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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

▶ Information about Form 990 and its instructions is at www.IRS.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 07-01-2013 , 2013, and ending 06-30-2014

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
McPherson Hospital Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 1000 Hospital Drive

Room/suite

City or town, state or province, country, and ZIP or foreign postal code
McPherson, KS 674602326

D Employer identification number
48-0799105

E Telephone number
(620) 241-2250

G Gross receipts $ 22,858,853

F Name and address of principal officer
Robert Monical
1000 Hospital Drive
McPherson, KS 674602326

H(a) Is this a group return for subordinates? ☐ Yes ☑ No

H(b) Are all subordinates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ www mcphersonmemorial org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1972

M State of legal domicile KS

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Provision of acute hospital care to patients regardless of ability to pay

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	11
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	337
6	Total number of volunteers (estimate if necessary)	**6**	138
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	1,201,310	866,095
9	Program service revenue (Part VIII, line 2g)	21,394,702	21,432,493
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	250,870	139,044
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	420,751	413,301
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	23,267,633	22,850,933
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	16,500	15,980
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	12,233,959	11,686,614
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	11,160,253	12,477,196
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	23,410,712	24,179,790
19	Revenue less expenses Subtract line 18 from line 12	-143,079	-1,328,857

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	20,333,449	19,501,937
21	Total liabilities (Part X, line 26)	2,665,043	1,988,257
22	Net assets or fund balances Subtract line 21 from line 20	17,668,406	17,513,680

Part II Signature Block

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

Sign Here

****** 2015-02-10
Signature of officer Date

Robert Monical CEO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Heather R Eichem		2015-02-10		P01515553

Firm's name ▶ Wendling Noe Nelson & Johnson LLC — Firm's EIN ▶ 48-1026809

Firm's address ▶ 534 S Kansas Ave Suite 1500 Topeka, KS 666033491 — Phone no (785) 233-4226

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

To meet our community's need by providing superior health care and exceptional service for each person, every time

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 20,707,354 including grants of $ 15,980) (Revenue $ 21,458,249)

Provision of inpatient and outpatient hospital services

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** ▶ 20,707,354

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	Yes	
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a	Yes	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional*	12b		No
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or 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? *If "Yes," complete Schedule I, Parts I and II*	**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? *If "Yes," complete Schedule I, Parts I and III*	**22**	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? *If so, complete Schedule L, Part II*	**26**		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? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**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? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**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? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**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)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**		
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**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? *If "Yes," complete Schedule R, Part VI*	**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	42		
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	337		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a			No
b	If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O* . . .	3b			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			
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			No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

Check if Schedule O contains a response or note to any line in this Part VI . . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a**	12		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b	Enter the number of voting members included in line 1a, above, who are independent	**1b**	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**		Yes	
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**			No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	**8a**		Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**			No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	**10a**		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	**10b**		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	**11a**	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	**12a**	Yes	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	**12b**	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**		No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	**16b**		

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request ☐ Other (explain in Schedule O)

19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization

▶Robert Monical President CEO 1000 Hospital Drive
McPherson, KS 674602326 (620) 241-2250

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

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

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

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Dean Elliott Trustee	2 00	X						0	0	0
(2) J David Ferrell Trustee	2 00	X						0	0	0
(3) Bill Glazner Chairman	2 00	X		X				0	0	0
(4) Tim R Karstetter Trustee	2 00	X						0	0	0
(5) Marsha Silver Secretary	2 00	X		X				0	0	0
(6) Paul Taliaferro Vice Chairman	2 00	X		X				0	0	0
(7) Brent Wall Trustee	2 00	X						0	0	0
(8) Samuel Claassen Trustee/Physician	40 00	X						190,203	0	18,821
(9) Craig Harms Trustee	2 00	X						0	0	0
(10) Joan Reichenberger Trustee	2 00	X						0	0	0
(11) Greg Thomas MD Trustee	2 00	X						0	0	0
(12) Dan Lichty MD Trustee	2 00	X						0	0	0
(13) Rob Monical CEO	40 00	X		X				0	0	0
(14) George Halama CFO	40 00			X				0	0	0
(15) Tyler G Hughes MD Physician	40 00					X		278,564	0	22,951
(16) John Worden Pharmacy Director	40 00					X		142,215	0	17,463
(17) Mary Blankenship Pharmacist	40 00					X		110,042	0	5,743

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Clayton Fetsch Physician	40 00					X		266,460	0	24,243
(19) Andrea Herrera Physician	40 00					X		126,103	0	11,068
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								1,113,587	0	100,289

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 7

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**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? *If "Yes," complete Schedule J for such individual*	**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? *If "Yes," complete Schedule J for such person*	**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
Via Christi Health Inc 8200 E Thorn Wichita KS 67226	Management fees and CEO, CFO & CNO servi	1,748,890
EMSC LLC 3521 Bayview Ct Wichita KS 67204	ER physician coverage	1,349,040
Rehabvisions 11623 Arbor St Omaha NE 68144	Physical/occupational therapy	596,953
Trimedx LLC PO Box 636129 Cincinnati OH 452636129	Clinical equipment servicer	387,621
Shared Medical Services 209 Limestone Pass Cotton Grove WI 53527	Mobile MRI services	250,160

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 ▶ 10

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	40,578			
	e	Government grants (contributions)	1e	713,939			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	111,578			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . . ▶		866,095			
Program Service Revenue			Business Code				
	2a	Net patient service revenue	900099	20,662,694	20,662,694		
	b	EHR incentive payment	900099	769,767	769,767		
	c	Lab services	621500	32	32		
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . . ▶		21,432,493			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		121,093			121,093
	4	Income from investment of tax-exempt bond proceeds . . ▶					
	5	Royalties . . . . . ▶					
			(i) Real	(ii) Personal			
	6a	Gross rents	78,586				
	b	Less rental expenses	0				
	c	Rental income or (loss)	78,586				
	d	Net rental income or (loss) . . . . . ▶			78,586		78,586
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory		25,871			
	b	Less cost or other basis and sales expenses		7,920			
	c	Gain or (loss)		17,951			
	d	Net gain or (loss) . . . . . ▶			17,951		17,951
Other Revenue	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	Nonpatient meals	722210	180,855			180,855
	b	Auxiliary	900099	84,102			84,102
	c	Fitness center	713940	44,002			44,002
	d	All other revenue		25,756	25,756		
	e	**Total.** Add lines 11a–11d . . . . . ▶		334,715			
	12	**Total revenue.** See Instructions . . . . . ▶		22,850,933	21,458,249	0	526,589

