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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

WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) Room/suite

1905 AMERICAN WAY

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

KINGSPORT, TN 37660

F Name and address of principal officer

TODD J DOUGAN

1905 AMERICAN WAY

KINGSPORT, TN 37660

D Employer identification number

62-1816368

E Telephone number

(423) 230-8200

G Gross receipts \$ 49,835,725

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.WELLMONT.ORG

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation 2000

M State of legal domicile TN

Part I Summary																									
Activities & Governance	<div><div>1 Briefly describe the organization's mission or most significant activities</div><div>WE DELIVER SUPERIOR HEALTH CARE WITH COMPASSION</div><div></div><div></div><div></div></div>																								
	<div><div>2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets</div></div>																								
	<table><tr><td>3</td><td>Number of voting members of the governing body (Part VI, line 1a)</td><td>3</td></tr><tr><td>4</td><td>Number of independent voting members of the governing body (Part VI, line 1b)</td><td>0</td></tr><tr><td>5</td><td>Total number of individuals employed in calendar year 2013 (Part V, line 2a)</td><td>245</td></tr><tr><td>6</td><td>Total number of volunteers (estimate if necessary)</td><td>14</td></tr><tr><td>7a</td><td>Total unrelated business revenue from Part VIII, column (C), line 12</td><td>0</td></tr><tr><td>7b</td><td>Net unrelated business taxable income from Form 990-T, line 34</td><td></td></tr></table>	3	Number of voting members of the governing body (Part VI, line 1a)	3	4	Number of independent voting members of the governing body (Part VI, line 1b)	0	5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	245	6	Total number of volunteers (estimate if necessary)	14	7a	Total unrelated business revenue from Part VIII, column (C), line 12	0	7b	Net unrelated business taxable income from Form 990-T, line 34							
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Expenses	<table><tr><td>13</td><td>Grants and similar amounts paid (Part IX, column (A), lines 1–3)</td><td>5,000394</td></tr><tr><td>14</td><td>Benefits paid to or for members (Part IX, column (A), line 4)</td><td>0</td></tr><tr><td>15</td><td>Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)</td><td>9,122,9638,390,916</td></tr><tr><td>16a</td><td>Professional fundraising fees (Part IX, column (A), line 11e)</td><td>0</td></tr><tr><td>16b</td><td>Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0</td><td></td></tr><tr><td>17</td><td>Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)</td><td>30,999,06636,724,326</td></tr><tr><td>18</td><td>Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)</td><td>40,127,02945,115,636</td></tr><tr><td>19</td><td>Revenue less expenses Subtract line 18 from line 12</td><td>20,978,3194,709,829</td></tr></table>	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	5,000394	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	9,122,9638,390,916	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	16b	Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	30,999,06636,724,326	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	40,127,02945,115,636	19	Revenue less expenses Subtract line 18 from line 12	20,978,3194,709,829
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Part II Signature Block

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

Sign Here

Signature of officer

TODD J DOUGAN SR VP OF FINANCE

Type or print name and title

2015-05-13

Date

Paid Preparer Use Only

Prnt/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN

Firm's name

Firm's EIN

Firm's address

Phone no

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

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2013)

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

WE DELIVER SUPERIOR HEALTH CARE WITH COMPASSION

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 \$ 36,414,228 including grants of \$ 394) (Revenue \$ 49,631,576)

WELLMONT HEALTH SYSTEM PREPARES A CONSOLIDATED COMMUNITY BENEFIT REPORT, WHICH INCLUDES THE ACTIVITIES OF ALL ITS OPERATIONS AND AFFILIATES IN CONTRAST, AN INTERNAL REVENUE SERVICE (IRS) FORM 990 IS FILED FOR EACH TAX EXEMPT CORPORATION (7 SEPARATE FORM 990S), AND THERE IS NO SUCH IRS FORM FOR THE TAXABLE CORPORATIONS IN ADDITION, THE IRS INSTRUCTIONS TO FORM 990 HAVE SPECIFIC DEFINITIONS, METHODS AND WORKSHEETS TO CALCULATE THE COMMUNITY BENEFITS TO BE INCLUDED ON THE FORM 990 AS A RESULT, THERE ARE SIGNIFICANT DIFFERENCES BETWEEN THE COMMUNITY BENEFITS REPORTED IN THE CONSOLIDATED COMMUNITY BENEFIT REPORT AND THE VARIOUS FORM 990S THERE ARE ALSO FUNDS AND SERVICES THAT ARE PROVIDED THAT DO NOT MEET THE SPECIFIC DEFINITIONS OF THE IRS INSTRUCTIONS, SUCH AS (CON'T ON SCHEDULE O) CONTRIBUTIONS TO COMMUNITY ORGANIZATIONS THAT DO NOT MEET THE DEFINITION OF "RESTRICTED TO ONE OR MORE OF THE ACTIVITIES DESCRIBED IN THE TABLE IN PART I, LINE 7" OF SCHEDULE H-HOSPITALS WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC IS A PUBLIC TRUST THIS HOSPITAL, LIKE THE OTHER WELLMONT HEALTH SYSTEM FACILITIES OF WHICH IT IS A MEMBER, WAS BORN OF ITS COMMUNITY'S COMMITMENT TO SUPERIOR HEALTH CARE FOR ITS CITIZENS IT IS OUR MISSION TO DELIVER SUPERIOR HEALTH CARE WITH COMPASSION TO THE PEOPLE WE SERVE, AND IT IS OUR VISION TO DELIVER THE BEST HEALTH CARE ANYWHERE CONSISTENT WITH THIS MISSION, WE HAVE WORKED TOWARD IMPROVING OUR COMMUNITY'S ACCESS TO QUALITY, AFFORDABLE HEALTH CARE, EDUCATING OUR REGION'S CAREGIVERS, IMPROVING THE HEALTH STATUS OF OUR COMMUNITIES, AND CONTRIBUTING TO THE OVERALL QUALITY OF LIFE IN THE AREAS WE SERVE OVERALL, WE RETURNED MORE THAN 3,334,871 IN BENEFITS TO OUR COMMUNITY IN FISCAL YEAR 2014,INCLUDING 3,299,814 OF UNREIMBURSED COSTS FOR INDIGENT AND MEDICAID PATIENTS AND 35,057 FOR OTHER COMMUNITY ACTIVITIES WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC IS A 50-BED FACILITY IN ROGERSVILLE, TENNESSEE WE PROVIDE A WIDE VARIETY OF SERVICES, INCLUDING EMERGENCY CARE, PHYSICAL, STROKE AND OCCUPATIONAL THERAPIES, SURGERY, INTERMEDIATE MEDICAL CARE, OUTPATIENT SPECIALTY CLINICS, LABORATORY SERVICES, AUDIOLOGY SERVICES, CARDIOVASCULAR SERVICES, RESPIRATORY THERAPY, SLEEP EVALUATIONS AND TREATMENT, INFUSION, SPINE REHABILITATION SERVICES AND DIAGNOSTIC IMAGING IN MARCH 2014, WELLMONT HAWKINS COUNTY OPENED A SECOND INFUSION CENTER IN JOHNSON CITY, TENNESSEE THE INFUSION CENTERS IN HAWKINS COUNTY AND JOHNSON CITY OFFER PATIENTS CONVENIENT ACCESS TO CANCER SERVICES IN A HEALING ENVIRONMENT AMENITIES IN THE INFUSION CENTERS INCLUDE HEATED CHAIRS AND MASSAGES IN FISCAL YEAR 2014, WE PROVIDED SERVICES TO 1,014 INPATIENTS, HAD 523 INPATIENT AND OUTPATIENT SURGICAL CASES, AND HAD 16,527 EMERGENCY ROOM VISITS WE ARE MINDFUL OF OUR RESPONSIBILITIES AS ONE OF HAWKINS COUNTY'S LARGEST COMPANIES HUNDREDS OF FAMILIES COUNT ON US FOR THEIR LIVELIHOODS OUR AREA RELIES ON US AS A DRIVER OF ECONOMIC DEVELOPMENT IT IS OUR DUTY AS A CORPORATE CITIZEN TO SUPPORT THOSE ENDEAVORS AND CAUSES THAT IMPROVE THE QUALITY OF LIFE IN OUR REGION AND WE ALSO RECOGNIZE IT IS OUR RESPONSIBILITY TO CARE FOR THOSE IN NEED - REGARDLESS OF THEIR ABILITY TO PAY IT IS OUR COMMITMENT - INDEED, IT IS IMPLICIT IN OUR MISSION - TO SUPPORT THE CAUSES AND DEVELOP THE INITIATIVES THAT WILL PROPEL OUR COMMUNITY TOWARD A BETTER, BRIGHTER, HEALTHIER AND MORE VIBRANT FUTURE REGARDLESS OF RACE, RELIGION, ETHNICITY OR ABILITY TO PAY, WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC TREATS ALL PATIENTS FOR MEDICALLY NECESSARY CONDITIONS RECOGNIZING THAT SOME PATIENTS CANNOT AFFORD ESSENTIAL MEDICAL SERVICES, WE PROVIDED CARE FOR INDIGENT PATIENTS, WRITING OFF 4,039,729 OF CHARGES AND INCURRING COSTS OF 806,491 WE SUPPORT AND ENCOURAGE OUR EMPLOYEES TO GIVE THEIR TIME TO AREA NOT-FOR- PROFIT ORGANIZATIONS, WHICH INCLUDED THE AMERICAN HEART ASSOCIATION, AMERICAN CANCER SOCIETY, THE ROGERSVILLE HERITAGE ASSOCIATION, CIVIC GROUPS LIKE KIWANIS AND ROTARY, VARIOUS UNITED WAY AGENCIES AND THE ROGERSVILLE AREA CHAMBER OF COMMERCE AND ITS PROGRAMS MANY OF OUR EMPLOYEES ALSO SERVE IN COMMUNITY RESCUE SQUADS WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC WILL SUCCEED IN OUR MISSION BY CONTINUALLY REINVESTING IN OUR MOST PRECIOUS RESOURCE - OUR PEOPLE TO THAT END, WE PROVIDED ON-THE-JOB TRAINING TO NURSING CANDIDATES THIS PROGRAM UTILIZES NURSING STAFF THAT HAVE COMPLETED A DEGREE BUT NOT YET PASSED BOARD CERTIFICATION THIS PROVIDES INVALUABLE EXPERIENCE FOR NEW NURSES, WHO ARE SUPERVISED BY BOARD-CERTIFIED NURSES WE ALSO PROVIDED EDUCATIONAL OPPORTUNITIES TO STUDENTS IN OTHER MEDICAL DISCIPLINES, SUCH AS RADIOLOGY FOREWARNED IS FOREARMED THE BEST WAY TO KEEP OUR COMMUNITIES HEALTHY IS TO PROVIDE THEM WITH THE LATEST INFORMATION ABOUT THEIR HEALTH WE STRIVE TO PROVIDE INFORMATION ABOUT EVERYTHING FROM DISEASE AND INJURY PREVENTION TO THE LATEST TREATMENTS AND TECHNOLOGIES AVAILABLE TO COPING WITH DISEASE AND ITS SYMPTOMS OUR TOTAL COMMUNITY BENEFIT FOR COMMUNITY HEALTH IMPROVEMENT SERVICES HAD A DIRECT COST OF 3,363 WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC PROVIDED IN-KIND SERVICES AT A DIRECT COST OF 31,347 IN-KIND SERVICES INCLUDED CONFERENCE ROOM SPACE DONATED TO NON-PROFIT COMMUNITY GROUPS SUCH AS ALCOHOLICS ANONYMOUS, HAWKINS COUNTY CHAMBER OF COMMERCE AND THE ROTARY CLUB OTHER IN-KIND SERVICES PROVIDED WERE RESTOCKING SUPPLIES OF EMS VEHICLES

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 ▶ 36,414,228

Form 990 (2013)

