustments to reconcile change in net assets to net cash from operating and non-operating activities		
Depreciation	18,940,216	17,773,397
Amortization - deferred financing costs	263,843	278,164
(Gain) loss on sale of equipment	91,688	(4,600)
Provision for uncollectible accounts	10,199,182	19,712,547
Provision for estimated malpractice costs	(18,000)	138,500
Net gain from joint ventures	454,130	(685,788)
Realized and unrealized (gain) loss on trading securities	(5,661,040)	(2,823,377)
Change in net unrealized losses on other than trading securities	(2,412)	23,509
Change in swap agreement	(6,508,217)	(650,379)
Distribution from Kadlec Health System	-	(503,700)
Contributions restricted for acquisition of equipment and other special purposes	(490,345)	(856,638)
Increase (decrease) in cash due to changes in assets and liabilities		
Accounts receivable, net	(21,928,084)	(9,738,367)
Related-party receivables	3,764,860	(856,638)
Other receivables	(97,878)	(931,448)
Supplies inventory	(244,849)	140,725
Prepaid expenses	(534,027)	(130,742)
Other assets	(4,166,234)	(22,521)
Accounts payable and other accrued liabilities	1,121,136	(4,022,495)
Salaries, wages, and benefits payable	1,244,878	1,877,957
Estimated third-party payor settlements	291,417	(870,122)
Accrued interest payable	(7,113)	241,792
Other long-term liabilities	3,215,883	70,916
Net adjustments	(70,966)	18,160,692
NET CASH FROM OPERATING AND NON-OPERATING ACTIVITIES	\$ 25,244,726	\$ 34,645,480

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

The Medical Center purchased \$7,118,629 and \$4,885,006 of land, building, and equipment at December 31, 2013 and 2012, respectively, which was included in accounts payable.

Note 1 – Description of Operations

Kadlec Regional Medical Center (the Medical Center) is a not-for-profit corporation located in Richland, Washington. Kadlec Health System (KHS), a Washington not-for-profit corporation, is the sole corporate member of the Medical Center. Note 14 describes transactions between the Medical Center, KHS, and its affiliates. The Medical Center is a licensed 270-bed acute-care facility providing both inpatient and outpatient medical services for citizens of Richland, Kennewick, and Pasco, Washington as well as surrounding communities and Northeast Oregon.

The Medical Center has an agreement with Quorum Health Resources, LLC (QHR). Under the terms of the agreement, QHR provides management services through an employment arrangement with the Chief Executive Officer, and special consulting services which enhance the strategic, operational, and financial direction of the Medical Center. The agreement is effective through May 31, 2016. Both parties have the right to terminate the agreement.

The Kadlec Health System physician practice limited liability companies of Kadlec Clinic LLC, Kadlec Medical Associates LLC, Kadlec Neuroscience Center LLC, and Tri-Cities Nephrology converted from community based reimbursement to provider based reimbursement effective January 1, 2013. Kadlec Health System modified its corporate structure and its operations for the four above named physician practice limited liability companies to become part of Kadlec Regional Medical Center. The operations of the limited liability companies were merged into Kadlec Regional Medical Center and have been reflected in the 2013 balances. This transaction has been accounted for as a transaction between entities under common control in accordance with authoritative guidance issued by the Financial Accounting Standards Board. Accordingly, the net assets were recognized in the financial statements at their carrying amounts in the accounts of Kadlec Regional Medical Center at the transfer date and the results of operations of Kadlec Regional Medical Center are included as though the transaction had occurred at the beginning of the period. Therefore, the 2012 balances were restated to include the operations of the limited liability companies.

Note 2 – Summary of Significant Accounting Policies

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

Cash and cash equivalents – For purposes of the statement of cash flows, the Medical Center considers all highly liquid investments with initial maturity dates of three months or less as cash and cash equivalents, except for amounts limited as to use by Board designation or trust agreements.

Temporarily restricted net assets – Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose.

Donor-restricted gifts – Unconditional promises to give cash and other assets to the Medical Center are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Note 2 – Summary of Significant Accounting Policies (continued)

Excess of revenues over expenses – The statement of operations includes excess of revenues over expenses. Changes in net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, the effective portion of the gain or loss on derivative instruments designated and qualifying as cash flow hedging instruments, 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).