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	15,980	15,980		
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	241,393	241,393		
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	9,744,030	8,692,586	1,051,444	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	231,862	206,244	25,618	
9 Other employee benefits	738,524	659,282	79,242	
10 Payroll taxes	730,805	653,674	77,131	
11 Fees for services (non-employees)				
a Management	1,087,803	573,700	514,103	
b Legal	25,216		25,216	
c Accounting				
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	1,130,315	764,760	365,555	
12 Advertising and promotion	42,293	1,179	41,114	
13 Office expenses	190,496	137,184	53,312	
14 Information technology	560,988	420,741	140,247	
15 Royalties . .				
16 Occupancy	483,277	359,993	123,284	
17 Travel	32,410	24,289	8,121	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	7,527	5,244	2,283	
20 Interest	7,518	5,600	1,918	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	1,436,540	1,070,079	366,461	
23 Insurance	220,943	61,901	159,042	
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 Physician fees	3,188,033	3,097,482	90,551	
b Medical supplies	1,238,068	1,238,068		
c Equipment rental & main	1,068,312	1,030,283	38,029	
d Pharmacy supplies	873,946	873,946		
e All other expenses	883,511	573,746	309,765	
25 **Total functional expenses.** Add lines 1 through 24e	24,179,790	20,707,354	3,472,436	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash–non-interest-bearing		2,154	1	2,483
	2	Savings and temporary cash investments		2,787,562	2	3,386,298
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		4,529,288	4	3,274,887
	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		555,742	8	480,268
	9	Prepaid expenses and deferred charges		215,549	9	184,870
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 28,612,383			
	b	Less accumulated depreciation	10b 21,846,349	7,974,931	10c	6,766,034
	11	Investments—publicly traded securities		2,440,002	11	2,720,841
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		1,828,221	15	2,686,256
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		20,333,449	16	19,501,937
Liabilities	17	Accounts payable and accrued expenses		2,102,174	17	1,844,620
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		440,000	20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		122,869	25	143,637
	26	**Total liabilities.** Add lines 17 through 25		2,665,043	26	1,988,257
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		16,188,012	27	15,064,772
	28	Temporarily restricted net assets		574,478	28	1,510,399
	29	Permanently restricted net assets		905,916	29	938,509
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		17,668,406	33	17,513,680
	34	Total liabilities and net assets/fund balances		20,333,449	34	19,501,937

Part XI Reconcilliation 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	22,850,933
2	Total expenses (must equal Part IX, column (A), line 25)	2	24,179,790
3	Revenue less expenses Subtract line 2 from line 1	3	-1,328,857
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	17,668,406
5	Net unrealized gains (losses) on investments	5	175,497
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	998,634
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	17,513,680

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 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		No
	If 'Yes,' check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
	If 'Yes,' check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☑ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	2c	Yes	
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b		

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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
McPherson Hospital Inc

Employer identification number
48-0799105

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Yes	No
(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? **11g(i)**		
(ii) A family member of a person described in (i) above? **11g(ii)**		
(iii) A 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

h Provide the following information about the supported organization(s)

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (see instructions) **12**

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** . . . . . ▶☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2012 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2013.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2012.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2013.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2012.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶☐

Part III **Support Schedule for Organizations Described in Section 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support.** (Add lines 9, 10c, 11, and 12)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2013** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2012** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2013.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2012.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶☐

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

Facts And Circumstances Test		
Return Reference	Explanation	

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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	Employer identification number
McPherson Hospital Inc	48-0799105

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ $ _____

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $ _____

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

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

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
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-		

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

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

Lobbying Expenditures During 4-Year Averaging Period — Calendar year (or fiscal year beginning in)	(a) 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) Yes	(a) No	(b) 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		7,881
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			7,881
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	McPherson Hospital, Inc , is a member of the Kansas Hospital Association and the American Hospital Association Both of these organizations engage in lobbying activities for hospital and general health care interests as part of the services provided to members

Part IV Supplemental Information *(continued)*

Return Reference	Explanation

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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
McPherson Hospital Inc

Employer identification number
48-0799105

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

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

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

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

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

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

		Amount
c	Beginning balance	1c
d	Additions during the year	1d
e	Distributions during the year	1e
f	Ending balance	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	1,065,492	957,909	1,001,082	853,047	513,503
b	Contributions	46,956	41,166	12,198	47,383	300,373
c	Net investment earnings, gains, and losses	162,884	149,077	19,182	125,329	43,365
d	Grants or scholarships	-73,602	-82,660	-74,239	-24,677	-4,194
e	Other expenditures for facilities and programs			-314		
f	Administrative expenses					
g	End of year balance	1,190,121	1,065,492	957,909	1,001,082	853,047

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

- a Board designated or quasi-endowment ▶ 9 310 %
- b Permanent endowment ▶ 69 870 %
- c Temporarily restricted endowment ▶ 20 820 %

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

		Yes	No
(i) unrelated organizations	3a(i)	Yes	
(ii) related organizations	3a(ii)	Yes	
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b	Yes	

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

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		16,312		16,312
b Buildings		14,793,524	11,004,985	3,788,539
c Leasehold improvements				
d Equipment		12,428,895	9,688,007	2,740,888
e Other		1,373,652	1,153,357	220,295
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				6,766,034

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

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

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

(a) Description of investment	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) must equal Form 990, Part X, col (B) line 13)* ▶		

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

(a) Description	(b) Book value
(1) Other receivables	40,967
(2) Beneficial interest in net assets of the Foundation	2,196,673
(3) Goodwill	25,952
(4) Estimated third-party payor settlements	422,664
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	2,686,256

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
Estimated third-party payor settlements	143,637
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	143,637

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

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

1	Total revenue, gains, and other support per audited financial statements			1	24,025,064
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	175,497		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	998,634		
e	Add lines **2a** through **2d**			2e	1,174,131
3	Subtract line **2e** from line **1**			3	22,850,933
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII)	4b			
c	Add lines **4a** and **4b**			4c	0
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	22,850,933

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	24,179,790
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIII)	2d			
e	Add lines **2a** through **2d**			2e	0
3	Subtract line **2e** from line **1**			3	24,179,790
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII)	4b			
c	Add lines **4a** and **4b**			4c	0
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	24,179,790

Part XIII Supplemental Information

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

Return Reference	Explanation
Part V, Line 4	Donor restricted and board designated funds for special projects and operating purposes
Part X, Line 2	Management is not aware of any uncertainties in income tax positions
Part XI, Line 2d - Other Adjustments	Change in beneficial interest in net assets of the Foundation 998,634

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

Employer identification number
48-0799105

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			664,553	151,585	512,968	2 120 %
b Medicaid (from Worksheet 3, column a)			1,584,748	1,067,995	516,753	2 140 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			2,249,301	1,219,580	1,029,721	4 260 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			91,362	72,487	18,875	0 080 %
f Health professions education (from Worksheet 5)			90,411	68,676	21,735	0 090 %
g Subsidized health services (from Worksheet 6)			4,373,081	2,396,442	1,976,639	8 170 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			26,034		26,034	0 110 %
j **Total.** Other Benefits			4,580,888	2,537,605	2,043,283	8 450 %
k **Total.** Add lines 7d and 7j			6,830,189	3,757,185	3,073,004	12 710 %

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

			Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount 2 1,154,775			
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	5,036,637
6	Enter Medicare allowable costs of care relating to payments on line 5	6	4,905,545
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	131,092
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

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

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

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1					
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)

Name of hospital facility or facility reporting group McPherson Hospital Inc

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A) 1

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

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☑ Asset level			
c ☑ Medical indigency			
d ☐ Insurance status			
e ☑ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Residency			
i ☐ 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?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☑ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in 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 ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ 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?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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

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

Part V Facility Information *(continued)*

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.