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		No
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	23	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	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.	24	5
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	No
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f	No
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g	
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a Did the organization make any taxable distributions under section 4966?		9a	
b Did the organization make a distribution to a donor, donor advisor, or related person?		9b	
10 Section 501(c)(7) organizations. Enter			
a Initiation fees and capital contributions included on Part VIII, line 12.		10a	
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		10b	
11 Section 501(c)(12) organizations. Enter			
a Gross income from members or shareholders.		11a	
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		13a	
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		13b	
c Enter the amount of reserves on hand.		13c	
14a Did the organization receive any payments for indoor tanning services during the tax year?		14a	No
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		14b	

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	3	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	0	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	a The governing body?	8a	Yes
8b	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
10b	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
12b	b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
12c	c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes
13	Did the organization have a written whistleblower policy?	13	Yes
14	Did the organization have a written document retention and destruction policy?	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	a The organization's CEO, Executive Director, or top management official	15a	Yes
15b	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
16b	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▶TN
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶TODD J DOUGAN1905 AMERICAN WAY KINGSPORT,TN 37660 (423) 230-8512

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) MARGARET DENARVAEZ PRESIDENT/WH	1 00 39 00	X		X				0	1,053,911	49,268
(2) JOHN HOWARD SECR/WH S EVP	1 00 39 00	X		X				0	612,013	11,002
(3) TRACEY P MOFFATT TREASURER/WH	1 00 39 00	X		X				0	469,996	30,538
(4) FRED PELLE PRES /CEO CO	10 00 30 00			X				80,283	240,849	26,689
(5) ROBERT MATTHEW TAVENNER CHIEF ADMIN	10 00 30 00			X				42,370	127,112	8,975
(6) SHERRI IVES VP OF PATIEN	10 00 30 00			X				36,523	109,569	17,460
(7) REGINA DAY FINANCE DIRE	10 00 30 00			X				21,179	63,535	4,757
(8) GEORGIA SHUCK PHARMACIST	40 00					X		129,653	0	7,005
(9) ALEXANDER GEORGE PHARMACIST	40 00					X		125,075	0	14,536
(10) DAVID MOONEY DIRECTOR REH	40 00					X		107,772	0	16,884
(11) ANDREA DEEL PHARMACIST	40 00					X		101,722	0	6,966
(12) GREG NEAL PRES /CEO CO	0 00 40 00						X	0	354,921	28,312
(13) E DALE POE VP FIN HOS	0 00 40 00						X	0	269,502	20,777
(14) CHRISTOPHER B HOBSON VP/COO BRMC	0 00 40 00						X	0	171,426	20,556

Part VII

(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			
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								644,577	3,472,834	263,725

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: 4

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

Section B. Independent Contractors

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

(A)	(B)	(C)
Name and business address	Description of services	Compensation
UT SURGICAL ASSOCIATES, 1437 WEST MORRIS BLVD MORRISTOWN TN 37813	MEDICAL SERVCS	350,000

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 ►1

Part VIII

Statement of Revenue

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

			(A)	(B)	(C)	(D)
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a			
	b	Membership dues	1b			
	c	Fundraising events	1c			
	d	Related organizations	1d	28,800		
	e	Government grants (contributions)	1e			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f			
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f		28,800		
Program Service Revenue			Business Code			
	2a	PATIENT CARE REVENUE - NET	621990	48,850,878	48,850,878	
	b	PHYSICAL THERAPY REVENUE	621990	2,398	2,398	
	c	MEDICAL RECORDS FEES	624100	2,290	2,290	
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f		48,855,566		
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)				
	4	Income from investment of tax-exempt bond proceeds				
	5	Royalties				
			(i) Real	(ii) Personal		
	6a	Gross rents	26,489			
	b	Less rental expenses	10,260			
	c	Rental income or (loss)	16,229			
	d	Net rental income or (loss)		16,229		16,229
			(i) Securities	(ii) Other		
	7a	Gross amount from sales of assets other than inventory				
	b	Less cost or other basis and sales expenses				
	c	Gain or (loss)				
	d	Net gain or (loss)				
	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	MEANINGFUL USE FUNDS	900099	776,010	776,010		
b	MISCELLANEOUS REVENUE	900099	91,234		91,234	
c	CAFETERIA/ VENDING REVENUE	722210	57,626		57,626	
d	All other revenue					
e	Total. Add lines 11a-11d		924,870			
12	Total revenue. See Instructions		49,825,465	49,631,576	165,089	

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

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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.	394	394		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	194,825		194,825	
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.	6,573,868	6,471,150	102,718	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	244,959	241,526	3,433	
9	Other employee benefits.	871,501	835,918	35,583	
10	Payroll taxes.	505,763	490,772	14,991	
11	Fees for services (non-employees):				
a	Management.	1,585		1,585	
b	Legal.				
c	Accounting.	7,770	7,770		
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).	11,082,583	2,894,317	8,188,266	
12	Advertising and promotion.				
13	Office expenses.	1,003,548	936,654	66,894	
14	Information technology.				
15	Royalties.				
16	Occupancy.	749,028	748,138	890	
17	Travel.	38,293	33,768	4,525	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	346,106	346,106		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	1,151,559	1,093,981	57,578	
23	Insurance.	460,014	460,014		
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	MEDICAL SUPPLIES	19,685,578	19,685,578		
b	PROVISION FOR BAD DEBTS	2,123,775	2,123,775		
c	MISCELLANEOUS OTHER EXP	74,487	44,367	30,120	
d					
e	All other expenses				
25	Total functional expenses. Add lines 1 through 24e.	45,115,636	36,414,228	8,701,408	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

			(A)		(B)
			Beginning of year		End of year
Assets	1	Cash—non-interest-bearing	189,590	1	306,848
	2	Savings and temporary cash investments		2	
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	26,392,715	4	10,704,568
	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	988,438	8	1,028,469
	9	Prepaid expenses and deferred charges	48,305	9	109,674
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a18,685,416		
	b	Less accumulated depreciation	10b10,764,832	7,534,801	10c7,920,584
	11	Investments—publicly traded securities		11	
	12	Investments—other securities See Part IV, line 11		12	
	13	Investments—program-related See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets See Part IV, line 11		15	
	16	Total assets. Add lines 1 through 15 (must equal line 34)	35,153,849	16	20,070,143
Liabilities	17	Accounts payable and accrued expenses	3,117,049	17	3,171,228
	18	Grants payable		18	
	19	Deferred revenue		19	
	20	Tax-exempt bond liabilities		20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D		21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		22	
	23	Secured mortgages and notes payable to unrelated third parties		23	
	24	Unsecured notes and loans payable to unrelated third parties		24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		25	
	26	Total liabilities. Add lines 17 through 25	3,117,049	26	3,171,228
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.				
	27	Unrestricted net assets	32,036,800	27	16,898,915
	28	Temporarily restricted net assets		28	
	29	Permanently restricted net assets		29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances	32,036,800	33	16,898,915
	34	Total liabilities and net assets/fund balances	35,153,849	34	20,070,143

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	49,825,465
2	Total expenses (must equal Part IX, column (A), line 25)	2	45,115,636
3	Revenue less expenses Subtract line 2 from line 1	3	4,709,829
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	32,036,800
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-19,847,714
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	16,898,915

Part XII Financial Statements and Reporting

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

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

2013

Open to Public Inspection

SCHEDULE A

(Form 990 or 990EZ)

Public Charity Status and Public Support

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

- ▶ 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.

Department of the Treasury

Internal Revenue Service

Name of the organization WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL INC	Employer identification number 62-1816368
--	---

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

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

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2013

Part II

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2012 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2013. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
b 33 1/3% support test—2012. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
17a 10%-facts-and-circumstances test—2013. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
b 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions						▶

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2012. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		

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

Facts And Circumstances Test

Return Reference	Explanation	
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SCHEDULE D
(Form 990)

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

Department of the Treasury
Internal Revenue Service

Name of the organization WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL INC	Employer identification number 62-1816368
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Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

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

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ **Yes**☐ **No**

6

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

7

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

8

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

☐ **Yes**☐ **No**

9

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

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

1a

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

b

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

(i)

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

(ii)

Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2013

Part III

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

- 3

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

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations
- 4

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

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

☐ Yes

☐ No

Part IV

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

- 1a

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

☐ Yes

☐ No
- b

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

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

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

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

☐ Yes

☐ No
- b

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

☐

Part V

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

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

- 2

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

Board designated or quasi-endowment

b

Permanent endowment

c

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

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

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		30,500		30,500
b Buildings		8,187,946	5,162,238	3,025,708
c Leasehold improvements		3,526,838	452,116	3,074,722
d Equipment		6,491,581	4,786,586	1,704,995
e Other		448,551	363,892	84,659
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				7,920,584

Schedule D (Form 990) 2013

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

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

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		
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		
3	Subtract line 2e from line 1		3		
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
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)		5		

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
SCHEDULE D, PAGE 3, PART X	THE WELLMONT HEALTH SYSTEM ENTITIES ARE PRIMARILY CLASSIFIED AS ORGANIZATIONS EXEMPT FROM FEDERAL INCOME TAXES UNDER SECTION 501(A) AS ENTITIES DESCRIBED IN SECTION 501(C)(3)OF THE INTERNAL REVENUE CODE ACCORDINGLY, NO PROVISION FOR INCOME TAXES HAS BEEN INCLUDED FOR THESE ENTITIES IN THE CONSOLIDATED FINANCIAL STATEMENTS. THE OPERATIONS OF WELLMONT HEALTH SYSTEM ARE SUBJECT TO STATE AND FEDERAL INCOME TAXES WHICH ARE ACCOUNTED FOR IN ACCORDANCE WITH ASC 740, INCOME TAXES, HOWEVER, SUCH AMOUNTS ARE NOT MATERIAL.

[illegible]

SCHEDULE H
(Form 990)

Hospitals

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

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

Name of the organization
WELLMONT HAWKINS COUNTY MEMORIAL
HOSPITAL INC

Employer identification number

62-1816368

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			806,491		806,491	1 790 %
b Medicaid (from Worksheet 3, column a)			6,527,431	4,034,108	2,493,323	5 530 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . .						
d Total Financial Assistance and Means-Tested Government Programs . .			7,333,922	4,034,108	3,299,814	7 310 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	429	1,875	3,363		3,363	0 010 %
f Health professions education (from Worksheet 5)	2	66	347		347	
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	157		31,347		31,347	0 070 %
j Total Other Benefits	588	1,941	35,057		35,057	0 080 %
k Total . Add lines 7d and 7j . .	588	1,941	7,368,979	4,034,108	3,334,871	7 390 %

Part IICommunity Building Activities

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

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

1

No

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

2

423,990

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

3

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

Section B. Medicare

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

5

9,773,888

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

6

11,323,163

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

7

-1,549,275

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

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

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

9a

Yes

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

9b

Yes

Part IVManagement Companies and Joint Ventures

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

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

Schedule H (Form 990) 2013

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)
HAWKINS COUNTY MEMORIAL HOSPITAL

Name of hospital facility or facility reporting group

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 13		
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a <input checked="" type="checkbox"/> Hospital facility's website (list url) WWW.WELLMONT.ORG		
b <input type="checkbox"/> Other website (list url)		
c <input checked="" type="checkbox"/> Available upon request from the hospital facility		
d <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input checked="" type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide plan		
d <input type="checkbox"/> Participation in the execution of a community-wide plan		
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No	
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u> </u> % If "No," explain in Part VI the criteria the hospital facility used	11		No
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes	
a <input checked="" type="checkbox"/> Income level				
b <input checked="" type="checkbox"/> Asset level				
c <input checked="" type="checkbox"/> Medical indigency				
d <input checked="" type="checkbox"/> Insurance status				
e <input checked="" type="checkbox"/> Uninsured discount				
f <input checked="" type="checkbox"/> Medicaid/Medicare				
g <input checked="" type="checkbox"/> State regulation				
h <input type="checkbox"/> Residency				
i <input type="checkbox"/> Other (describe in Part VI)				
13	Explained the method for applying for financial assistance?	13	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14	Yes	
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website				
b <input type="checkbox"/> The policy was attached to billing invoices				
c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms				
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices				
e <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility				
f <input checked="" type="checkbox"/> The policy was available upon request				
g <input type="checkbox"/> Other (describe in Part VI)				
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a <input type="checkbox"/> Reporting to credit agency				
b <input type="checkbox"/> Lawsuits				
c <input type="checkbox"/> Liens on residences				
d <input type="checkbox"/> Body attachments				
e <input type="checkbox"/> Other similar actions (describe in Section C)				
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17		No
a <input type="checkbox"/> Reporting to credit agency				
b <input type="checkbox"/> Lawsuits				
c <input type="checkbox"/> Liens on residences				
d <input type="checkbox"/> Body attachments				
e <input type="checkbox"/> Other similar actions (describe in Section C)				

Part V

Facility Information *(continued)*

- 18** Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a** ☒ Notified individuals of the financial assistance policy on admission
 - b** ☒ Notified individuals of the financial assistance policy prior to discharge
 - c** ☐ Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
 - d** ☒ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
 - e** ☐ Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

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.