Net patient service revenue – Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity care – The Medical Center provides care to patients who meet certain criteria under its financial assistance policy, without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Derivative instruments – In an effort to stabilize financing rates, the Medical Center is participating in an interest rate swap. The interest rate swap, which qualifies as a cash flow hedge, expires November 14, 2036 and effectively fixes the interest rate paid on the Series 2006B Bonds at 4.116%. The outstanding balance on the Series 2006B Bonds as of December 31, 2013 is \$46,350,000 and the variable rate was .11% at December 31, 2013, which was 70% of LIBOR. The derivative financial instrument is reported at fair market value on the balance sheet in other long-term liabilities. Changes in the fair market value of the derivative are recorded each period on the statement of operations below the excess of revenues over expenses line. During the years ended December 31, 2013 and 2012, the Medical Center incurred a gain on the interest rate swap of \$6,508,217 and \$605,379, respectively.

During the years ended December 31, 2013 and 2012, the derivative resulted in an increase in interest expense of \$1,873,139 and \$1,890,975, respectively.

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

Deferred financing costs – Costs of bond financing are capitalized and amortized using the effective interest method over the life of the bonds. Deferred financing cost amortization expense was \$263,843 and \$232,438 for the years ended December 31, 2013 and 2012, respectively.

Patient accounts receivable – Patient accounts receivable arising from revenue for services to patients are reduced by an allowance for uncollectible accounts and contractual allowances based on experience, third-party contractual reimbursement arrangements, and any unusual circumstances which may affect the ability of patients to meet their obligations. Accounts deemed uncollectible are charged against this allowance.

Supplies inventory – Supplies inventory, comprised primarily of medical supplies, surgical supplies, and pharmaceuticals, is stated at the lower of replacement cost or market.

KADLEC REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Land, buildings, and equipment – Land, buildings, and equipment acquisitions are recorded at cost. Donated property is stated at fair market value at the time of donation. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method. Depreciation expense from operating and non-operating activities totaled \$18,940,216 and \$17,773,397 for the years ended December 31, 2013 and 2012, respectively. The costs of normal maintenance, repairs, and minor replacements are charged to expense when incurred.

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

Assets limited as to use – Assets limited as to use include assets set aside by the Board of Directors for use in future expansion over which the Board retains control and may at its discretion subsequently use for other purposes. Assets limited as to use also include assets held by a trustee under an indenture agreement and assets held for professional liabilities. These investments are stated at fair market value as determined by reference to quoted market prices. Amounts required to meet current liabilities of the Medical Center have been reclassified in the balance sheet at December 31, 2013 and 2012.

Investments in joint ventures – The Medical Center has investments in joint ventures that provide health care services. The Medical Center accounts for these investments using the equity method under which the Medical Center's share of net income is reported in non-operating income.

Federal income tax – The Medical Center is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Medical Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515. The Medical Center adopted the income tax standard relating to accounting for uncertain tax positions. The accounting standard prescribes a recognition threshold and measurement process for uncertain tax positions. As of December 31, 2013 and 2012, the Medical Center had no uncertain tax positions requiring accrual. The Medical Center files a U.S. federal income tax return and is no longer subject to U.S. federal tax examinations by tax authorities for years before 2010.

Functional expenses – The Medical Center provides general healthcare services to residents within its geographic location. Expenses related to providing these services are as follows:

	2013	2012
Healthcare services	\$ 237,464,608	\$ 206,845,161
General and administrative	127,296,119	135,670,567
	<u>\$ 364,760,727</u>	<u>\$ 342,515,728</u>

Note 2 – Summary of Significant Accounting Policies (continued)

Donated services – A substantial number of volunteers donate significant amounts of their time for the Medical Center's program activities. These donated hours are a necessary part of the Medical Center's activities. No dollar amounts have been reflected in the accompanying statements for these services since the services do not require specialized skills and would typically not be purchased if not provided by donation.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The Medical Center recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Medical Center's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are issued.

The Medical Center has evaluated subsequent events through March 31, 2014, which is the date the financial statements are to be issued, and concluded that there were no events or transactions that need to be disclosed.