Form and Line Reference	Explanation
See Additional Data Table	

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? **1**

	Name and address	Type of Facility (describe)
1	McPherson Medical & Surgical Associates 1000 Hospital Drive McPherson, KS 67460	Physician clinic, family & internal medicine, surgery and hospitlists
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 III, Line 4	See Note 3A (page 7) of the audited financial statements regarding the allowance for uncollectible accounts

Form and Line Reference	Explanation
Part III, Line 8	Amounts were obtained from the cost report filed with Medicare for the period ending June 30, 2014 The total amount of shortfall between Medicare revenue received and relating allowable costs is considered community benefit

Form and Line Reference	Explanation
Part III, Line 9b	Patients who have qualified for financial assistance are considered qualified for six months Updated information must be provided for any subsequent account balances Patients who have qualified for partial financial assistance are to make payment arrangements for any remaining balance according to the policies that apply to other patients

Form and Line Reference	Explanation
Part III, Line 3	McPherson Hospital, Inc is unable to determine the amount of bad debt expense attributable to patients eligible under its charity care policy for the year covered by this return Suggested methods for estimation were either not in place or proved to be unreliable For example, the number of financial assistance applications distributed but not returned was not tracked Using demographic data to estimate an amount did not provide reasonable results Rather than provide an estimate that cannot be substantiated, McPherson Hospital Inc has chosen to report zero dollars as bad debt expense attributable to charity care patients

Form and Line Reference	Explanation
Part III, Line 2	The Hospital's bad debt at cost was determined by applying an overall ratio of cost to charges

Form and Line Reference	Explanation
Part VI, Line 2	McPherson Hospital, Inc does not have a formal community needs assessment process, with the exception of the process utilized for the CHNA

Form and Line Reference	Explanation
Part VI, Line 3	All self-pay patients are screened by a contractor for eligibility under federal, state, or local government programs Notice of the Hospital's financial assistance program is posted in patient registration areas and on the Hospital's website The availability of financial assistance is also communicated to patients with the first billing statement and at any time during the collection process if an inability to pay is expressed by the patient/guarantor

Form and Line Reference	Explanation
Part VI, Line 4	McPherson Hospital, Inc 's primary service area is McPherson, Kansas, a rural community of approximately 13,000 According to the 2012 census, the per capita income for McPherson was $28,113 The percent of families below poverty level was 4 6 The percent of individuals below poverty level was 8 5 For the year ending June 30, 2014, 10 percent of the Hospital's inpatient admissions were Medicaid recipients and 5 percent were uninsured Larger hospitals in Hutchinson, Salina, and Newton also provide services to the residents of McPherson The distances between these facilities and McPherson Hospital, Inc are approximately 23, 29, and 28 miles respectively There are no federally-designated medically underserved areas or populations in McPherson

Form and Line Reference	Explanation
Part VI, Line 5	McPherson Hospital, Inc 's governing body is comprised of individuals who reside in the primary service area All Board members, with the exception of the CEO and one physician, are not employed by the Hospital Annually, all trustees sign a conflict of interest statement and disclose any potential conflicts of interest With limited exceptions for hospital-based services, the Hospital extends medical staff privileges to all qualified physicians in the community Surplus funds are used by the Hospital to update facilities and equipment, recruit needed physicians and staff, and otherwise improve patient care

Additional Data

Software ID:
Software Version:
EIN: 48-0799105
Name: McPherson Hospital Inc

990 Schedule H, Supplemental Information

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.

Form and Line Reference	Explanation
McPherson Hospital, Inc	
McPherson Hospital, Inc	Part V, Section B, Line 4 The leadership of McPherson Hospital in McPherson, Lindsborg Co mmunity Hospital in Lindsborg, Mercy Hospital in Moundridge, and the McPherson County Heal th Department chose to collaborate in creating the McPherson County CHNA
McPherson Hospital, Inc	Part V, Section B, Line 5d The link for the CHNA on the Hospital's website is http //www mcphersonhospital org/gallery/images/communityhealthneeds pdf
McPherson Hospital, Inc	Part V, Section B, Line 7 The identified needs not addressed specifically were daily life stressors and substance abuse It is felt that the broad scope of daily life stressors ma kes it difficult to target a specific area that would have significant impact However, th e strategies outlined in the CHNA implementation strategy could have a positive effect on daily life stress with proper diet and exercise Substance abuse was not addressed specifi cally as it is addressed by other organizations in the community and is not within the sco pe of available resources to affect meaningfully Annual description of the actions taken b y the Hospital during the fiscal year to address the significant health needs identified t hrough the most recently conducted CHNA (a) Lunch and Learn Events Because of the timing of the budget planning process prior to the implementation strategy's completion and due t o budget constraints, the lunch and learn events were postponed until fiscal year 2015 wit h appropriate budget allocations (b) Speaker's Bureau This list is currently being compil ed and will be available in October of 2014 (c) Radio show A radio show has aired twice m onthly with our pharmacy and lab director and a general surgeon as moderators covering a w ide variety of health topics The show continues in a different format of one show monthly for a half hour each so the time allotted remains the same (d) "Commit to Get Fit" This local wellness initiative is held early each fall and is currently getting under way with McPherson Hospital as a co-sponsor As a co-sponsor and through the encouragement of organ ized teams, it is stressed to the general public the importance of exercise and proper nut rition Teams are engaged in activities and challenges for healthy eating and exercise (d) Theraband Classes These classes are held weekly for senior citizens at no charge, reachi ng approximately ten or more individuals aged 50 and over (e) Activities with the Kansas S tate University Extension Office The hospital participated in the Walk Kansas event held each spring, providing teams and helping to share information The SNAP Ed program is oper ated within the school system and the hospital and the KSU Extension Office are still disc ussing ways in which the hospital can be an effective partner A new initiative through a co-sponsorship is expected in the fall of 2014, providing information and activities to el ementary school-aged children on health eating habits The Dining with Diabetes event sche duled in the spring of 2014 was not held due to a lack of interest Another attempt will b e made in the fall of 2014 prior to the holidays (f) Diabetes support group The planned a ctivities of the Diabetes Support Group was postponed due to lack of participation and int erest The leadership for this group will continue to assess needs and interest and implem ent additional activities as warranted in the coming months (g) Health Risk Analyses The Corporate Health Services department works regularly with local and area businesses provid ing information to employees on risk factors for health issues such as heart disease, canc er, obesity and diabetes Staff members also regularly provide free blood pressure checks at the local YMCA (h) Corporate Challenge These activities have been postponed until the Corporate Health Services department is established in a permanent space off of the main h ospital grounds The department will partner with our local industrial development council in creating this initiative in the fall of 2014 (i) Disease Awareness McPherson Hospita l provides significant support locally through a variety of resources, specifically for br east cancer awareness by sponsoring events for area residents to raise awareness and encou rage screenings Also, the hospital is a platinum sponsor for the local Relay for Life eve nt each year for the American Cancer Society, providing resources and leadership to raise awareness and encourage health lifestyles (j) County health services resource directory T he hospital is currently finalizing with the McPherson County Public Health Department a c omprehensive directory that will be made available to the public on websites and at approp riate care agencies throughout the county in the fall of 2014