[illegible]

Part V

Facility Information *(continued)*

Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year? _____

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

Part VI

Supplemental Information

Provide the following information

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

Form and Line Reference	Explanation
PART I, LINE 7, COLUMN (F) - EXCLUSIONS FROM PERCENT OF TOTAL EXPENSE	BAD DEBT EXPENSE OF 2,123,775 WAS INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN A, BUT WAS SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGES IN THIS COLUMN PART I, LINE 7 - FINANCIAL ASSISTANCE AND CERTAIN OTHER COMMUNITY BENEFITS AT COST FOR WORKSHEET 2, THE RATIO OF PATIENT CARE COST-TO-CHARGES WAS USED TO DETERMINE THE COSTS FOR AMOUNTS IN LINES 7A AND 7B, COLUMN C THE COSTS INCLUDED IN THE COST-TO-CHARGE RATIO INCLUDED THE COSTS FROM ALL PATIENT SEGMENTS ACTUAL COSTS FROM THE GENERAL LEDGER WERE USED FOR AMOUNTS IN LINES 7F AND 7I, COLUMN C

Form and Line Reference	Explanation
PART III, LINE 2 - BAD DEBT EXPENSE METHODOLOGY	<p>THE COST REPORTED ON LINE 2 IS CALCULATED AS THE BAD DEBT EXPENSE FROM THE GENERAL LEDGER TIMES THE RATIO OF COST TO CHARGES AS CALCULATED ON WORKSHEET 2. THERE ARE NO AMOUNTS REPORTED ON LINE 3. DISCOUNTS ON PATIENT ACCOUNTS ARE NOT INCLUDED IN BAD DEBT EXPENSE. PAYMENTS ON PATIENT ACCOUNTS THAT HAVE PREVIOUSLY BEEN WRITTEN OFF AS BAD DEBT ARE USED TO REDUCE BAD DEBT EXPENSE. A THIRD PARTY VENDOR IS USED TO HELP DETERMINE THE AMOUNT THAT REASONABLY COULD BE ATTRIBUTABLE TO PATIENTS WHO LIKELY WOULD QUALIFY FOR FINANCIAL ASSISTANCE UNDER THE CHARITY CARE POLICY. TEXT OF NOTE TO FINANCIAL STATEMENTS THAT DESCRIBES BAD DEBT EXPENSE: NET PATIENT SERVICE REVENUE IS REPORTED ON THE ACCRUAL BASIS IN THE PERIOD IN WHICH SERVICES ARE PROVIDED AT THE ESTIMATED NET REALIZABLE AMOUNTS EXPECTED TO BE COLLECTED. NET PATIENT SERVICE REVENUE INCLUDES AMOUNTS ESTIMATED BY MANAGEMENT TO BE REIMBURSABLE BY PATIENTS AND VARIOUS THIRD-PARTY PAYORS UNDER PROVISIONS OF REIMBURSEMENT FORMULAS IN EFFECT, INCLUDING RETROACTIVE ADJUSTMENTS UNDER REIMBURSEMENT AGREEMENTS. ESTIMATED RETROACTIVE ADJUSTMENTS ARE ACCRUED IN THE PERIOD RELATED SERVICES ARE RENDERED AND ADJUSTED IN FUTURE PERIODS AS FINAL AND OTHER SETTLEMENTS ARE DETERMINED. WELLMONT PROVIDES CARE TO PATIENTS WHO MEET CRITERIA UNDER ITS CHARITY CARE POLICY WITHOUT CHARGE OR AT AMOUNTS LESS THAN ITS ESTABLISHED RATES. BECAUSE WELLMONT DOES NOT PURSUE COLLECTION OF AMOUNTS DETERMINED TO QUALIFY AS CHARITY CARE, THEY ARE NOT INCLUDED IN NET PATIENT SERVICE REVENUE. PATIENT ACCOUNTS RECEIVABLE ARE REPORTED NET OF BOTH AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS AND AN ALLOWANCE FOR CONTRACTUAL ADJUSTMENTS. THE CONTRACTUAL ALLOWANCE REPRESENTS THE DIFFERENCE BETWEEN ESTABLISHED BILLING RATES AND ESTIMATED REIMBURSEMENT FROM MEDICARE, TENNCARE, MEDICAID, AND OTHER THIRD-PARTY PAYMENT PROGRAMS. WELLMONT'S POLICY DOES NOT REQUIRE COLLATERAL OR OTHER SECURITY FOR PATIENT ACCOUNTS RECEIVABLE. WELLMONT ROUTINELY OBTAINS ASSIGNMENT OF, OR IS OTHERWISE ENTITLED TO RECEIVE, PATIENT BENEFITS PAYABLE UNDER HEALTH INSURANCE PROGRAMS, PLANS, OR POLICIES.</p>

Form and Line Reference	Explanation
PART VI, LINE 2 - NEEDS ASSESSMENT	LINE NUMBER 1, PART VI, LINE 2 WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC EXAMINES THE HEALTHCARE NEEDS OF THE COMMUNITIES IT SERVES BY CONDUCTING PHYSICIAN NEEDS ASSESSMENTS FOR ITS HOSPITALS AS PART OF THIS EFFORT, WELLMONT REVIEWS ITS SERVICE AREA AND DEMOGRAPHICS, EXAMINES PHYSICIAN DEMOGRAPHICS AND CONDUCTS FOCUS GROUPS IT MAKES A DETERMINATION OF PHYSICIAN NEED WHILE CALCULATING ITS PHYSICIAN SURPLUSES AND DEFICITS AND HIGHLIGHTING ITS RECRUITMENT PRIORITIES AND PLANS WELLMONT ANNUALLY DETERMINES ITS PRIMARY, SECONDARY AND TERTIARY MARKETS THROUGH THE USE OF COUNTY-BY-COUNTY ANALYSIS TO IDENTIFY THE FOLLOWING CUSTOMER GROUPS PATIENTS AND POTENTIAL PATIENTS, COMMUNITY/EMPLOYER GROUPS AND LOCAL PHYSICIANS THE HEALTH SYSTEM ALSO RELIES ON THE EXPERTISE OF CONSULTANTS TO PERIODICALLY REVIEW ALL FACETS OF OPERATIONS AND MAKE RECOMMENDATIONS FOR CHANGES

Form and Line Reference	Explanation
PART VI, LINE 3 - PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	LINE NUMBER 1, PART VI, LINE 3 WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC PROACTIVELY INFORMS PATIENTS OF THE FINANCIAL ASSISTANCE POLICY BY POSTING THE POLICY ON ITS WEBSITE AS WELL AS POSTING THE POLICY AT POINTS OF REGISTRATION IN THE HOSPITAL WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC USES PROGRAM ELIGIBILITY SPECIALISTS WHO CONTACT THE UNINSURED PATIENT POPULATION THESE SPECIALISTS DISCUSS THE VARIOUS GOVERNMENTAL ASSISTANCE PROGRAMS THAT ARE AVAILABLE TO PATIENTS IN ORDER TO DETERMINE IF THE PATIENT WOULD QUALIFY FOR ANY OF THESE PROGRAMS THE SPECIALISTS WILL WORK WITH THE PATIENTS TO COMPLETE ANY NECESSARY APPLICATIONS AND WILL HELP THEM THROUGH THE QUALIFICATION PROCESS

Form and Line Reference	Explanation
PART VI, LINE 4 - COMMUNITY INFORMATION	LINE NUMBER 1, PART VI, LINE 4 WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC 'S PRIMARY SERVICE AREA IS HAWKINS AND HANCOCK COUNTIES OF TENNESSEE WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC IS THE ONLY HOSPITAL IN HAWKINS COUNTY AND ITS SISTER FACILITY, HANCOCK COUNTY HOSPITAL IS THE ONLY HOSPITAL IN HANCOCK COUNTY THE DEMOGRAPHICS OF THESE COUNTIES ARE AS FOLLOWS HAWKINS - POPULATION 56,800, MEDIAN HOUSEHOLD INCOME 37,357 HANCOCK - POPULATION 6,679, MEDIAN HOUSEHOLD INCOME 23,892 APPROXIMATELY 22 4% OF OUR PATIENTS ARE MEDICAID RECIPIENTS AND 9 6% ARE UNINSURED, AND HAWKINS COUNTY IS DESIGNATED AS A MEDICALLY UNDERSERVED AREA

Form and Line Reference	Explanation
PART VI, LINE 5 - PROMOTION OF COMMUNITY HEALTH	LINE NUMBER 1, PART VI, LINE 5 THE MEDICAL STAFF OF WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL INC , LIKE ALL WELLMONT HEALTH SYSTEM HOSPITALS, IS OPEN TO ALL QUALIFIED PHYSICIANS, EXCEPT FOR SOME OF ITS HOSPITAL BASED DEPARTMENTS, SUCH AS ANESTHESIOLOGY, EMERGENCY MEDICINE, PATHOLOGY, AND RADIOLOGY ANY SURPLUS OF REVENUES AND GAINS IN EXCESS OF EXPENSES AND LOSSES FOR WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC , LIKE ALL WELLMONT HEALTH SYSTEM HOSPITALS, IS USED TO FURTHER THE WELLMONT HEALTH SYSTEM MISSION AND VISION, WHICH ARE "WE DELIVER SUPERIOR HEALTH CARE WITH COMPASSION" AND "WE WILL DELIVER THE BEST HEALTH CARE ANYWHERE" THIS WOULD INCLUDE IMPROVEMENTS IN FACILITIES AS WELL AS OPERATIONS FOR PATIENT CARE