Note 3 – Net Patient Service Revenue

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

- **Medicare** – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain outpatient services to Medicare beneficiaries are reimbursed on a prospective payment system. The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through 2007. The Medical Center'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. Estimated net revenue under the Medicare program totaled approximately \$116,581,466 and \$106,722,938 for 2013 and 2012, respectively.
- **Medicaid** – Inpatient acute care services rendered to Medicaid program beneficiaries and Healthy Options Medicaid participants are paid primarily on an APDRG based system similar to Medicare. Estimated net revenue under the Medicaid program totaled approximately \$40,589,477 and \$46,478,700 for 2013 and 2012, respectively.
- **Other third-party payors** – Inpatient services rendered to certain third-party payors are reimbursed at prospectively determined rates per admission under a Preferred Hospital Agreement. The prospectively determined rates are not subject to retroactive adjustment. Generally, outpatient services are paid on an agreed-upon percentage of the Medical Center's established rates. However, certain outpatient services are paid on an agreed-upon fee schedule.

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

KADLEC REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 3 – Net Patient Service Revenue (continued)

A summary of gross and net patient service revenue at December 31 is as follows:

	<u>2013</u>	<u>2012</u>
Daily hospital services	\$ 201,258,903	\$ 168,714,626
Ancillary services	<u>786,868,584</u>	<u>692,044,077</u>
Gross patient service revenue	988,127,487	860,758,703
Contractual allowances and other	(583,049,924)	(467,122,760)
Charity care	<u>(26,961,700)</u>	<u>(30,485,533)</u>
Net patient service revenue	<u><u>\$ 378,115,863</u></u>	<u><u>\$ 363,150,410</u></u>

The Medical Center recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Medical Center records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. As a result of information systems conversion during 2012, the Medical Center reclassified certain contractual expenses related to Medicaid and self-pay, which increased the provision for uncollectible accounts. Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources, is as follows.

	<u>December 31, 2013</u>		
	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 370,595,947</u>	<u>\$ 7,519,916</u>	<u>\$ 378,115,863</u>
	<u>December 31, 2012</u>		
	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 357,450,184</u>	<u>\$ 5,700,226</u>	<u>\$ 363,150,410</u>

KADLEC REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 4 – Charity Care

The Medical Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy and the estimated cost of those services and supplies. Management estimates charity care costs by calculating a ratio of gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to charity patients. The following information measures the level of charity care provided.

	<u>2013</u>	<u>2012</u>
Charges forgone, based on established rates	<u>\$ 26,961,700</u>	<u>\$ 30,485,533</u>
Estimated costs and expenses incurred to provide charity care	<u>\$ 9,952,733</u>	<u>\$ 12,130,896</u>

Note 5 – Patient Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Medical Center's allowance for doubtful accounts for self-pay patients decreased from 70% of self-pay accounts receivable at December 31, 2012, to 66% of self-pay accounts receivable at December 31, 2013. In addition, self-pay write-offs decreased \$348,429 from \$1,289,718 for fiscal year 2012 to \$941,289 for fiscal year 2013. These changes were the result of trends experienced in the collection of amounts from self-pay patients in fiscal year 2013. The Medical Center has not changed its charity care policy during fiscal years 2013 or 2012. During 2012, the Medical Center added a policy for discounts for uninsured patients. The Medical Center does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

KADLEC REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 5 – Patient Accounts Receivable (continued)

The Medical Center grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	<u>2013</u>	<u>2012</u>
Medicare	26%	27%
Medicaid	13%	17%
Premiera/Blue Cross	16%	11%
First Choice	6%	7%
Other third-party payors	23%	25%
Self-pay	<u>16%</u>	<u>13%</u>
	<u>100%</u>	<u>100%</u>

Note 6 – Land, Buildings, and Equipment

	<u>2013</u>	<u>2012</u>
Land	\$ 8,082,320	\$ 6,755,811
Land improvements	2,357,157	2,216,895
Buildings	177,516,568	151,435,174
Fixed equipment	21,408,909	22,150,124
Major movable equipment	117,280,475	112,391,265
Leasehold improvements	<u>7,244,192</u>	<u>6,976,531</u>
	333,889,621	301,925,800
Less accumulated depreciation and amortization	<u>135,405,375</u>	<u>126,386,496</u>
	198,484,246	175,539,304
Construction in progress	<u>11,599,338</u>	<u>11,752,236</u>
	<u>\$ 210,083,584</u>	<u>\$ 187,291,540</u>