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990**

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
McPherson Hospital Inc

Employer identification number
48-0799105

Part I General Information on Grants and Assistance

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

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance

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

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

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

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
(1) Scholarship awards for local students pursuing education in the health care industry	16	15,980			

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

Return Reference	Explanation
Part I, Line 2	Scholarship checks are not provided to students until verification is received from the school that the student has begun classes

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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
McPherson Hospital Inc

Employer identification number
48-0799105

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III ☐ Compensation committee ☑ Written employment contract ☐ Independent compensation consultant ☑ Compensation survey or study ☐ Form 990 of other organizations ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1)Samuel Claassen	(i)	183,703	6,500	0	9,288	9,533	209,024	0
Trustee/Physician	(ii)	0	0	0	0	0	0	0
(2)Tyler G Hughes MD	(i)	278,564	0	0	13,026	9,925	301,515	0
Physician	(ii)	0	0	0	0	0	0	0
(3)John Worden	(i)	142,215	0	0	6,842	10,621	159,678	0
Pharmacy Director	(ii)	0	0	0	0	0	0	0
(4)Clayton Fetsch	(i)	265,799	661	0	13,026	11,217	290,703	0
Physician	(ii)	0	0	0	0	0	0	0

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

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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
McPherson Hospital Inc

Employer identification number
48-0799105

990 Schedule O, Supplemental Information

Return Reference	Explanation
Form 990, Part VI, Section A, line 3	
Form 990, Part VI, Section A, line 4	The bylaws were amended May 5, 2014, which changed the board meetings from monthly to bimonthly
Form 990, Part VI, Section A, line 6	Organization's sole member is MACCO Healthcare, Inc
Form 990, Part VI, Section A, line 7a	MACCO Healthcare, Inc approves members of the governing body of McPherson Hospital, Inc
Form 990, Part VI, Section B, line 11	A copy of the Form 990 is provided to members of the organization's Finance Committee with an opportunity to comment or ask questions prior to filing
Form 990, Part VI, Section B, line 12c	The conflict of interest policy is reviewed annually by the governing body Updated individual disclosure forms are also required annually
Form 990, Part VI, Section B, line 15	Organization participates annually in salary surveys sponsored by the State Hospital Association and uses MGMA and other national references in establishing physician compensation Terms of employment contracts are approved by the governing body
Form 990, Part VI, Section C, line 19	The Organization makes its governing documents, conflict of interest policy, and financial statements available to the public upon written request
Form 990, Part XI, line 9	Change in beneficial interest in net assets of Foundation 998,634
FORM 990 PART XI, LINE 2C	The Finance Committee reviews the audit prior to submitting to the Board

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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
McPherson Hospital Inc

Employer identification number
48-0799105

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

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	(g) No
(1) MACCO Healthcare Inc 1000 Hospital Drive McPherson, KS 67460 48-1059194	Sole Member of McPherson Hopsital, Inc and McPherson Healthcare Fdn, Inc	KS	501(c)(3)	Line 7			No
(2) McPherson Healthcare Foundation Inc 1016 N Main McPherson, KS 67460 48-1043952	Raise funds to support the operation of McPherson Hopsital, Inc	KS	501(c)(3)	Line 7			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) Disproprtionate 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

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

		Yes	No
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 orgranization 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	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j		No
k Lease of facilities, equipment, or other assets from related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		No
m Performance of services or membership or fundraising solicitations by related organization(s)	1m		No
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		No
o Sharing of paid employees with related organization(s)	1o		No
p Reimbursement paid to related organization(s) for expenses	1p		No
q Reimbursement paid by related organization(s) for expenses	1q		No
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	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) McPherson Healthcare Foundation Inc	C	40,578	

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate 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		Yes	No	

Part VII Supplemental Information

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

Return Reference	Explanation

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
MCPHERSON HOSPITAL, INC.
JUNE 30, 2014 AND 2013

CONTENTS

Wendling
Noe
Nelson
Johnson LLC

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
McPherson Hospital, Inc.

We have audited the accompanying financial statements of McPherson Hospital, Inc., which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 previously present fairly, in all material respects, the financial position of McPherson Hospital, Inc., as of June 30, 2014 and 2013, 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.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
October 23, 2014

FINANCIAL STATEMENTS

MCPHERSON HOSPITAL, INC.