Form and Line Reference	Explanation
PART VI, LINE 6 - AFFILIATED HEALTH CARE SYSTEM	<p>LINE NUMBER 1, PART VI, LINE 6</p> <p>WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL IS AN AFFILIATE OF WELLMONT HEALTH SYSTEM. WELLMONT HEALTH SYSTEM ("WELLMONT") IS A TENNESSEE NON-PROFIT CORPORATION BASED IN KINGSFORT, TENNESSEE AND A PREMIER PROVIDER OF HEALTHCARE SERVICES IN NORTHEAST TENNESSEE AND SOUTHWEST VIRGINIA. WELLMONT WAS FORMED IN JULY 1996 WITH THE MERGER OF BRISTOL MEMORIAL HOSPITAL IN BRISTOL, TENNESSEE AND HOLSTON VALLEY MEDICAL CENTER IN KINGSFORT, TENNESSEE. WELLMONT HAS GROWN TO INCLUDE SIX ADDITIONAL HOSPITALS, AN INTEGRATED PHYSICIAN NETWORK AND SEVERAL AMBULATORY SITES. WELLMONT HOSPITALS OFFER A BROAD SCOPE OF SERVICES RANGING FROM COMMUNITY-BASED ACUTE CARE TO HIGHLY SPECIALIZED TERTIARY SERVICES INCLUDING TWO TRAUMA CENTERS, COMPREHENSIVE HEART CARE AND CANCER CARE CENTERS. WELLMONT OWNS AND OPERATES AN INTEGRATED HEALTH CARE DELIVERY SYSTEM PROVIDING INPATIENT, OUTPATIENT AND OTHER HEALTH CARE SERVICES AT MULTIPLE LOCATIONS IN NORTHEAST TENNESSEE AND SOUTHWEST VIRGINIA. CURRENTLY, WELLMONT OWNS AND OPERATES SIX ACUTE CARE HOSPITAL FACILITIES AND ONE CRITICAL ACCESS HOSPITAL WITH A TOTAL OF 1,253 LICENSED BEDS AND, THROUGH A JOINT VENTURE, PARTNERS TO OPERATE AN ADDITIONAL ACUTE CARE HOSPITAL FACILITY WITH 100 LICENSED BEDS. THE ACUTE CARE FACILITIES OWNED BY WELLMONT INCLUDE HOLSTON VALLEY MEDICAL CENTER, BRISTOL REGIONAL MEDICAL CENTER, MOUNTAIN VIEW REGIONAL MEDICAL CENTER IN NORTON, VIRGINIA, LEE REGIONAL MEDICAL CENTER IN PENNINGTON GAP, VIRGINIA, LONESOME PINE HOSPITAL IN BIG STONE GAP, VIRGINIA, WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL IN ROGERSVILLE, TENNESSEE AND THE CRITICAL ACCESS HOSPITAL, HANCOCK COUNTY HOSPITAL IN SNEEDVILLE, TENNESSEE. WELLMONT IS THE MAJORITY PARTNER WITH ADVENTIST HEALTH SYSTEM AT TAKOMA REGIONAL HOSPITAL, AN ACUTE CARE HOSPITAL IN GREENEVILLE, TENNESSEE. WELLMONT ALSO, DIRECTLY OR INDIRECTLY, CONTROLS, OWNS OR IS AFFILIATED WITH VARIOUS NONPROFIT AND FOR-PROFIT CORPORATIONS AND OTHER ORGANIZATIONS THAT CURRENTLY PROVIDE HEALTH CARE AND HEALTH CARE-RELATED SERVICES THROUGHOUT THE SERVICE AREA. IN ADDITION TO THE HOSPITAL CAMPUSES AND AMBULATORY CARE CENTERS DESCRIBED ABOVE, WELLMONT ALSO OPERATES MEDICAL CLINICS, AMBULATORY SURGERY CENTERS, COMPREHENSIVE CANCER CARE CENTERS, AND IMAGING FACILITIES.</p>

Form and Line Reference	Explanation
PART VI, LINE 7 - STATE FILING OF COMMUNITY BENEFIT REPORT	TENNESSEE

Additional Data

Software ID:
Software Version:
EIN: 62-1816368
Name: WELLMONT HAWKINS COUNTY MEMORIAL
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
FACILITY 1, HAWKINS COUNTY MEMORIAL HOSPITAL - PART V, LINE 3	
FACILITY 1, HAWKINS COUNTY MEMORIAL HOSPITAL - PART V, LINE 4	- BRISTOL REGIONAL MEDICAL CENTER - HOLSTON VALLEY MEDICAL CENTER - LONESOME PINE HOSPITAL - HANCOCK COUNTY HOSPITAL - MOUNTAIN VIEW REGIONAL MEDICAL CENTER - LEE REGIONAL MEDICAL CENTER - TAKOMA REGIONAL MEDICAL CENTER
FACILITY 1, HAWKINS COUNTY MEMORIAL HOSPITAL - PART V, LINE 7	KEY FINDINGS NOTED DURING THE CHNA WERE LACK OF SUFFICIENT PSYCHIATRIC HEALTH AND DENTAL CARE. THESE FINDINGS FALL OUTSIDE THE CORE BUSINESS AND MISSION OF WELLMONT HEALTH SYSTEM. TO HELP MEET THESE NEEDS, WELLMONT HEALTH SYSTEM WILL CONTINUE TO STRENGTHEN OUR PARTNERSHIPS AND CONTINUUM OF CARE OPPORTUNITIES WITH AREA HEALTH DEPARTMENTS, FEDERALLY QUALIFIED HEALTH CENTERS AND FRONTIER HEALTH, THE REGION'S LEADING PROVIDER OF BEHAVIORAL HEALTH SERVICES.
FACILITY 1, HAWKINS COUNTY MEMORIAL HOSPITAL - PART V, LINE 20D	WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC. FOLLOWS TENNESSEE STATUTE WHICH IS 175% OF AVERAGE COST FOR ITS HOSPITALS.

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
WELLMONT HAWKINS COUNTY MEMORIAL
HOSPITAL INC

Employer identification number

62-1816368

Part I

Questions Regarding Compensation

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

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)MARGARET DENARVAEZ PRESIDENT/WHs CEO	(i) (ii)	818,519	208,795	26,597	41,630	7,638	1,103,179	
(2)JOHN HOWARD SECR/WHs EVP LEGAL	(i) (ii)	398,515	65,087	148,411		11,002	623,015	
(3)TRACEY P MOFFATT TREASURER/WHs COO	(i) (ii)	394,811	60,971	14,214	24,138	6,400	500,534	
(4)FRED PELLE PRES /CEO COMM DIV	(i) (ii)	64,672 194,015	11,026 33,078	4,585 13,756	3,867 11,602	2,805 8,415	86,955 260,866	
(5)ROBERT MATTHEW TAVENNER CHIEF ADMIN OFFICER	(i) (ii)	37,357 112,071	4,994 14,983	19 58		2,244 6,731	44,614 133,843	
(6)SHERRI IVES VP OF PATIENT CARE	(i) (ii)	32,530 97,589	3,971 11,914	22 66	1,565 4,695	2,800 8,400	40,888 122,664	
(7)GREG NEAL PRES /CEO COMM DIV	(i) (ii)	304,313	41,138	9,470	18,106	10,206	383,233	
(8)E DALE POE VP FIN HOS DIV	(i) (ii)	242,654	26,582	266	12,864	7,913	290,279	
(9)CHRISTOPHER B HOBSON VP/COO BRMC	(i) (ii)	151,449	15,619	4,358	8,874	11,682	191,982	

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
SCHEDULE J, PAGE 1, PART I, LINE 1A	CHARTER TRAVEL AND TRAVEL FOR COMPANIONS WELLMONT HEALTH SYSTEM PROVIDED AIRPLANE TRAVEL FOR ITS EXECUTIVES THROUGH A PARTIAL OWNERSHIP OF AN AIRPLANE. SUBSEQUENT TO JUNE 30, 2014, WELLMONT HEALTH SYSTEM SOLD ITS OWNERSHIP INTEREST IN THE AIRPLANE. ON OCCASION, TRAVEL WAS PROVIDED FOR EXECUTIVES AND THEIR COMPANIONS FOR PERSONAL USE. WELLMONT HEALTH SYSTEM FOLLOWED IRS GUIDELINES AND INCLUDED THE APPROPRIATE AMOUNTS IN THEIR TAXABLE COMPENSATION. HOUSING ALLOWANCE WELLMONT HEALTH SYSTEM OFFERED A HOUSING ALLOWANCE FOR JOHN HOWARD, EXECUTIVE VP OF LEGAL AND CORPORATE AFFAIRS, DURING THE FISCAL YEAR ENDED JUNE 30, 2014. THE HOUSING ALLOWANCES PAID TO THE EXECUTIVE WAS INCLUDED IN HIS TAXABLE COMPENSATION. HEALTH OR SOCIAL CLUB DUES DURING THE FISCAL YEAR ENDED JUNE 30, 2014, WELLMONT HEALTH SYSTEM PROVIDED COUNTRY CLUB MEMBERSHIPS TO MARGARET DENARVAEZ, TRACEY P. MOFFATT, AND JOHN HOWARD. THESE AMOUNTS ARE INCLUDED IN TAXABLE COMPENSATION.
SCHEDULE J, PAGE 1, PART I, LINE 3	WELLMONT HEALTH SYSTEM USES ONE OR MORE OF THE METHODS DESCRIBED TO ESTABLISH THE COMPENSATION OF ALL PERSONS LISTED ON FORM 990, PART VII, SECTION A AS MORE FULLY DESCRIBED IN SCHEDULE O.
SCHEDULE J, PAGE 1, PART I, LINE 6B	INCENTIVE COMPENSATION IS BASED ON MEETING BUDGETED OPERATING MARGIN GOALS.
SCHEDULE J, PART III	PART I, LINE 4B WELLMONT HEALTH SYSTEM HAS AN EXECUTIVE RETIREMENT PROGRAM THAT INCLUDED MARGARET DENARVAEZ AND JOHN HOWARD FOR THE FISCAL YEAR ENDING JUNE 30, 2014. THIS PROGRAM HAS A TARGET BENEFIT OF 60% OF THE HIGHEST THREE YEAR AVERAGE SALARY (LESS EMPLOYER PROVIDER BENEFITS) AND THE EXECUTIVE MUST HAVE TWENTY YEARS OF SERVICE TO RECEIVE THE FULL BENEFIT. THE EXECUTIVE MAY RETIRE EARLY AT AGE 60 AND RECEIVE REDUCED BENEFITS. THERE WERE NO PAYMENTS MADE UNDER THIS PROGRAM FOR THE FISCAL YEAR ENDING JUNE 30, 2014.

Additional Data

Software ID:
Software Version:
EIN: 62-1816368
Name: WELLMONT HAWKINS COUNTY MEMORIAL
HOSPITAL INC

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
MARGARET DENARVAEZ PRESIDENT/WHs CEO	(i) (ii)	818,519	208,795	26,597	41,630	7,638	1,103,179	
JOHN HOWARD SECR/WHs EVP LEGAL	(i) (ii)	398,515	65,087	148,411		11,002	623,015	
TRACEY P MOFFATT TREASURER/WHs COO	(i) (ii)	394,811	60,971	14,214	24,138	6,400	500,534	
FRED PELLE PRES /CEO COMM DIV	(i) (ii)	64,672 194,015	11,026 33,078	4,585 13,756	3,867 11,602	2,805 8,415	86,955 260,866	
ROBERT MATTHEW TAVENNER CHIEF ADMIN OFFICER	(i) (ii)	37,357 112,071	4,994 14,983	19 58		2,244 6,731	44,614 133,843	
SHERRI IVES VP OF PATIENT CARE	(i) (ii)	32,530 97,589	3,971 11,914	22 66	1,565 4,695	2,800 8,400	40,888 122,664	
GREG NEAL PRES /CEO COMM DIV	(i) (ii)	304,313	41,138	9,470	18,106	10,206	383,233	
E DALE POE VP FIN HOS DIV	(i) (ii)	242,654	26,582	266	12,864	7,913	290,279	
CHRISTOPHER B HOBSON VP/COO BRMC	(i) (ii)	151,449	15,619	4,358	8,874	11,682	191,982	

2013

Open to Public Inspection

SCHEDULE O

(Form 990 or 990-EZ)

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.