KADLEC REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 7 – Rental Property

The Medical Center is the lessor of various commercial real estate properties. The cost and accumulated depreciation related to rental real estate are included in land, buildings, and equipment on the balance sheet at December 31 as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 797,298	\$ 1,147,298
Buildings	<u>5,830,108</u>	<u>6,746,156</u>
	6,627,406	7,893,454
Less accumulated depreciation	<u>4,100,554</u>	<u>3,973,231</u>
	<u><u>\$ 2,526,852</u></u>	<u><u>\$ 3,920,223</u></u>

Tri-City Regional Surgery Center, LLC (the Surgery Center) leased the Surgery Center building from the Medical Center. The terms of the lease required monthly payments of \$20,879 through April 2028. During 2012, the Medical Center sold their ownership interest in the Surgery Center.

The Medical Center leases property under various other real estate agreements at various rates. Lease revenue of \$588,686 and \$602,973 in 2013 and 2012, respectively, was included in non-operating income in the statement of operations and net assets.

Estimated annual lease income related to the leases is as follows:

2014	\$ 484,000
2015	488,000
2016	493,000
2017	498,000
2018	503,000

Note 8 – Fair Value of Financial Instruments

The following methods and assumptions were used by the Medical Center in estimating the fair value of its financial instruments.

- a) **Cash and cash equivalents** – The Medical Center maintains its cash and cash equivalent accounts at financial institutions which, at times, may exceed federally insured limits. The carrying amount reported in the balance sheet for cash and cash equivalents approximates fair value.
- b) **Assets limited as to use** – The carrying amount reported in the balance sheet approximates fair value as determined by reference to quoted market prices at December 31, 2013 and 2012.
- c) **Accounts payable and other accrued liabilities** – The carrying amount reported in the balance sheet for accounts payable and other accrued liabilities approximates its fair value.
- d) **Estimated third-party payor settlements** – The carrying amounts reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

Note 8 – Fair Value of Financial Instruments (continued)

- e) **Long-term debt** – Fair value of the Medical Center's revenue bonds are based on current traded value. The fair value of the Medical Center's remaining long-term debt is estimated using a discounted cash flow analysis on the Medical Center's current incremental borrowing rates for a similar borrowing arrangement. Long-term debt is considered a Level 2 within the fair value hierarchy as described in Note 9 below.

The carrying amounts and fair value of the Medical Center's financial instruments, excluding instruments that have carrying amounts that approximate fair value, are as follows:

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 191,010,856	\$ 176,375,130	\$ 191,690,870	\$ 198,409,065

Note 9 – Fair Value of Assets and Liabilities

The Medical Center adopted fair value accounting which establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

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

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying balance sheet, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Trading and Available-for-Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics, or discounted cash flows and are classified within Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities would be classified within Level 3 of the hierarchy.

KADLEC REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 9 – Fair Value of Assets and Liabilities (continued)

Interest Rate Swap Agreement

The fair value is estimated by a third party using inputs that are observable or that can be corroborated by observable market data and, therefore, this security is classified within Level 2 of the valuation hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheet measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2013 and 2012:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2013</u>				
Trading securities				
Mutual funds				
Fixed income funds	\$ 10,998,541	\$ 10,998,541	\$ -	\$ -
Common stock	34,280,493	34,280,493	-	-
Certificates of deposit	2,104,336	-	2,104,336	-
Mortgage backed securities	3,043,957	-	3,043,957	-
Bonds				
Corporate bonds and notes	18,819,070	-	18,819,070	-
US government bonds and obligations	7,417,342	-	7,417,342	-
International bonds	830,505	-	830,505	-
Total trading securities	<u>77,494,244</u>	<u>45,279,034</u>	<u>32,215,210</u>	<u>-</u>
Available-for-sale securities				
Bonds				
US government bonds and obligations	14,531,250	-	14,531,250	-
Total available-for-sale securities	<u>14,531,250</u>	<u>-</u>	<u>14,531,250</u>	<u>-</u>
Total securities	<u>\$ 92,025,494</u>	<u>\$ 45,279,034</u>	<u>\$ 46,746,460</u>	<u>\$ -</u>
Interest rate swap agreement	\$ (9,436,759)	\$ -	\$ (9,436,759)	\$ -