BALANCE SHEETS

June 30,

ASSETS

	2014	2013
CURRENT ASSETS		
Cash	$ 2,726,644	$ 1,587,258
Investments	3,130,743	2,849,040
Assets limited as to use		511,065
Patient accounts receivable, net of allowance for uncollectible accounts of $2,313,891 in 2014 and $1,748,786 in 2013	3,274,887	4,529,288
Estimated third-party payor settlements	422,664	401,453
Other receivables	40,967	195,527
Inventories	480,268	555,742
Prepaid expenses	184,870	215,549
Total current assets	10,261,043	10,844,922
ASSETS LIMITED AS TO USE		
Under indenture agreements - held by trustee		511,065
Under donor-imposed restrictions	252,235	282,355
Beneficial interest in net assets of the Foundation	2,196,673	1,198,039
	2,448,908	1,991,459
Less amount required to meet current liabilities		511,065
	2,448,908	1,480,394
PROPERTY AND EQUIPMENT, NET	6,766,034	7,974,931
OTHER ASSETS		
Unamortized bond costs		625
Other	25,952	32,577
	25,952	33,202
Total assets	$ 19,501,937	$ 20,333,449

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Current installments of long-term debt	$ -	$ 440,000
Accounts payable	973,462	1,302,189
Accrued salaries, wages, and benefits	468,521	396,589
Accrued compensated absences	402,637	399,949
Accrued interest		3,447
Estimated third-party payor settlements	143,637	122,869
Total current liabilities	1,988,257	2,665,043
Total liabilities	1,988,257	2,665,043
NET ASSETS		
Unrestricted	15,064,772	16,188,012
Temporarily restricted	1,510,399	574,478
Permanently restricted	938,509	905,916
Total net assets	17,513,680	17,668,406
Total liabilities and net assets	$ 19,501,937	$ 20,333,449

MCPHERSON HOSPITAL, INC.

STATEMENTS OF OPERATIONS

Year ended June 30,

	2014	2013
Unrestricted revenues, gains, and other support		
Patient service revenue	$ 23,087,674	$ 22,038,216
Provision for bad debts	(2,424,980)	(1,893,600)
Net patient service revenue	20,662,694	20,144,616
Other revenues	1,199,748	1,165,415
Electronic health record incentive payments	769,767	1,250,000
Net assets released from restrictions used for operations	40,111	29,220
Total revenues, gains, and other support	22,672,320	22,589,251
Expenses		
Salaries, wages, and contract labor	11,120,212	10,634,671
Employee benefits	1,724,342	1,959,538
Purchased services, supplies, and other	9,884,552	9,252,900
Depreciation and amortization	1,443,166	1,526,629
Interest	7,518	36,974
Total expenses	24,179,790	23,410,712
Loss from operations	(1,507,470)	(821,461)
Other income		
Investment income	118,486	258,448
Gain (loss) on disposal of equipment	17,951	(11,335)
	136,437	247,113
Excess of expenses over revenues	(1,371,033)	(574,348)
Net assets released from restrictions used for acquisition of property and equipment	72,296	636,892
Change in net unrealized gains and losses on investments	175,497	(95,126)
Change in unrestricted net assets	$ (1,123,240)	$ (32,582)

The accompanying notes are an integral part of these statements.

MCPHERSON HOSPITAL, INC.

STATEMENTS OF CHANGES IN NET ASSETS

Years ended June 30, 2014 and 2013

	Unrestricted	Temporarily restricted	Permanently restricted
Net assets at June 30, 2012	$ 16,220,594	$ 673,275	$ 865,972
Excess of expenses over revenues	(574,348)		
Net change in assets to be used for operation of medical library		7,581	
Restricted investment income		2,324	
Net assets released from restrictions used for operations		(29,220)	
Restricted contributions		450,584	
Change in beneficial interest in net assets of the Foundation		106,826	39,944
Net assets released from restrictions used for acquisition of property and equipment	636,892	(636,892)	
Change in net unrealized gains and losses on investments	(95,126)		
Change in net assets	(32,582)	(98,797)	39,944
Net assets at June 30, 2013	16,188,012	574,478	905,916
Excess of expenses over revenues	(1,371,033)		
Net change in assets to be used for operation of medical library		(7,951)	
Restricted investment income		1,624	
Net assets released from restrictions used for operations		(40,111)	
Restricted contributions		48,036	
Change in beneficial interest in net assets of the Foundation		1,006,619	32,593
Net assets released from restrictions used for acquisition of property and equipment	72,296	(72,296)	
Change in net unrealized gains and losses on investments	175,497		
Change in net assets	(1,123,240)	935,921	32,593
Net assets at June 30, 2014	$ 15,064,772	$ 1,510,399	$ 938,509

The accompanying notes are an integral part of these statements.

MCPHERSON HOSPITAL, INC.

STATEMENTS OF CASH FLOWS

Year ended June 30,

	2014	2013
Cash flows from operating activities		
Change in net assets	$ (154,726)	$ (91,435)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,443,166	1,526,629
Provision for bad debts	2,424,980	1,893,600
Amortization of bond costs	625	3,135
Loss (gain) on disposal of equipment	(17,951)	11,335
Undistributed portion of change in beneficial interest in net assets of the Foundation	(998,634)	(92,170)
Net change in unrealized gains and losses on investments	(175,497)	95,126
Restricted contributions	(48,036)	(450,584)
Changes in assets and liabilities		
Patient accounts receivable	(1,170,579)	(3,020,755)
Estimated third-party payor settlements	(443)	(236,562)
Inventories and other current assets	260,713	29,785
Accounts payable and accrued expenses	(225,145)	494,784
Net cash provided by operating activities	1,338,473	162,888
Cash flows from investing activities		
Acquisition of property and equipment	(267,972)	(1,606,877)
Change in assets limited as to use	541,185	415,494
Change in investments	(106,206)	(245,313)
Proceeds from sale of equipment	25,870	5,814
Net cash provided (used) by investing activities	192,877	(1,430,882)
Cash flows from financing activities		
Repayment of long-term debt	(440,000)	(695,000)
Restricted contributions	48,036	325,334
Net cash used by financing activities	(391,964)	(369,666)
Net change in cash and cash equivalents	1,139,386	(1,637,660)
Cash and cash equivalents at beginning of year	1,587,258	3,224,918
Cash and cash equivalents at end of year	$ 2,726,644	$ 1,587,258
Cash paid during the year for interest	$ 10,340	$ 37,574

The accompanying notes are an integral part of these statements.

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

On January 1, 2011, the Hospital entered into a management agreement with Via Christi Health, Inc. Under the agreement, Via Christi is responsible for daily management and administration of the Hospital, and it provides the Hospital with the services of a chief executive officer, a chief financial officer, and, beginning January 1, 2014, a director of nursing, all of whom are employed by Via Christi. The Hospital's Board of Directors retains ultimate authority and control over the business, policies, operations, and assets of the Hospital

1. Organization

McPherson Hospital, Inc. (the Hospital), is a not-for-profit membership corporation organized to establish, own, and operate an acute care hospital facility located in McPherson, Kansas. MACCO Healthcare, Inc. (MACCO), another not-for-profit membership corporation, is the sole member of the Hospital. MACCO is also the sole member of McPherson Healthcare Foundation, Inc. (the Foundation). The Foundation is a not-for-profit membership corporation established to raise funds to support the operation of the Hospital.

2. Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all cash and short-term investments purchased with original maturities of three months or less, excluding any such amounts classified as current investments or included in assets limited as to use.