Department of the Treasury

Internal Revenue Service

Name of the organization

WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL INC

Employer identification number

62-1816368

Return Reference	Explanation
FORM 990, PAGE 2, PART III, LINE 4A	CONTRIBUTIONS TO COMMUNITY ORGANIZATIONS THAT DO NOT MEET THE DEFINITION OF "RESTRICTED TO ONE OR MORE OF THE ACTIVITIES DESCRIBED IN THE TABLE IN PART I, LINE 7" OF SCHEDULE H-HOSPITALS WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC IS A PUBLIC TRUST THIS HOSPITAL, LIKE THE OTHER WELLMONT HEALTH SYSTEM FACILITIES OF WHICH IT IS A MEMBER, WAS BORN OF ITS COMMUNITY'S COMMITMENT TO SUPERIOR HEALTH CARE FOR ITS CITIZENS IT IS OUR MISSION TO DELIVER SUPERIOR HEALTH CARE WITH COMPASSION TO THE PEOPLE WE SERVE, AND IT IS OUR VISION TO DELIVER THE BEST HEALTH CARE ANYWHERE. CONSISTENT WITH THIS MISSION, WE HAVE WORKED TOWARD IMPROVING OUR COMMUNITY'S ACCESS TO QUALITY, AFFORDABLE HEALTH CARE, EDUCATING OUR REGION'S CAREGIVERS, IMPROVING THE HEALTH STATUS OF OUR COMMUNITIES, AND CONTRIBUTING TO THE OVERALL QUALITY OF LIFE IN THE AREAS WE SERVE. OVERALL, WE RETURNED MORE THAN 3,334,871 IN BENEFITS TO OUR COMMUNITY IN FISCAL YEAR 2014, INCLUDING 3,299,814 OF UNREIMBURSED COSTS FOR INDIGENT AND MEDICAID PATIENTS AND 35,057 FOR OTHER COMMUNITY ACTIVITIES. WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC IS A 50-BED FACILITY IN ROGERSVILLE, TENNESSEE. WE PROVIDE A WIDE VARIETY OF SERVICES, INCLUDING EMERGENCY CARE, PHYSICAL, STROKE AND OCCUPATIONAL THERAPIES, SURGERY, INTERMEDIATE MEDICAL CARE, OUTPATIENT SPECIALTY CLINICS, LABORATORY SERVICES, AUDIOLOGY SERVICES, CARDIOVASCULAR SERVICES, RESPIRATORY THERAPY, SLEEP EVALUATIONS AND TREATMENT, INFUSION, SPINE REHABILITATION SERVICES AND DIAGNOSTIC IMAGING. IN MARCH 2014, WELLMONT HAWKINS COUNTY OPENED A SECOND INFUSION CENTER IN JOHNSON CITY, TENNESSEE. THE INFUSION CENTERS IN HAWKINS COUNTY AND JOHNSON CITY OFFER PATIENTS CONVENIENT ACCESS TO CANCER SERVICES IN A HEALING ENVIRONMENT. AMENITIES IN THE INFUSION CENTERS INCLUDE HEATED CHAIRS AND MASSAGES. IN FISCAL YEAR 2014, WE PROVIDED SERVICES TO 1,014 INPATIENTS, HAD 523 INPATIENT AND OUTPATIENT SURGICAL CASES, AND HAD 16,527 EMERGENCY ROOM VISITS. WE ARE MINDFUL OF OUR RESPONSIBILITIES AS ONE OF HAWKINS COUNTY'S LARGEST COMPANIES. HUNDREDS OF FAMILIES COUNT ON US FOR THEIR LIVELIHOODS. OUR AREA RELIES ON US AS A DRIVER OF ECONOMIC DEVELOPMENT. IT IS OUR DUTY AS A CORPORATE CITIZEN TO SUPPORT THOSE ENDEAVORS AND CAUSES THAT IMPROVE THE QUALITY OF LIFE IN OUR REGION. AND WE ALSO RECOGNIZE IT IS OUR RESPONSIBILITY TO CARE FOR THOSE IN NEED - REGARDLESS OF THEIR ABILITY TO PAY. IT IS OUR COMMITMENT - INDEED, IT IS IMPLICIT IN OUR MISSION - TO SUPPORT THE CAUSES AND DEVELOP THE INITIATIVES THAT WILL PROPEL OUR COMMUNITY TOWARD A BETTER, BRIGHTER, HEALTHIER AND MORE VIBRANT FUTURE. REGARDLESS OF RACE, RELIGION, ETHNICITY OR ABILITY TO PAY, WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC TREATS ALL PATIENTS FOR MEDICALLY NECESSARY CONDITIONS. RECOGNIZING THAT SOME PATIENTS CANNOT AFFORD ESSENTIAL MEDICAL SERVICES, WE PROVIDED CARE FOR INDIGENT PATIENTS, WRITING OFF 4,039,729 OF CHARGES AND INCURRING COSTS OF 806,491. WE SUPPORT AND ENCOURAGE OUR EMPLOYEES TO GIVE THEIR TIME TO AREA NOT-FOR-PROFIT ORGANIZATIONS, WHICH INCLUDED THE AMERICAN HEART ASSOCIATION, AMERICAN CANCER SOCIETY, THE ROGERSVILLE HERITAGE ASSOCIATION, CIVIC GROUPS LIKE KWANIS AND ROTARY, VARIOUS UNITED WAY AGENCIES AND THE ROGERSVILLE AREA CHAMBER OF COMMERCE AND ITS PROGRAMS. MANY OF OUR EMPLOYEES ALSO SERVE IN COMMUNITY RESCUE SQUADS. WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC WILL SUCCEED IN OUR MISSION BY CONTINUALLY REINVESTING IN OUR MOST PRECIOUS RESOURCE - OUR PEOPLE. TO THAT END, WE PROVIDED ON-THE-JOB TRAINING TO NURSING CANDIDATES. THIS PROGRAM UTILIZES NURSING STAFF THAT HAVE COMPLETED A DEGREE BUT NOT YET PASSED BOARD CERTIFICATION. THIS PROVIDES INVALUABLE EXPERIENCE FOR NEW NURSES, WHO ARE SUPERVISED BY BOARD-CERTIFIED NURSES. WE ALSO PROVIDED EDUCATIONAL OPPORTUNITIES TO STUDENTS IN OTHER MEDICAL DISCIPLINES, SUCH AS RADIOLOGY. FOREWARNED IS FOREARMED. THE BEST WAY TO KEEP OUR COMMUNITIES HEALTHY IS TO PROVIDE THEM WITH THE LATEST INFORMATION ABOUT THEIR HEALTH. WE STRIVE TO PROVIDE INFORMATION ABOUT EVERYTHING FROM DISEASE AND INJURY PREVENTION TO THE LATEST TREATMENTS AND TECHNOLOGIES AVAILABLE TO COPING WITH DISEASE AND ITS SYMPTOMS. OUR TOTAL COMMUNITY BENEFIT FOR COMMUNITY HEALTH IMPROVEMENT SERVICES HAD A DIRECT COST OF 3,363. WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC PROVIDED IN-KIND SERVICES AT A DIRECT COST OF 31,347. IN-KIND SERVICES INCLUDED CONFERENCE ROOM SPACE DONATED TO NON-PROFIT COMMUNITY GROUPS SUCH AS ALCOHOLICS ANONYMOUS, HAWKINS COUNTY CHAMBER OF COMMERCE AND THE ROTARY CLUB. OTHER IN-KIND SERVICES PROVIDED WERE RESTOCKING SUPPLIES OF EMS VEHICLES.

Return Reference	Explanation
FORM 990, PAGE 6, PART VI, LINE 6	THE BUSINESS AND AFFAIRS OF WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC (THE CORPORATION) SHALL BE GOVERNED EXCLUSIVELY BY THE BOARD OF DIRECTORS THE CORPORATION'S BOARD OF DIRECTORS IS DESIGNATED BY WELLMONT HEALTH SYSTEM, THE SOLE MEMBER OF THE CORPORATION IN ADDITION TO SUCH RIGHTS OF APPROVAL AND CONSENT AS MAY BE RESERVED TO THE SOLE MEMBER OF THE CORPORATION PURSUANT TO APPLICABLE LAW, TRANSACTIONS OF THE FOLLOWING MATTERS BY THE CORPORATION SHALL REQUIRE THE PRIOR APPROVAL OF WELLMONT HEALTH SYSTEM, THE SOLE MEMBER OF THE CORPORATION A) IMPLEMENTATION OF CORPORATION'S ANNUAL BUDGET, B) INCURRING ANY LOAN OR OTHER INDEBTEDNESS FOR BORROWED MONEY , C) ACQUISITION OF ANY EQUIPMENT OR PERSONAL PROPERTY FOR A PURCHASE PRICE IN EXCESS OF 50,000 OR THE ACQUISITION OF ANY REAL ESTATE, REGARDLESS OF PURCHASE PRICE, D) THE UNDERTAKING OF CERTAIN CONTRACTUAL COMMITMENTS, E) ENTERING INTO ANY PLAN OF MERGER OR CONSOLIDATION, F) ACQUISITION OF SUBSTANTIALLY ALL OF THE ASSETS OF ANY OTHER LEGAL ENTITY, AND G) INSTITUTION OF ANY LITIGATION BY OR ON BEHALF OF CORPORATION

Return Reference	Explanation
FORM 990, PAGE 6, PART VI, LINE 7A	SEE FORM 990, PART VI, SECTION A, LINE 6 FOR EXPLANATION

Return Reference	Explanation
FORM 990, PAGE 6, PART VI, LINE 7B	SEE FORM 990, PART VI, SECTION A, LINE 6 FOR EXPLANATION

Return Reference	Explanation
FORM 990, PAGE 6, PART VI, LINE 11B	WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC 'S FORM 990 IS REVIEWED BY THE SENIOR VICE PRESIDENT OF FINANCE, THE CORPORATE CONTROLLER, AND THE MANAGER OF ACCOUNTING FOR WELLMONT HEALTH SYSTEM, AND THE BOARD OF DIRECTORS OF WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC PRIOR TO FILING ANY QUESTIONS OR COMMENTS ARISING FROM THE INITIAL REVIEW ARE ADDRESSED TO ENSURE THE RETURN IS COMPLETE AND ACCURATE ANY CHANGES OR CORRECTIONS ARE IDENTIFIED, REVISED IN THE RETURN, AND REVIEWED BY THE INDIVIDUALS LISTED ABOVE PRIOR TO FILING WITH THE INTERNAL REVENUE SERVICE

Return Reference	Explanation
FORM 990, PAGE 6, PART VI, LINE 12C	OFFICERS, DIRECTORS AND KEY EMPLOYEES ARE REQUIRED TO SIGN A CONFLICT OF INTEREST POLICY ACKNOWLEDGEMENT ANY POTENTIAL CONFLICTS ARE DISCUSSED WITH THE COMPLIANCE AND AUDIT SERVICES DEPARTMENT AS THEY ARISE. WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC.'S OFFICERS, DIRECTORS AND KEY EMPLOYEES ARE GOVERNED BY WELLMONT HEALTH SYSTEM'S CONFLICT OF INTEREST POLICY. WELLMONT HEALTH SYSTEM ALSO HAS A POLICY ON BUSINESS PRACTICES THAT DISCUSSES CONFLICT OF INTEREST AND INFORMS THE WORKFORCE TO DISCLOSE ANY ISSUES TO THE COMPLIANCE AND AUDIT SERVICES DEPARTMENT, FOR RESOLUTION. WELLMONT HEALTH SYSTEM ALSO USES A HOTLINE THAT ALLOWS ANONYMOUS REPORTING OF POSSIBLE CONFLICT OF INTEREST SITUATIONS FOR INVESTIGATION BY THE COMPLIANCE AND AUDIT SERVICES DEPARTMENT.