KADLEC REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 9 – Fair Value of Assets and Liabilities (continued)

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
<u>December 31, 2012</u>				
Trading securities				
Mutual funds				
Fixed income funds	\$ 5,098,821	\$ 5,098,821	\$ -	\$ -
Common stock	21,976,195	21,976,195	-	-
Certificates of deposit	2,861,129	-	2,861,129	-
Mortgage backed securities	4,038,647	-	4,038,647	-
Bonds				
Corporate bonds and notes	9,469,557	-	9,469,557	-
US government bonds and obligations	9,485,307	-	9,485,307	-
Total trading securities	<u>52,929,656</u>	<u>27,075,016</u>	<u>25,854,640</u>	<u>-</u>
Available-for-sale securities				
Bonds				
US government bonds and obligations	<u>16,812,515</u>	<u>-</u>	<u>16,812,515</u>	<u>-</u>
Total available-for-sale securities	<u>16,812,515</u>	<u>-</u>	<u>16,812,515</u>	<u>-</u>
Total securities	<u>\$ 69,742,171</u>	<u>\$ 27,075,016</u>	<u>\$ 42,667,155</u>	<u>\$ -</u>
Interest rate swap agreement	<u>\$ (15,944,975)</u>	<u>\$ -</u>	<u>\$ (15,944,975)</u>	<u>\$ -</u>

KADLEC REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 10 – Assets Limited as to Use

Investments are recorded in the accompanying balance sheets at fair value. The composition of assets limited as to use and their fair value at December 31, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Under indenture agreements, held by trustee		
Cash and cash equivalents	\$ 22,670,796	\$ 46,109,537
US government bonds and obligations	9,326,302	12,326,885
Interest receivable	44,279	64,781
	<u>32,041,377</u>	<u>58,501,203</u>
Less current portion of assets held by trustee under bond indenture agreement required for current liabilities	<u>(160,131)</u>	<u>(394,157)</u>
	<u>31,881,246</u>	<u>58,107,046</u>
Assets held for future expansion		
Cash and cash equivalents	2,020,828	1,308,131
Common stock	34,280,493	21,976,195
Corporate bonds and notes	18,819,070	9,469,557
US government bonds and obligations	7,417,342	9,485,307
Mortgage backed securities	3,043,957	4,038,647
Mutual funds - fixed income funds	10,998,541	5,098,821
Certificates of deposit	2,104,336	2,861,129
International bonds	830,505	-
Interest receivable	84,559	148,073
	<u>79,599,631</u>	<u>54,385,860</u>
Assets held for professional liability trust		
Cash and cash equivalents	-	1,421,856
US government bonds and obligations	5,204,948	4,485,630
Interest receivable	6,209	-
	<u>5,211,157</u>	<u>5,907,486</u>
Total assets limited as to use	<u>\$ 116,692,034</u>	<u>\$ 118,400,392</u>

KADLEC REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 10 – Assets Limited as to Use (continued)

Investment income and realized gains and losses on investments included in non-operating income are composed of the following for the years ended December 31, 2013 and 2012:

	2013	2012
Interest income	\$ 1,997,595	\$ 1,446,040
Realized gain on sales of securities	2,027,095	429,950
Investment income (loss) from joint ventures	(454,130)	685,788
Foundation donations	39,168	-
Other	444,650	(145,618)
Unrealized gains (loss) on trading securities	3,631,533	2,393,427
	<u>\$ 7,685,911</u>	<u>\$ 4,809,587</u>

Note 11 – Commitments and Contingencies

Operating leases – The Medical Center has made commitments under operating lease arrangements through August 2031 as follows:

2014	\$ 6,357,000
2015	4,939,000
2016	4,412,000
2017	4,099,000
2018	3,691,000
Thereafter	9,683,000
	<u>\$ 33,181,000</u>

Lease expense was \$9,832,119 and \$8,684,074 for the years ended December 31, 2013 and 2012, respectively.

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

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Medical Center is in compliance with the fraud and abuse regulations as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

KADLEC REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 12 – Line of Credit

The Medical Center has a revolving line of credit totaling \$5,000,000 from KeyBank. This note was entered into on June 11, 2013, expires on May 14, 2014, is unsecured as defined by the loan agreement, and bears interest at the bank's prime rate (3.25% at December 31, 2013).