3. Allowance for doubtful accounts

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, 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

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

4. Inventories

Inventories are stated at the lower of cost or market with cost determined on the first-in, first-out method.

5. Assets limited as to use

Assets limited as to use include assets held by trustees under indenture agreements, the Hospital's beneficial interest in the net assets of the Foundation, and assets restricted as to use by donors.

6. Beneficial interest in net assets of the Foundation

The Hospital and the Foundation are financially interrelated organizations. As such, the Hospital recognizes as an asset its interest in the net assets of the Foundation. At the end of each reporting period, it adjusts the interest for its share of the change in net assets of the Foundation occurring during that period. Transactions occurring between the two organizations have been eliminated during the preparation of these financial statements.

7 Investments

The Hospital maintains funds in Via Christi's pooled investment account. Each month the net investment activity is allocated to each participant in the pooled account based on the participant's average daily balance as a percentage of the total average daily balance in the investment pool. Investments in the pool are measured at fair value. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in other income Unrealized gains and losses are excluded from the excess of expenses over revenues unless the investments are trading securities.

8. Property and equipment

Property and equipment (including assets recorded as capital leases) are stated at cost. Depreciation and amortization of property and equipment are provided on the straight-line method over the estimated useful lives of the assets. The estimated lives used are generally in accordance with the guidelines established by the American Hospital Association.

The costs of maintenance and repairs are charged to operating expense as incurred. The costs of significant additions, renewals, and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. Gains and losses on disposition of property and equipment are included in other income.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

9. Costs of borrowing

Costs incurred in connection with the issuance of long-term debt are amortized using the interest method over the term of the related debt.

10. Temporarily and permanently restricted net assets

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

11. Statement of operations

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as other income and expenses.

12. 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 and the provision for bad debts. 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

13. Excess of expenses over revenues

The statement of operations includes *excess of expenses over revenues.* Changes in unrestricted net assets which are excluded from *excess of expenses over revenues,* 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, 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).

14. Charity care

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

15. Donor-restricted gifts

Unconditional promises to give cash and other assets to the Hospital or the Foundation 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. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

16. Income taxes

The Hospital and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code Management is not aware of any uncertainties in income tax positions. For both entities, the years ended June 30, 2014, 2013, 2012, and 2011, remain subject to examination by both federal and state taxing authorities.

17. Subsequent events

The Hospital has evaluated subsequent events through October 23, 2014, which is the date the financial statements were available to be issued. During this period, there were no subsequent events requiring recognition or disclosure in the financial statements.

NOTE B - REIMBURSEMENT PROGRAMS

The Hospital has agreements with third-party payors that provide for payments to it at amounts different from its established charge rates. The amounts reported on the balance sheets as estimated third-party payor settlements consist of the estimated differences between the contractual amounts for providing covered services and the interim payments received for those services A summary of the payment arrangements with major third-party payors follows.

Medicare - Inpatient acute care and skilled nursing care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or per day. Physician services rendered to Medicare beneficiaries are paid based on a prospectively determined fee schedule. Outpatient services are paid at prospectively determined rates per occasion of service. Prospectively determined rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The Hospital is paid for cost reimbursable and other items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits or reviews thereof by the Medicare administrative contractor. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through June 30, 2012.

Beginning with inpatient discharges occurring on or after October 1, 2010, the Hospital qualified for a special low-volume hospital add-on payment. This add-on payment will continue for discharges occurring through March 31, 2015. Unless current laws are amended, the Hospital will then no longer qualify for this special payment. This add-on totaled approximately $575,000 and $574,000 during fiscal years 2014 and 2013, respectively.

NOTE B - REIMBURSEMENT PROGRAMS - Continued

The Hospital is classified as a Medicare dependent hospital (MDH) under the Medicare program. As a result, a large portion of its inpatient operating diagnosis related group (DRG) payments are based on its hospital-specific operating DRG rate which is substantially higher than the federal operating DRG rate upon which those payments would be based if the Hospital did not have MDH status. The benefit of MDH status was approximately $573,000 and $634,000 during fiscal years 2014 and 2013, respectively. This provision of the Medicare program expires on March 31, 2015, at which time the Hospital will then no longer receive this benefit.

Medicaid - Inpatient acute care services rendered to Medicaid 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. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or a fee-for-service basis.

The Kansas Medicaid program provides additional payments to qualifying providers under a reimbursement formula that incorporates uncompensated care costs, Kansas Medicaid utilization, public support of the provider, and other factors. The Hospital qualified for these disproportionate share payments during the past two fiscal years.

Blue Cross and Blue Shield - All services rendered to patients who are insured by Blue Cross-Blue Shield are paid on the basis of prospectively determined rates per discharge or discounts from established charges.

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

A summary of net patient service revenue follows:

	2014	2013
Gross patient service revenue	$ 47,899,474	$ 45,232,028
Contractual adjustments	(24,875,018)	(23,927,023)
Medicare low-volume add-on payments	574,782	574,017
Benefit of MDH status	572,931	634,066
Medicaid disproportionate share payments	338,531	301,800
Charity care	(1,423,026)	(776,672)
Patient service revenue	23,087,674	22,038,216
Provision for bad debts	(2,424,980)	(1,893,600)
Net patient service revenue	$ 20,662,694	$ 20,144,616

NOTE B - REIMBURSEMENT PROGRAMS - Continued

Patient service revenue, net of contractual adjustments and charity care (but before the provision for bad debts) by major payor sources is as follows:

	2014	2013
Medicare	$ 7,892,532	$ 8,056,030
Medicaid	1,394,024	1,217,460
Blue Cross	6,772,413	5,618,611
Other third-party payors	7,068,689	5,973,819
Patients	(39,984)	1,172,296
Patient service revenue	$ 23,087,674	$ 22,038,216

Revenue from the Medicare and Medicaid programs accounted for approximately 34 percent and 6 percent, respectively, of the Hospital's patient service revenue, net of contractual adjustments and charity care during 2014, and 37 percent and 6 percent, respectively, of the Hospital's patient service revenue, net of contractual adjustments and charity care during 2013. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Hospital is dedicated to providing both services and leadership in caring for the needy and accepts all patients regardless of the ability to pay. The Hospital provides such care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since the Hospital does not attempt to collect amounts initially determined to qualify as charity care, such charges are not included in net patient service revenue. The costs incurred in providing these services of approximately $659,000 and $360,000 during the years ended June 30, 2014 and 2013, respectively, are included in the Hospital's operating expenses and are estimated using the Hospital's overall cost-to-charge ratio. In addition, the Hospital provides care for medically indigent patients covered under the Medicaid welfare program at rates substantially below standard charges.