Return Reference	Explanation
FORM 990, PAGE 6, PART VI, LINE 15A	<p>THE COMPENSATION OF MARGARET DENARVAEZ, THE PRESIDENT AND CEO OF WELLMONT HEALTH SYSTEM, IS REVIEWED, APPROVED AND DOCUMENTED BY THE WELLMONT HEALTH SYSTEM HUMAN RESOURCES COMMITTEE AND THE BOARD OF DIRECTORS. MARGARET DENARVAEZ IS ALSO THE PRESIDENT OF THE BOARD OF DIRECTORS OF WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC. FRED PELLE IS THE PRESIDENT AND CEO OF WELLMONT COMMUNITY HOSPITAL DIVISION THAT INCLUDES WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC. FRED PELLE'S COMPENSATION IS PAID BY WELLMONT HEALTH SYSTEM THROUGH INTERCOMPANY TRANSACTIONS. WELLMONT HEALTH SYSTEM USES ONE OR MORE OF THE METHODS DESCRIBED TO ESTABLISH THE COMPENSATION OF FRED PELLE. GREG NEAL WAS THE PRESIDENT AND CEO (THROUGH 04/21/2013) OF WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC. GREG NEAL'S COMPENSATION IS PAID BY WELLMONT HEALTH SYSTEM THROUGH INTERCOMPANY TRANSACTIONS. WELLMONT HEALTH SYSTEM USES ONE OR MORE OF THE METHODS DESCRIBED TO ESTABLISH THE COMPENSATION OF GREG NEAL. IN ADDITION, THESE BODIES USE COMPARABILITY DATA TO DETERMINE THE APPROPRIATE COMPENSATION. ALL COMPENSATION DELIBERATIONS AND REVIEWS ARE CONTEMPORANEOUSLY DOCUMENTED. THIS PROCESS IS COMPLETED ON AN ANNUAL BASIS. THE LAST COMPENSATION DELIBERATION AND REVIEW PROCESS FOR MARGARET DENARVAEZ WAS COMPLETED NOVEMBER 29, 2012 AND APPROVED BY THE BOARD OF DIRECTORS OF WELLMONT HEALTH SYSTEM ON DECEMBER 4, 2012.</p>

Return Reference	Explanation
FORM 990, PAGE 6, PART VI, LINE 15B	<p>THE COMPENSATION OF TRACEY P. MOFFATT, THE CHIEF OPERATIONS OFFICER OF WELLMONT HEALTH SYSTEM, IS REVIEWED, APPROVED AND DOCUMENTED BY THE WELLMONT HEALTH SYSTEM HUMAN RESOURCES COMMITTEE OF THE BOARD OF DIRECTORS. TRACEY P. MOFFATT IS ALSO THE TREASURER OF WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC. THE COMPENSATION OF JOHN HOWARD, THE EXECUTIVE V.P. OF LEGAL AND CORPORATE AFFAIRS FOR WELLMONT HEALTH SYSTEM, IS REVIEWED, APPROVED AND DOCUMENTED BY THE WELLMONT HEALTH SYSTEM HUMAN RESOURCES COMMITTEE OF THE BOARD OF DIRECTORS. JOHN HOWARD IS ALSO THE SECRETARY OF WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC. CHRISTOPHER B. HOBSON WAS THE CFO OF WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC. (07/01/11 TO 05/05/13). WELLMONT HEALTH SYSTEM USES ONE OR MORE OF THE METHODS DESCRIBED TO ESTABLISH THE COMPENSATION OF CHRISTOPHER B. HOBSON. EDWARD D. POE IS THE CFO OF COMMUNITY HOSPITAL DIVISION THAT INCLUDES WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC. (05/06/13 TO PRESENT). WELLMONT HEALTH SYSTEM USES ONE OR MORE OF THE METHODS DESCRIBED TO ESTABLISH THE COMPENSATION OF EDWARD D. POE. IN ADDITION, THESE BODIES USE COMPARABILITY DATA TO DETERMINE THE APPROPRIATE COMPENSATION. ALL COMPENSATION DELIBERATIONS AND REVIEWS ARE CONTEMPORANEOUSLY DOCUMENTED. THIS PROCESS IS COMPLETED ON AN ANNUAL BASIS. THE HUMAN RESOURCES COMMITTEE OF THE BOARD OF DIRECTORS REVIEWED THE SALARY AND MARKET COMPENSATION DATA FOR TRACEY P. MOFFATT, JOHN HOWARD, AND GREG NEAL ON NOVEMBER 29, 2012.</p>

Return Reference	Explanation
FORM 990, PAGE 6, PART VI, LINE 19	WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL, INC 'S GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY ARE NOT AVAILABLE TO THE PUBLIC WELLMONT HEALTH SYSTEM'S AUDITED FINANCIAL STATEMENTS AND QUARTERLY UNAUDITED FINANCIAL STATEMENTS ARE AVAILABLE THROUGH THE ELECTRONIC MUNICIPAL MARKET ACCESS WEBSITE

Return Reference	Explanation
FORM 990, PART IX, LINE 11G	FEES FOR SERVICES 2,894,317 33,811 0 SUPPORT SERVICES 0 7,091,547 0 TN COVERAGE FEES 0 1,062,908 0

Return Reference	Explanation
FORM 990, PART XI, LINE 9	CAPITAL DISTRIBUTION 19,847,714

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
WELLMONT HAWKINS COUNTY MEMORIAL
HOSPITAL INC

Employer identification number

62-1816368

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	No
See Additional Data Table							

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

Cat No 50135Y

Schedule R (Form 990) 2013

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	
(1) HOLSTON VALLEY IMAGING CENTER 103 WEST STONE DRIVE KINGSPORT, TN 37660 20-2043285	HEALTHCARE	TN	N/A					No			No	
(2) SAPLING GROVE AMBULATORY SURGERY 220 MEDICAL PARK BOULEVARD BRISTOL, TN 37620 20-4450153	HEALTHCARE	TN	N/A					No			No	
(3) HOLSTON VALLEY AMBULATORY SURGERY 103 WEST STONE DRIVE KINGSPORT, TN 37660 62-1816864	HEALTHCARE	TN	N/A					No			No	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) WELLMONT INC 1905 AMERICAN WAY KINGSPORT, TN 37660 62-1320035	PHYS SVCS	TN	N/A						No
(2) MEDICAL MALL PHARMACY INC 1905 AMERICAN WAY KINGSPORT, TN 37660 62-1565006	MED SVCS	TN	N/A						No
(3) WELLMONT PHYSICIAN SERVICES INC 1905 AMERICAN WAY KINGSPORT, TN 37660 62-1567353	PHYS SVCS	TN	N/A						No
(4) WELLMONT HEALTH SERVICES INC 1905 AMERICAN WAY KINGSPORT, TN 37660 62-1254373	HEALTHCARE	TN	N/A						No
(5) WPS PROVIDERS INC 1905 AMERICAN WAY KINGSPORT, TN 37660 20-5564642	PHYS SVCS	TN	N/A						No
(6) MCOT INC 1905 AMERICAN WAY KINGSPORT, TN 37660 62-1325938	MED SVCS	TN	N/A						No
(7) MEDICAL LAUNDRY OF TRI-CITIES INC 1905 AMERICAN WAY KINGSPORT, TN 37660 62-1482226	MED SVCS	TN	N/A						No

Part V

Transactions With Related Organizations

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) WELLMONT HEALTH SYSTEM	B	19,847,714	CAPITAL CONTRIBUTION
(2) WELLMONT HEALTH SYSTEM	K	203,273	LEASE AGREEMENT
(3) WELLMONT HEALTH SYSTEM	M	152,738	SERVICE AGREEMENTS
(4) WELLMONT HEALTH SYSTEM	M	77,736	INVOICES
(5) WELLMONT HEALTH SYSTEM	M	7,091,547	CORPORATE SUPPORT SERVICE

Schedule R (Form 990) 2013

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

[illegible]

Part VII

Supplemental Information

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

Return Reference	Explanation
SCHEDULE R	PART V, LINE 2 RELATED ORGANIZATION TRANSACTIONS WITH WELLMONT HEALTH SYSTEM, WELLMONT CARDIOLOGY SERVICES AND WELLMONT FOUNDATION TOTALED 77,846 DURING THE FISCAL YEAR ENDED JUNE 30, 2014 BUT DID NOT MEET THE 50,000 THRESHOLD AMOUNT FOR SEPARATE DISCLOSURE TRANS ORGANIZATION TYPE AMOUNT METHOD DETERMINATION WELLMONT CARDIOLOGY SERVICES M 27,279 INVOICES-EKG READS WELLMONT FOUNDATION C 28,800 NEED WELLMONT HEALTH SYSTEM O 21,767 SALARY ALLOCATION

Additional Data

Software ID:

Software Version:

EIN: 62-1816368

Name: WELLMONT HAWKINS COUNTY MEMORIAL HOSPITAL INC

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled entity?	
						Yes	No
(1) WELLMONT HEALTH SYSTEM 1905 AMERICAN WAY KINGSPORT, TN 37660 62-1636465	HEALTHCARE	TN	501C3	3	WHS		No
(1) WELLMONT MADISON HOUSE 1905 AMERICAN WAY KINGSPORT, TN 37660 62-1308216	HEALTHCARE	TN	501C3	9	WHS		No
(2) WELLMONT FOUNDATION INC 1905 AMERICAN WAY KINGSPORT, TN 37660 58-1594191	HEALTHCARE	TN	501C3	7	WHS		No
(3) WELLMONT CARDIOLOGY SERVICES 1905 AMERICAN WAY KINGSPORT, TN 37660 26-3557623	HEALTHCARE	TN	501C3	3	WHS		No
(4) WELLMONT IMAGING SERVICES INC 1905 AMERICAN WAY KINGSPORT, TN 37660 86-1103148	HEALTHCARE	TN	501C3	11A	WHS		No
(5) WELLMONT MEDICAL ASSOCIATES INC 1905 AMERICAN WAY KINGSPORT, TN 37660 27-0898372	HEALTHCARE	TN	501C3	7	WHS		No
(6) WELLMONT SLEEP SERVICES 1905 AMERICAN WAY KINGSPORT, TN 37660 27-3777167	HEALTHCARE	TN	501C3	3	WHS		No
(7) TAKOMA REGIONAL HOSPITAL INC 401 TAKOMA AVENUE GREENVILLE, TN 37734 51-0603966	HEALTHCARE	TN	501C3	3	WHS		No
(8) WELLMONT INTEGRATED NETWORK LLC 1905 AMERICAN WAY KINGSPORT, TN 37664 45-5443060	HEALTHCARE	TN	501C3	3	WHS		No
(9) WELLMONT WEXFORD HOUSE 1905 AMERICAN WAY KINGSPORT, TN 37660 58-1589039	HEALTHCARE	TN	501C3	9	WHS		No

Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

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

OMB No 1545-0172

2013

Attachment
Sequence No **179**

Name(s) shown on return
WELLMONT HAWKINS COUNTY MEMORIAL
HOSPITAL INC

Business or activity to which this form relates
HOSPITAL

Identifying number

62-1816368

Part I Election To Expense Certain Property Under Section 179

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

1	Maximum amount (see instructions)	1	139,000
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	560,000
4	Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	4	
5	Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	5	

6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost	
7	Listed property Enter the amount from line 29	7		
8	Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	8		
9	Tentative deduction Enter the smaller of line 5 or line 8	9		
10	Carryover of disallowed deduction from line 13 of your 2012 Form 4562	10		
11	Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11		
12	Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	12		
13	Carryover of disallowed deduction to 2014 Add lines 9 and 10, less line 12	13		

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

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

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	1,151,559

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

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2013	17	
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		

Section B—Assets Placed in Service During 2013 Tax Year Using the General Depreciation System

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

Section C—Assets Placed in Service During 2013 Tax Year Using the Alternative Depreciation System

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

Part IV Summary (see instructions.)

21	Listed property Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	22	1,151,559
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V

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

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

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

Section B—Information on Use of Vehicles

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

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

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

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

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

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2013 tax year (see instructions)					
43 Amortization of costs that began before your 2013 tax year				43	
44 Total. Add amounts in column (f) See the instructions for where to report				44	



WELLMONT HEALTH SYSTEM AND AFFILIATES

Consolidated Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

WELLMONT HEALTH SYSTEM AND AFFILIATES

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KPMG LLP
Suite 1000
401 Commerce Street
Nashville, TN 37219-2422

Independent Auditors' Report

The Board of Directors
Wellmont Health System:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wellmont Health System and affiliates as of June 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Nashville, Tennessee
October 24, 2014

WELLMONT HEALTH SYSTEM AND AFFILIATES

Consolidated Balance Sheets

June 30, 2014 and 2013

(Dollars in thousands)

Assets	2014	2013
Current assets		
Cash and cash equivalents	\$ 30,674	55,958
Assets limited as to use, required for current liabilities	3,233	5,061
Patient accounts receivable, less allowance for uncollectible accounts of approximately \$38,007 and \$25,991 in 2014 and 2013, respectively	117,265	107,029
Other receivables	14,685	17,995
Inventories	18,684	18,361
Prepaid expenses and other current assets	10,337	8,949
Total current assets	194,878	213,353
Assets limited as to use, net of current portion	425,740	375,709
Land, buildings, and equipment, net	492,581	474,730
Other assets		
Long-term investments	32,521	28,628
Investments in affiliates	18,221	31,874
Deferred debt expense, net	4,226	5,178
Goodwill	51,649	15,096
Other	520	547
Total assets	\$ 1,220,336	1,145,115
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	\$ 18,015	15,002
Accounts payable and accrued expenses	90,547	84,300
Estimated third-party payor settlements	8,425	7,157
Current portion of other long-term liabilities	6,510	6,198
Other current liabilities	11,700	—
Total current liabilities	135,197	112,657
Long-term debt, less current portion	490,443	475,946
Other long-term liabilities, less current portion	43,866	41,567
Total liabilities	669,506	630,170
Net assets		
Unrestricted	538,607	503,934
Temporarily restricted	8,214	6,927
Permanently restricted	1,319	1,311
Total net assets attributable to Wellmont	548,140	512,172
Noncontrolling interests	2,690	2,773
Total net assets	550,830	514,945
Commitments and contingencies		
Total liabilities and net assets	\$ 1,220,336	1,145,115