There was a balance of \$5,000,000 owed at December 31, 2013 and 2012. Interest of \$3,160 and \$84,047 was paid on the loan during the years ended December 31, 2013 and 2012, respectively.

Note 13 – Long-Term Debt

	2013	2012
Series 2012 Bonds - Washington Health Care Facilities Authority Revenue Bonds, due beginning in 2015 through December 1, 2042 in principal payments ranging from \$195,000 to \$12,030,000 with interest ranging from 3% to 5%, net of unamortized premium of \$287,967 at December 31, 2013 and 2012, respectively.	\$ 60,287,987	\$ 60,287,987
Series 2010 Bonds - Washington Health Care Facilities Authority Revenue Bonds, due through December 1, 2039 in principal payments ranging from \$725,000 to \$8,200,000 with interest ranging from 3% to 5.5%, net of unamortized bond discount of \$815,490 and \$878,221 at December 31, 2013 and 2012, respectively.	54,289,510	55,106,780
Series 2006A Bonds - Washington Health Care Facilities Authority Revenue Bonds, due through December 31, 2030 in principal payments ranging from \$960,000 to \$2,045,000 with interest ranging from 4% to 5%, net of unamortized bond premium of \$279,216 and \$295,720 at December 31, 2013 and 2012, respectively.	24,574,216	25,505,720
Series 2006B Bonds - Washington Health Care Facilities Authority Revenue Bonds, due through December 31, 2036 in principal payments ranging from \$775,000 to \$4,750,000 annually with interest at a weekly rate (3.25% at December 31, 2013).	46,350,000	47,050,000
Gesa Credit Union loan entered into on December 2, 2010, matures on December 3, 2025 with a variable interest rate of 6.25% at December 31, 2013, due in principal annual payments ranging from \$35,640 to \$1,083,653. A balloon payment of \$1,083,653 is due at maturity. The loan is secured by real property.	1,629,497	1,663,006

(continued)

KADLEC REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 13 – Long-Term Debt (continued)

	<u>2013</u>	<u>2012</u>
Promissory note payable entered into on September 15, 2009, matures on September 15, 2029 with a fixed interest rate of 6.5%, due in annual principal payments ranging from \$24,373 to \$64,449.	\$ 668,519	\$ 691,238
Note payable entered into in 2011, matures on October 1, 2017 with a fixed interest rate of 3%, due in annual payments of \$350,000 beginning in 2014.	1,400,000	1,386,139
Note payable entered into on May 13, 2013, with a variable interest rate of 4% due in one annual payment of \$1,800,000 on February 15, 2014. Subsequent to year end, the note was refinanced with a maturity date of January 15, 2029, due in annual payments ranging from \$40,612 to \$1,024,139. A balloon payment of \$1,024,739 is due at maturity. The payout schedule reflects the refinanced terms.	1,800,000	-
Note payable entered into in 2010, matures on February 1, 2015 with a fixed interest rate of 10.3%, due in monthly payments of \$817 beginning in 2014.	11,127	-
	191,010,856	191,690,870
Less current portion	3,065,999	2,546,300
	<u>\$ 187,944,857</u>	<u>\$ 189,144,570</u>

The Series 2006A, Series 2006B, Series 2010, and Series 2012 Revenue Bonds were issued through the Washington Health Care Facilities Authority (the Authority). As security for the payment of the bonds, the Medical Center has granted the Authority a security interest in gross revenues and liens against certain Medical Center facilities, the monies in trust funds, and a mortgage against the main building.

The related Bond Loan and Security Agreements and Trust Indentures contain restrictive covenants which require, among other matters, that the Medical Center maintain minimum debt service coverage, capitalization ratio, and liquidity ratios. In management's opinion, the Medical Center is in compliance with all of its restrictive covenants.

In July 2008, the Medical Center's Series 2006B Bonds were reoffered. In conjunction with the reoffering, the related auction rate securities were converted to variable rate demand bonds and the auction rate mode of interest was converted to a variable weekly rate.