NOTE C - ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS

The American Recovery and Reinvestment Act of 2009 (ARRA) provides for incentive payments under the Medicare and Medicaid programs for certain hospitals and physician practices that demonstrate meaningful use of certified electronic health record (EHR) technology. These provisions of ARRA are intended to promote the adoption and meaningful use of interoperable health information technology and qualified EHR technology

The Hospital recognizes revenue for EHR incentive payments when it has reasonable assurance that it has demonstrated meaningful use of certified EHR technology for the applicable period and complied with the reporting conditions to receive the payment. The demonstration of meaningful use is based upon meeting a series of objectives and varies between hospital facilities and physician practices and between the Medicare and Medicaid programs. Additionally, meeting the objectives in order to demonstrate

NOTE C - ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS - Continued

meaningful use becomes progressively more stringent as its implementation is phased in through stages as outlined by CMS. The Hospital recognized $767,767 and $1,250,000 of revenue for EHR incentive payments during the years ended June 30, 2014 and 2013, respectively

The Hospital incurs both capital expenditures and operating expenses in connection with the implementation of its EHR initiatives The amounts and timing of these expenditures do not directly correlate with the timing of the Hospital's recognition of EHR incentive payments as revenue.

NOTE D - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Prior to any allowances for uncollectible accounts or contractual adjustments, the Hospital's allowance for uncollectible accounts equaled 23 percent and 16 percent of accounts receivable at June 30, 2014 and 2013, respectively. The allowance increased as a percentage of accounts receivable primarily because self-pay accounts receivable represented a larger portion of total accounts receivable as of June 30, 2014.

The Hospital changed its charity care policy during the year ended June 30, 2013. Under the revised policy, all charges are written off for uninsured and underinsured patients with household incomes at or below 200 percent of the federal poverty level. The amount collectible from uninsured and underinsured patients with household incomes above that level is capped annually at 50 percent of their household income that exceeds 200 percent of the federal poverty level.

Prior to July 1, 2013, the Hospital offered a 5 percent discount on the portion of an account that was the patient's responsibility if the balance was paid in full within 45 days of billing the patient. Beginning July 1, 2013, the Hospital changed its discount policy to provide a 55 percent uninsured patient discount to those patients with no insurance coverage and who do not qualify for full charity care.

The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors

NOTE E - INVESTMENTS AND ASSETS LIMITED AS TO USE

All investments are stated at fair value. Assets limited as to use that are required and available to meet obligations classified as current liabilities are reported in current assets.

The following is a summary of the Hospital's current investments:

	2014	2013
Certificates of deposit	$ 409,902	$ 409,039
Via Christi Health pooled investment account	2,720,841	2,440,001
	$ 3,130,743	$ 2,849,040

NOTE E - INVESTMENTS AND ASSETS LIMITED AS TO USE - Continued

The composition of assets limited as to use is as follows:

	2014	2013
Under indenture agreements - held by trustee		
Money market funds	$ -	$ 511,065
Under donor-imposed restrictions		
Cash	$ 95,175	$ 125,295
Certificates of deposit	157,060	157,060
	$ 252,235	$ 282,355

Investment income for assets limited as to use, cash equivalents, and other investments is comprised of the following:

	2014	2013
By type		
Interest income and realized gains	$ 119,469	$ 259,881
Unrealized gains (losses)	175,497	(95,126)
	$ 294,966	$ 164,755
As reported in the financial statements		
Investment income	$ 118,486	$ 258,448
Other revenues	983	1,433
Change in net unrealized gains and losses on investments	175,497	(95,126)
	$ 294,966	$ 164,755

The following is a summary of the assets, liabilities, net assets, revenues and expenses, and changes in net assets of the Foundation (significant intercompany balances and transactions have been eliminated).

	2014	2013
Cash and cash equivalents	$ 221,332	$ 122,195
Unconditional promises to give, net	791,145	18,719
Investments	1,190,121	1,060,050
Property, plant, and equipment, net	2,483	2,263
Total assets	$ 2,205,081	$ 1,203,227

NOTE E - INVESTMENTS AND ASSETS LIMITED AS TO USE - Continued

	2014	2013
Accrued expenses	$ 8,408	$ 5,188
Net assets		
Unrestricted	130,243	130,393
Temporarily restricted	1,234,981	268,790
Permanently restricted	831,449	798,856
Total net assets	2,196,673	1,198,039
Total liabilities and net assets	$ 2,205,081	$ 1,203,227
Revenues		
Contributions	$ 1,121,293	$ 201,882
Investment income	162,971	149,259
Other	19,745	
Total revenues	1,304,009	351,141
Expenses		
Program services	74,982	25,988
Management and general	83,971	73,579
Fund-raising	105,844	104,804
Total expenses	264,797	204,371
Excess of revenues over expenses	1,039,212	146,770
Transfer to the Hospital	(40,578)	(54,600)
Change in net assets	$ 998,634	$ 92,170

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows.

	2014	2013
Land and land improvements	$ 1,337,140	$ 1,337,140
Buildings, improvements, and fixed equipment	14,793,524	14,714,470
Major movable equipment	12,468,616	12,768,596
	28,599,280	28,820,206
Less accumulated depreciation and amortization	21,846,349	20,882,592
	6,752,931	7,937,614
Construction in progress	13,103	37,317
Property and equipment, net	$ 6,766,034	$ 7,974,931

Construction in progress consists of costs incurred to date for remodeling projects at the Hospital.

NOTE G - UNAMORTIZED BOND COSTS

Unamortized bond costs are summarized as follows:

	2014	2013
City of McPherson, Kansas Hospital Facility Revenue Refunding Bonds, Series 2003	$ 54,255	$ 54,255
Less accumulated amortization	54,255	53,630
	$ -	$ 625

NOTE H - LONG-TERM DEBT

Long-term debt is summarized as follows:

	2014	2013
4.00% - 4.70% City of McPherson, Kansas Hospital Facility Revenue Refunding Bonds, Series 2003, interest payable semiannually beginning May 2004, principal payments due annually on November 1 beginning in 2004 with final maturity in 2013	$ -	$ 440,000
	-	440,000
Less current installments of long-term debt		440,000
Long-term debt, excluding current installments	$ -	$ -

The City of McPherson, Kansas, issued its Hospital Facility Revenue Refunding Bonds, Series 2003 (the 2003 Bonds), in the amount of $2,315,000, on behalf of the Hospital pursuant to a bond trust indenture dated October 15, 2003. The proceeds of the 2003 bonds were used, together with other available funds of the Hospital, for the purpose of providing funds to (1) retire the $2,270,000 of 1998 bonds outstanding at December 1, 2003, (2) fund a debt service reserve fund for the 2003 bonds, and (3) pay certain costs related to the issuance of the 2003 bonds.