See accompanying notes to consolidated financial statements

WELLMONT HEALTH SYSTEM AND AFFILIATES
Consolidated Statements of Operations and Changes in Net Assets
Years ended June 30, 2014 and 2013
(Dollars in thousands)

	<u>2014</u>	<u>2013</u>
Revenue		
Patient service revenue	\$ 788,910	791,230
Provision for bad debt	<u>(45,644)</u>	<u>(53,251)</u>
Net patient revenue less provision for bad debt	743,266	737,979
Other revenues	<u>29,441</u>	<u>42,127</u>
Total revenue	<u>772,707</u>	<u>780,106</u>
Expenses		
Salaries and benefits	374,309	373,150
Medical supplies and drugs	166,676	162,604
Purchased services	73,674	77,716
Interest	18,350	20,292
Depreciation and amortization	50,058	49,465
Maintenance and utilities	36,978	36,830
Lease and rental	15,506	17,892
Other	<u>32,312</u>	<u>26,745</u>
Total expenses	<u>767,863</u>	<u>764,694</u>
Income from operations	<u>4,844</u>	<u>15,412</u>
Nonoperating gains		
Investment income	14,749	19,316
Derivative valuation adjustments	1,307	2,356
Loss on refinancing	(1,133)	—
Gain on revaluation of equity method investment	<u>14,744</u>	<u>—</u>
Nonoperating gains, net	<u>29,667</u>	<u>21,672</u>
Revenue and gains in excess of expenses and losses before discontinued operations	34,511	37,084
Discontinued operations	<u>(26,639)</u>	<u>(4,484)</u>
Revenue and gains in excess of expenses and losses	7,872	32,600
Income attributable to noncontrolling interests	<u>(1,540)</u>	<u>(1,228)</u>
Revenues and gains in excess of expenses and losses attributable to Wellmont	6,332	31,372
Other changes in unrestricted net assets		
Change in net unrealized gains (losses) on investments	28,333	6,157
Net assets released from restrictions for additions to land, buildings, and equipment	901	828
Change in the funded status of benefit plans and other	<u>(893)</u>	<u>7,359</u>
Increase in unrestricted net assets	<u>34,673</u>	<u>45,716</u>
Changes in temporarily restricted net assets		
Contributions	2,707	2,977
Net assets released from temporary restrictions	<u>(1,420)</u>	<u>(1,789)</u>
Increase in temporarily restricted net assets	<u>1,287</u>	<u>1,188</u>
Changes in permanently restricted net assets – investment income	8	7
Changes in noncontrolling interests		
Income attributable to noncontrolling interests	1,540	1,228
Distributions to noncontrolling interests	<u>(1,623)</u>	<u>(1,220)</u>
Change in noncontrolling interests	<u>(83)</u>	<u>8</u>
Change in net assets	35,885	46,919
Net assets, beginning of year	<u>514,945</u>	<u>468,026</u>
Net assets, end of year	<u>\$ 550,830</u>	<u>514,945</u>

See accompanying notes to consolidated financial statements

WELLMONT HEALTH SYSTEM AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2014 and 2013

(Dollars in thousands)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 35,885	46,919
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	50,526	51,392
(Gain) loss on disposal of land, buildings, and equipment	(78)	211
Equity in earnings of affiliated organizations	(1,764)	(4,594)
Distributions from affiliated organizations	3,484	5,366
Amortization of deferred financing costs	426	486
Net realized and unrealized gain on investments	(31,302)	(9,580)
Provision for bad debts	40,237	55,029
Change in fair value of derivative instruments	(1,307)	(2,356)
Loss on refinancing	1,133	—
Gain on revaluation of equity method investment	(14,744)	—
Loss on impairment	22,456	2,007
Changes in assets and liabilities, net of acquisitions		
Patient accounts receivable	(44,839)	(53,793)
Other current assets	(1,711)	(1,986)
Other assets	3,297	5,872
Accounts payable and accrued expenses	5,474	(2,532)
Estimated third-party payor settlements	1,268	(8,378)
Other current liabilities	11,358	416
Other liabilities	2,998	(10,137)
Net cash provided by operating activities	<u>82,797</u>	<u>74,342</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	123,193	115,439
Purchase of investments	(141,095)	(135,222)
Purchase of land, buildings, and equipment	(86,879)	(57,747)
Proceeds from the sale of buildings and equipment	2,434	355
Cash paid for acquisitions	(22,637)	(13)
Net cash used in investing activities	<u>(124,984)</u>	<u>(77,188)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	128,623	28,908
Payments on long-term debt	(111,092)	(14,789)
Payment of debt issuance costs	(628)	(245)
Net cash provided by financing activities	<u>16,903</u>	<u>13,874</u>
Net (decrease) increase in cash and cash equivalents	(25,284)	11,028
Cash and cash equivalents, beginning of year	<u>55,958</u>	<u>44,930</u>
Cash and cash equivalents, end of year	<u>\$ 30,674</u>	<u>55,958</u>
Supplemental disclosures of noncash items		
Wellmont entered into capital lease obligations for buildings and equipment in the amount of \$1,345 and \$5,262 in 2014 and 2013, respectively		
Additions to property and equipment financed through current liabilities of \$3,770 and \$5,589 in 2014 and 2013, respectively		

See accompanying notes to consolidated financial statements

WELLMONT HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(1) Operations and Basis of Presentation

Wellmont Health System (Wellmont), a Tennessee not-for-profit corporation, currently operates six acute care hospitals in Tennessee and Virginia that include Bristol Regional Medical Center in Bristol, Tennessee, Holston Valley Medical Center in Kingsport, Tennessee, Lonesome Pine Hospital in Big Stone Gap, Virginia, Hawkins County Memorial Hospital in Rogersville, Tennessee, Hancock County Hospital in Sneedville, Tennessee, and Mountain View Regional Medical Center in Norton, Virginia.

The consolidated financial statements also include the operations of:

- Wellmont Cardiology Services and Wellmont Medical Associates, which operate physician practices.
- Wellmont Madison House and Wellmont Wexford House, which operate assisted living, adult day care, and skilled nursing facilities.
- Wellmont Foundation, which conducts fund-raising activities for the benefit of Wellmont.
- Wellmont Integrated Network, LLC, which is an accountable care organization.
- Wellmont Insurance Company SPC, Ltd, which is a captive insurance company.
- Wellmont, Inc., a wholly owned taxable subsidiary of Wellmont, formed as the holding company of various other taxable subsidiaries that provide medical collection services, provide other healthcare-related services, and invest in affiliates and other activities.

All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

Wellmont's continuing operations consist primarily of the delivery of healthcare services in northeast Tennessee and southwest Virginia.

The following are included in discontinued operations:

- As of October 1, 2013, Wellmont closed Lee Regional Medical Center in Pennington Gap, Virginia. The losses of \$26,091 and \$2,317, including an impairment loss of \$22,456 and \$0, for the years ended June 30, 2014 and 2013, respectively, are included in discontinued operations.
- As of May 17, 2013, a subsidiary of Wellmont ceased operating its sleep labs, which were managed by a third party. The losses of \$292 and \$2,302, including an impairment loss of \$0 and \$2,007, for the years ended June 30, 2014 and 2013, respectively, are included in discontinued operations.
- As of September 23, 2010, Wellmont sold the majority of its retail pharmacy's assets to a national pharmacy company. The gains (losses) of \$45 and (\$131) for the years ended June 30, 2014 and 2013, respectively, are included in discontinued operations.
- As of April 30, 2009, Wellmont closed Jenkins Community Hospital in Jenkins, Kentucky. The gains (losses) of (\$301) and \$266 for the years ended June 30, 2014 and 2013, respectively, are included in discontinued operations.

WELLMONT HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(2) Significant Accounting Policies

A summary of significant accounting policies is as follows:

(a) *Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Significant estimates include allowances for contractual adjustments and bad debts; third-party payor settlements; valuation of investments, land, buildings, equipment, and goodwill; and self-insurance and other liabilities. Actual results could differ from these estimates.

(b) *Cash and Cash Equivalents*

Wellmont considers all highly liquid investments with a maturity of three months or less when purchased, excluding amounts whose use is limited by board of directors' designation or other arrangements under trust agreements, to be cash equivalents.

(c) *Investments*

Marketable equity securities and debt securities are recorded at fair value and classified as other than trading. Fair value is determined primarily using quoted prices (unadjusted) in active markets for identical assets or liabilities that Wellmont has the ability to access at the measurement date. However, Wellmont also uses observable and unobservable inputs for investments without quoted market prices to determine the fair value of certain investments at the measurement date. Investments in limited partnerships are recorded at fair value as determined by the partnership using net asset value. Wellmont has adopted the measurement provisions of Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. Investments in affiliates in which Wellmont has significant influence but does not control are reported on the equity method of accounting, which represents Wellmont's equity in the underlying net book value. Long-term investments include those investments that have not been designated by the board of directors for specific purposes and are also not intended to be used for the liquidation of current liabilities. Investment income is recognized when earned.

Realized gains and losses are determined on the specific-identification method and included in investment income with interest and dividends. Investment income is reported net of related investment fees. Unrealized gains and losses are included in other changes in unrestricted net assets except for losses determined to be other than temporary, which are considered realized losses and included in investment income.

WELLMONT HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(d) *Assets Limited as to Use*

Assets limited as to use primarily include designated assets set aside by the board of directors for future capital improvements, over which the board of directors retains control and may, at its discretion, subsequently use for other purposes, and assets held by trustees under bond indenture and self-insurance arrangements. Amounts required to meet current liabilities of Wellmont have been reclassified to current assets in the accompanying consolidated balance sheets.

(e) *Inventories*

Inventories are stated at the lower of cost or market value and are valued principally by the first-in, first-out, and average-cost methods.

(f) *Land, Buildings, and Equipment*

Land, buildings, and equipment are stated at cost, if purchased, or fair value at date of donation. Depreciation is computed using the straight-line method based on the estimated useful life of the asset, ranging from 3 to 40 years. Buildings and equipment held under capital leases are recorded at net present value of future lease payments and are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Costs of maintenance and repairs are expensed as incurred. Upon sale or retirement of land, buildings, or equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss, if any, is included in other revenues on the consolidated statements of operations and changes in net assets. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The amount capitalized is net of investment earnings on assets limited as to use derived from borrowings designated for capital assets. Renewals and betterments are capitalized and depreciated over their useful life, whereas costs of maintenance and repairs are expensed as incurred.

Wellmont evaluates long-lived assets for impairment on annual basis. Long-lived assets are considered to be impaired whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from future cash flows. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. When such assets are considered to be impaired, the impairment loss recognized is measured by the amount by which the carrying value of the asset exceeds the fair value of the asset.

(g) *Goodwill*

Wellmont adopted ASU No. 2010-07, *Not for Profit Entities: Mergers and Acquisitions*, which in part requires healthcare entities to follow Accounting Standards Codification (ASC) Topic 350-20-35, *Intangibles – Goodwill and Other* along with ASU 2011-08, *Testing Goodwill for Impairment*, effective July 1, 2012. ASC Topic 350-20-35 requires goodwill of not-for-profit entities to be evaluated for impairment at least annually. An entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its

WELLMONT HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The more-likely than-not threshold is defined as having a likelihood of more than 50%. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount (including goodwill) of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss. Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed. The annual impairment test is performed as of June 30.

(h) *Deferred Debt Expense*

Deferred debt expense is amortized over the life of the related bond issues using the effective-interest method.