KADLEC REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 13 – Long-Term Debt (continued)

In connection with the issuance of the Series 2006B Bonds, the Medical Center entered into an interest rate swap agreement (the Swap) with a Swap Counterparty, which qualifies as a cash flow hedge and is a derivative financial instrument. The Swap was amended and restated on July 7, 2008 in conjunction with the reoffering of the Series 2006B Bonds. The purpose of the Swap is to place the aggregate net obligation of the Medical Center on an approximate fixed-rate basis and provide protection against rising interest rates. Payments made by the Medical Center under the Swap will be made on the basis of a notional principal amount equal to the then outstanding principal amount of the Series 2006B Bonds and the difference between an agreed-upon fixed rate of 4.14% from January 1, 2008 to July 7, 2008 and 4.116% from July 7, 2008 through December 31, 2008, and a variable rate equal to 70% of LIBOR (LIBOR was .161% at December 31, 2013), which may, depending on market conditions, be different than the interest rate actually owed on the Series 2006B Bonds. The Swap will expire in 2036, but is subject to termination by the Medical Center or the Swap Counterparty. If early termination occurs, the Medical Center may be required to pay the Swap Counterparty for its loss of the value of the Swap.

Under the terms of the Series 2006A, 2006B, 2010, and 2012 Revenue Bond indentures, the Medical Center is required to maintain certain funds with a trustee. At December 31, 2013, the balances in these trust funds, including interest receivable, were as follows:

Bond Series	Bond Interest and Principal Funds	Debt Service Reserve Funds
Series 2006A and 2006B	\$ 160,090	\$ 5,428,157
Series 2010	38	5,243,037
Series 2012	3	21,210,052
	<u>\$ 160,131</u>	<u>\$ 31,881,246</u>

Principal maturities of long-term debt are as follows:

2014	\$ 3,065,999
2015	3,370,000
2016	3,501,000
2017	3,637,000
2018	3,704,000
Thereafter	173,732,857
	<u>\$ 191,010,856</u>

Note 14 – Related Parties

Kadlec Foundation (the Foundation) supports KHS and its affiliates through representation of the KHS mission and financial needs to the public and through solicitation of funds to benefit KHS. KHS has agreed to provide funds for the operations of the Foundation and to provide space without charge. The Medical Center has guaranteed a note payable that the Foundation has outstanding to KeyBank for \$700,000 as of December 31, 2013.

Kadlec Neurological Resource Center (KNRC) is a not-for-profit subsidiary of KHS. The Medical Center provided \$284,026 and \$283,148 of financial support in 2013 and 2012, respectively. In May 2005, the Medical Center increased its contributions by agreeing to cover the salaries, benefits, and building lease expense of KNRC. These contributed amounts are for annual funding as a part of its service to the community.

The Medical Center has investments in the following related entities:

Tri-Cities Cancer Center (the Cancer Center) – The Cancer Center is a joint venture with the Medical Center, Kennewick Public Hospital District #1 dba Trios Health, and Lourdes Medical Center as one-third owners each. The Cancer Center was formed to establish, maintain, and operate a coordinated regional system of cancer prevention and care.

Tri-City Regional Surgery Center, LLC (the Surgery Center) – The Surgery Center provides outpatient and ambulatory services. The Medical Center constructed a building on Medical Center property, which it leased to the Surgery Center as the sole occupant. The Medical Center's interest in the Surgery Center was 30% at December 31, 2011. The Medical Center's ownership interest in the Surgery Center was sold in September 2012.

Tri-Cities Laboratory, LLC (TCL) – TCL is a joint venture with the Medical Center, Kennewick Public Hospital District #1 dba Trios Health, Lourdes Medical Center, and Pathology Associates Medical Laboratories as one-fourth owners each. TCL provides outreach laboratory medical testing services to hospitals, clinics, and physicians primarily in Franklin and Benton Counties in Washington, and Umatilla and Morrow Counties in Oregon.

Richland MOB, LLC (Richland MOB) – In 2001, the Medical Center entered into an agreement with other parties to form Richland MOB, LLC, a medical office building providing the Medical Center additional space to perform outpatient imaging services.

The Medical Center occupies 38.8% of the space in the building and owns a corresponding 38.8% interest in Richland MOB. The LLC holds a loan which is collateralized by a mortgage on the building.

Tri-Cities Home Health (TCHH) – TCHH is a joint venture with the Medical Center and Amedisys, each 50% owners. TCHH was formed to provide home health services to the Tri-Cities community.