The bond trust indenture and the related lease agreements require the Hospital to maintain certain deposits with a trustee. Such deposits were maintained and are included with assets limited as to use in the financial statements.

The final scheduled principal repayment on long-term debt of $440,000 occurred on November 1, 2013.

NOTE H - LONG-TERM DEBT - Continued

Total interest costs are summarized as follows:

	2014	2013
Total interest incurred	$ 6,893	$ 33,839
Amortization of deferred financing costs	625	3,135
Interest expense	$ 7,518	$ 36,974

NOTE I - OPERATING LEASES

The Hospital leases equipment under various operating leases. Scheduled future minimum rental payments for all noncancellable operating leases with remaining terms of one year or more are as follows:

2015	$ 78,102
2016	78,102
2017	78,102
2018	78,102
2019	13,018
Total minimum future rental payments	$ 325,426

Rental expense for all operating leases consisted of the following:

	2014	2013
Minimum rentals due under leases expiring in more than one year	$ 93,961	$ 86,628
Other rents	17,614	21,013
	$ 111,575	$ 107,641

NOTE J - PENSION PLAN

The Hospital sponsors a defined-contribution pension plan that covers substantially all full-time employees who have completed one year of service. Annual contributions to the plan are based on a percentage of eligible employee compensation. The total expense of the plan for the years ended June 30, 2014 and 2013, was $242,726 and $267,189, respectively.

NOTE K - COMMITMENTS AND CONTINGENCIES

During 2004, the Hospital leased land to a physician practice under a 99-year ground lease. Annual rent began at $5,705 and increases each year based on the inflation rate for the previous year. The physician practice has built a medical office building on the land subject to the lease. The lease agreement will terminate prior to the end of its scheduled term in the event the Hospital purchases the medical office building.

The physician practice financed construction of the medical office building with proceeds of industrial revenue bonds issued by the City of McPherson (the City). The City also granted a 10-year exemption from ad valorem taxes on the building in connection with that financing. The Hospital and the physician practice have entered into an agreement requiring the Hospital to purchase the medical office building from the physician practice upon expiration of the ad valorem tax exemption. Execution of this agreement was a condition for issuance of the bonds used to finance the building. The purchase price will be the fair market value of the building at the time of purchase, subject to certain adjustments as specified in the agreement, but not less than the principal amount of the bonds outstanding at the time of purchase. It is presently estimated that the purchase price will be approximately $1,280,000.

At June 30, 2014, the carrying amount of bank deposits and certificates of deposit was $3,235,489 and the bank balances were $3,611,095 Of the bank balances, $746,536 was covered by federal depository insurance, $2,607,479 was insured by a bank deposit guaranty bond, and $257,080 was uninsured.

Bank deposits are included in the financial statements under the following categories:

	Bank deposits
Cash	$ 2,573,352
Investments	409,902
Assets limited as to use Under donor-imposed restrictions	252,235
	$ 3,235,489

NOTE L - FUNCTIONAL EXPENSES

The Hospital provides general health care services to residents of its service area. Expenses related to providing these services are as follows:

	2014	2013
Health care services	$ 20,822,504	$ 19,804,899
General and administrative	3,357,286	3,605,813
	$ 24,179,790	$ 23,410,712

NOTE M - CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of patient accounts receivable from patients and third-party payors is summarized as follows:

	2014	2013
Medicare	42.7%	34.6%
Medicaid	5.8	7 4
Blue Cross	13.7	20.2
Other insurers	19.2	24 5
Patients	18.6	13 3
	100.0%	100.0%

NOTE N - MEDICAL MALPRACTICE INSURANCE

For the years ended June 30, 2014 and 2013, the Hospital was insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of $200,000 per occurrence up to an annual aggregate of $600,000 for all claims made during the policy year. The Hospital is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to $800,000 pursuant to any one judgment or settlement against the Hospital for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of $2,400,000. The policy provided by the independent insurance carrier provides for umbrella liability in excess of the underlying limits set forth above in the amount of $1,000,000 per occurrence with an aggregate amount in any policy year of $1,000,000. All coverage is on a claims-made basis. The above policies have been renewed for the policy period from January 1, 2014 to January 1, 2015. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified under the Hospital's incident reporting system has been made because the amount is not reasonably estimable. Based on historical experience and present conditions, it is the opinion of management that any claims or expenses related to periods prior to June 30, 2014, will have no material effect on the financial statements of the Hospital.

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS

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 is determined according to a hierarchy that gives highest priority to use of observable inputs and lowest priority to use of unobservable inputs. These inputs are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Level 2 inputs to the valuation methodology are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs to the valuation methodology are unobservable, supported by little or no market activity, and are significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used by the Hospital for assets measured at fair value on a recurring basis.

The Via Christi Health pooled investment account is valued based on the Hospital's allocation of the fair value of the underlying investments in the pooled investment account. As the Hospital's allocation does not identify with a specific investment, it has been classified as Level 3 within the fair value hierarchy The allocation of investments within the pooled investment account is as follows:

	2014	2013
Cash and cash equivalents	2%	3%
Marketable equity securities	20	17
U S. government obligations	22	25
Asset backed securities	7	9
Corporate fixed income	11	12
Private equity and real estate funds	7	6
Hedge funds	23	22
Commodities funds and other investments	8	6
	100%	100%

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following table sets forth, by level, the Hospital's assets measured at fair value on a recurring basis.

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$409,902	$ -	$ -	$ 409,902
Via Christi Health pooled investment account			2,720,841	2,720,841
	$409,902	$ -	$2,720,841	$3,130,743

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$409,039	$ -	$ -	$ 409,039
Via Christi Health pooled investment account			2,440,001	2,440,001
	$409,039	$ -	$2,440,001	$2,849,040

Activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2014 and 2013, is summarized as follows:

	Pooled investment account
Balance as of June 30, 2012	$2,291,513
Interest and dividends	55,968
Realized gains	187,646
Unrealized losses	(95,126)
Balance as of June 30, 2013	2,440,001
Investment income	105,343
Unrealized gains	175,497
Balance as of June 30, 2014	$2,720,841

NOTE P - RELATED PARTY TRANSACTIONS

In addition to the management agreement discussed in Note A1 and participation in the Via Christi Health pooled investment account (Notes E and O), the Hospital also enters into other transactions with Via Christi. Operating expenses include the following amounts for services provided by Via Christi:

	2014	2013
Management fees	$ 660,000	$ 660,000
Other services	1,226,886	1,612,508
	$ 1,886,886	$ 2,272,508

Accounts payable include amounts due to Via Christi for these items of $164,114 and $143,470 as of June 30, 2014 and 2013, respectively.