KADLEC REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 14 – Related Parties (continued)

The following is additional information for these joint ventures as of December 31, 2013 and 2012:

Entity	Investment in Joint Ventures		December 31, 2013	Tax Status
	2013	2012	Ownership Percentage	
Tri-Cities Cancer Center	\$ 2,248,618	\$ 3,250,516	33.3%	Not-for-profit
Tri-Cities Laboratory, LLC	2,044,803	2,221,730	25.0%	For profit
Richland MOB, LLC	-	-	38.8%	For profit
Tri-Cities Home Health	571,388	596,693	50.0%	For profit
	<u>\$ 4,864,809</u>	<u>\$ 6,068,939</u>		

The following table below shows the investment income or loss, contributions and distributions during 2013 and 2012, and related party receivables as of December 31 for the Medical Center's joint ventures:

Entity	Investment Income (Loss)	Contributions	Distributions	Related-Party Receivable
<u>2013</u>				
Tri-Cities Cancer Center	\$ (1,001,898)	\$ -	\$ -	\$ -
Tri-Cities Laboratory, LLC	(1,927)	-	175,000	22,668
Tri-Cities Home Health	549,695	-	575,000	-
Richland MOB, LLC	-	-	194,000	-
<u>2012</u>				
Tri-Cities Cancer Center	\$ (600,209)	\$ -	\$ -	\$ -
Tri-Cities Regional Surgery Center, LLC	392,869	-	893,919	6,486
Tri-Cities Laboratory, LLC	317,689	-	175,000	20,214
Tri-Cities Home Health	575,439	-	550,000	-
Richland MOB, LLC	-	-	203,700	-

Note 15 – Retirement Plan

The Medical Center has a 403(b) group annuity retirement plan with two insurance companies for the benefit of certain employees. There are no unfunded costs or liabilities relating to the plan. The total retirement plan expense to the Medical Center was approximately \$3,731,000 and \$4,520,000 in 2013 and 2012, respectively.

Note 16 – General and Professional Liability Insurance Coverage and Estimated Costs

On October 1, 2003, Kadlec Regional Medical Center initiated a program to self-insure its hospital general and professional liability risks. A liability tail policy was purchased that covered the years 1985 through October 1, 2002. The Medical Center self-insures for liability claims up to \$1,000,000 per incident. An excess policy with coverage on a claims-made basis is maintained for claims over the self-insured limits of \$1,000,000 per claim and aggregate of \$3,000,000. This insurance provides umbrella liability coverage through Admiral Insurance Company for \$20,000,000 per claim and \$20,000,000 aggregate. The Medical Center maintains a trust account based on a yearly actuarial estimate of the anticipated losses and related expenses for current claims and for incurred but not reported claims. In calculating the 2013 estimated general and professional liability, the Medical Center's actuaries used a 3% discount rate for determining the present value of future claims.

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

To the Board of Directors
Kadlec Regional Medical Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kadlec Regional Medical Center, which comprise the balance sheet as of December 31, 2013, and the related statement of operations and net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kadlec Regional Medical Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Moss Adams LLP

Yakima, Washington
March 31, 2014

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Kadlec Regional Medical Center

Report on Compliance for the Major Federal Program

We have audited Kadlec Regional Medical Center's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Kadlec Regional Medical Center's major federal program for the year ended December 31, 2013. Kadlec Regional Medical Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Kadlec Regional Medical Center's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kadlec Regional Medical Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Kadlec Regional Medical Center's compliance.

Opinion on the Major Federal Program

In our opinion, Kadlec Regional Medical Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Kadlec Regional Medical Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kadlec Regional Medical Center's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kadlec Regional Medical Center's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

Yakima, Washington
March 31, 2014

**KADLEC REGIONAL MEDICAL CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of Major Programs

93.887	Health Care and Other Facilities	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

SUPPLEMENTARY INFORMATION

**KADLEC REGIONAL MEDICAL CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013**

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services		
Health Resources and Services Administration		
Health Care and Other Facilities	93.887	<u>\$ 1,018,196</u>
Total expenditures of federal awards		<u><u>\$ 1,018,196</u></u>

**KADLEC REGIONAL MEDICAL CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Kadlec Regional Medical Center (the Medical Center) under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Medical Center, it is not intended to and does not present the balance sheet, statement of operations and net assets, or statement of cash flows of the Medical Center.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.