(i) *Derivative Financial Instruments*

As further described in note 12, Wellmont is a party to interest rate swap and other derivative agreements. These financial instruments are not designated as hedges and are presented at estimated fair market value in the accompanying consolidated balance sheets. These fair values are based on the estimated amount Wellmont would receive, or be required to pay, to enter into equivalent agreements with a third party at the valuation date. Due to the nature of these financial instruments, such estimates are subject to significant change in the near term. Wellmont recognizes changes in the fair values of derivatives as nonoperating gains or losses in the consolidated statements of operations and changes in net assets. The cash settlements resulting from these interest rate swaps are reported as interest expense in the consolidated statements of operations and changes in net assets.

(j) *Asset Retirement Obligations*

Asset retirement obligations (AROs) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value, and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, Wellmont records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. Wellmont derecognizes ARO liabilities when the related obligations are settled.

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(k) *Temporarily and Permanently Restricted Net Assets*

Temporarily restricted net assets are those whose use by Wellmont has been limited by donors to a specific-time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Wellmont in perpetuity. Generally, donors of permanently restricted assets permit use of all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets relate primarily to amounts held by the Foundation and include amounts restricted for future capital expenditures and for operations of such areas as children's healthcare services, hospice, and cancer care.

Net assets are released from restrictions by Wellmont incurring expenses that satisfy the restricted purposes. Such net assets released during 2014 and 2013 primarily included amounts related to the purchase of equipment for pediatrics, cancer, and other healthcare operations.

Wellmont has adopted guidance issued by Financial Accounting Standards Board (FASB), which provides guidance on the net asset classification of donor-restricted endowment funds for a tax-exempt organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Effective July 1, 2007, the State of Tennessee adopted legislation that incorporates the provisions outlined in UPMIFA. Wellmont's endowments consist solely of donor-restricted endowment funds. Wellmont's endowments consist of five individual funds established for a variety of purposes.

Wellmont has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Wellmont classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Wellmont considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the organization and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the organization; and (7) the investment policies of the organization.

(l) *Net Patient Service Revenue and Accounts Receivable*

Net patient service revenue is reported on the accrual basis in the period in which services are provided at the estimated net realizable amounts expected to be collected. Net patient service revenue includes amounts estimated by management to be reimbursable by patients and various third-party payors under provisions of reimbursement formulas in effect, including retroactive adjustments under reimbursement agreements. Estimated retroactive adjustments are accrued in the

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period related services are rendered and adjusted in future periods as final and other settlements are determined. On the basis of historical experience, a significant portion of Wellmont's uninsured patients will be unable or unwilling to pay for the services provided. Therefore, Wellmont records a significant provision for bad debts related to uninsured patients in the period the services are provided. This provision for bad debts is presented on the statements of operations as a component of net patient revenue. Wellmont provides care to patients who meet criteria under its charity care policy without charge or at amounts less than its established rates. Because Wellmont does not pursue collection of amounts determined to qualify as charity care, they are not included in net patient service revenue.

Patient accounts receivable are reported net of both an allowance for contractual adjustments and an allowance for uncollectible accounts. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, TennCare, Medicaid, and other third-party payment programs. Wellmont's policy does not require collateral or other security for patient accounts receivable. Wellmont routinely obtains assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans, or policies.

(m) *Revenue and Gains in Excess of Expenses and Losses*

The consolidated statements of operations and changes in net assets include revenue and gains in excess of expenses and losses. Changes in unrestricted net assets that are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include changes in net unrealized gains (losses) on investments other than trading securities, changes in the funded status of Wellmont's defined-benefit plan, contributions of long-lived assets, including assets acquired using contributions that, by donor restriction, were to be used for the purposes of acquiring such assets, and cumulative effects of changes in accounting principles.

For purposes of financial statement display, those activities directly associated with Wellmont's mission of providing healthcare services are considered to be operating activities. Nonoperating activities primarily include investment and related activities. Other operating revenues primarily include cafeteria, rental, meaningful use incentives, and income from affiliates.

(n) *Contributed Resources*

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted contributions, and are excluded from revenue and gains in excess of expenses and losses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expiration of donor restrictions is reported when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. Gifts are reported as either a temporarily or permanently restricted contribution if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished,

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temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions. Unrestricted contributions are included in other revenues.

(o) Federal Income Taxes

The Wellmont entities are primarily classified as organizations exempt from federal income taxes under Section 501(a) as entities described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included for these entities in the consolidated financial statements. The operations of Wellmont, Inc. are subject to state and federal income taxes, which are accounted for in accordance with ASC Topic 740, *Income Taxes*; however, such amounts are not material.

(p) Recently Adopted Accounting Standards

The FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs*, in May 2011. This ASU requires the reason for the fair value measurement to be disclosed, a description of the valuation techniques, and descriptions of the inputs used for all Level 2 and Level 3 fair value measurements. It also requires all transfers between levels of the fair value hierarchy to be separately reported and described. Wellmont adopted ASU 2011-04 as of July 1, 2012.

(q) Reclassifications

Certain 2013 amounts have been reclassified to conform to the 2014 consolidated financial statement presentation. The reclassifications had no impact on total assets or changes in net assets.

(3) Business Combinations and Goodwill

On November 30, 2013, Wellmont purchased 100% of the membership interest in Wexford House from Residential Healthcare Affiliates. Wexford House is a skilled nursing facility, which serves residents of Sullivan County, Tennessee and the surrounding communities. The facility provides short- and long-term medical and rehabilitation care. In addition, on March 31, 2014, Wellmont purchased the remaining 25% interest in Holston Valley Imaging Center (HVIC), which included the remaining 50% governance interest from Blue Ridge Radiology Investment. The assets acquired and liabilities assumed under each acquisition were recorded at their estimated fair value in accordance with ASC 805.

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The following table summarizes the consideration paid and the estimated fair value of the assets acquired and liabilities assumed at the business combination date:

	<u>Wexford</u>	<u>HVIC</u>
Consideration:		
Cash	\$ 14,770	7,867
Fair value of Wellmont's equity interest in HVIC held before acquisition	—	23,601
	<u>\$ 14,770</u>	<u>31,468</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Current assets	\$ 2,976	2,474
Other assets	5,277	241
Current liabilities	(564)	(863)
Long-term liabilities	(608)	—
Total identifiable net assets	7,081	1,852
Goodwill	7,689	29,616
	<u>\$ 14,770</u>	<u>31,468</u>

Wellmont recognized a gain of \$14,744 as a result of remeasuring to fair value its 75% equity interest in HVIC held before the business combination. The gain is included in nonoperating gains (losses) on the consolidated statement of operations for the year ended June 30, 2014.

A summary of goodwill for the years ended June 30 is as follows:

	<u>2013</u>	<u>Additions</u>	<u>Decreases</u>	<u>2014</u>
Goodwill	\$ 15,096	37,305	(752)	51,649
	<u>2012</u>	<u>Additions</u>	<u>Decreases</u>	<u>2013</u>
Goodwill	\$ 17,090	13	(2,007)	15,096

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(4) Net Patient Service Revenue

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the consolidated statements of operations and changes in net assets is as follows for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Gross patient service revenue	\$ 2,683,891	2,452,561
Less:		
Contractual adjustments and other discounts	(1,838,900)	(1,605,045)
Charity care	<u>(56,081)</u>	<u>(56,286)</u>
Net patient service revenue before provision for bad debts	788,910	791,230
Less provision for bad debts	<u>(45,644)</u>	<u>(53,251)</u>
Net patient service revenue	<u><u>\$ 743,266</u></u>	<u><u>737,979</u></u>

Wellmont's allowance for doubtful accounts is predominantly for self-pay patients and patient balances remaining after third-party payments. The provision for bad debts decreased \$7,607 from fiscal 2013 to fiscal 2014 and the net write-offs decreased \$19,262 from fiscal 2013 to fiscal 2014. The decrease in the provision for bad debts was primarily offset by an increase of \$6,594 in self-pay discounts. The decrease in write-offs was due to the above item and the implementation of a new billing system in the last quarter of the fiscal year. Wellmont has not changed its charity care or uninsured discount policies during fiscal 2014. Wellmont does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

(5) Third-Party Reimbursement Arrangements

Wellmont renders services to patients under contractual arrangements with the Medicare and Medicaid programs. The Medicaid programs in Tennessee and Virginia are contracted by each state to commercial managed care contractors to cover Medicaid eligible enrollees. Amounts earned under these contractual arrangements are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. Management believes that adequate provision has been made for any adjustments that may result from such reviews. Participation in these programs subjects Wellmont to significant rules and regulations; failure to adhere to such could result in fines, penalties, or expulsion from the programs.

Wellmont contracts with various managed care organizations under the Medicaid programs. Reimbursement for both inpatient and outpatient services is based upon prospectively determined rates, including diagnostic-related group assignments, fee schedules, and per diem amounts. Reimbursement under the Medicaid program is also based upon prospectively determined amounts.

The Medicare program pays for the costs of inpatient services on a prospective basis. Payments are based upon diagnostic-related group assignments, which are determined by the patient's clinical diagnosis and

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medical procedures utilized. Wellmont receives additional payments from Medicare based on the provision of services to a disproportionate share of Medicaid-eligible and other low-income patients. Outpatient services are also reimbursed primarily on a prospectively determined basis.

Net patient service revenue in 2014 and 2013 related to Medicare and TennCare/Medicaid and net patient accounts receivable at June 30, 2014 and 2013 from Medicare and TennCare/Medicaid were as follows:

		<u>2014</u>	<u>2013</u>
Net patient service revenue:			
Medicare	\$	304,713	313,429
TennCare/Medicaid		37,216	39,515
Net patient accounts receivable:			
Medicare	\$	44,480	38,102
TennCare/Medicaid		6,817	6,146

Wellmont has filed cost reports with Medicare and Medicaid. The cost reports are subject to final settlement after audits by the fiscal intermediary. The Medicare and Medicaid cost reports have been audited and final settled by the intermediary through June 30, 2010 and audit adjustments have been received and considered for certain hospitals and year-ends through June 30, 2012.

Wellmont has also entered into reimbursement agreements with certain commercial insurance companies, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, per diem rates, and discounts from established charges.

Net patient service revenue is reported at the net amounts billed to patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Estimated retroactive adjustments are accrued in the period the related services are rendered and adjusted in future periods as changes in estimated provisions and final settlements are determined. Net patient service revenue increased approximately \$3,334 and \$6,605 in 2014 and 2013, respectively, due to final settlements and revised estimates in excess of amounts previously recorded, removal of allowances previously estimated that are no longer necessary as a result of audits and final settlements, and years that are no longer subject to audits, reviews, and investigations.

Estimated settlements recorded at June 30, 2014 could differ materially from actual settlements based on the results of third-party audits.

(6) Meaningful Use Incentives

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified electronic health record (EHR) technology. The Medicare incentive payments are paid out to qualifying hospitals and physician groups over four consecutive years on a transitional schedule. To qualify for Medicare incentives, hospitals, and physician groups must meet EHR “meaningful use” criteria that

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become more stringent over three stages as determined by Centers for Medicare & Medicaid Services (CMS). Medicaid programs and payment schedules vary from state to state.

For fiscal years ended June 30, 2014 and 2013, Wellmont recorded \$7,211 and \$12,267, respectively, in other operating revenue related to the EHR and meaningful use incentives. These incentives have been recognized following the grant accounting model, recognizing income ratably over the applicable reporting period as management becomes reasonably assured of meeting the required criteria.

Amounts recognized represent management's best estimates for payments ultimately expected to be received based on estimated discharges, charity care, and other input data. Subsequent changes to these estimates will be recognized in other operating revenue in the period in which additional information is available. Such estimates are subject to audit by the federal government or its designee.

(7) Charity Care and Community Services

Wellmont accepts all patients within its primary service area regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies that consider, among other factors, generally recognized poverty income levels.

Wellmont maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone and estimated costs incurred for services and supplies furnished under its charity care policy. Costs incurred are estimated based on the ratio of total operating expenses to gross charges applied to charity care charges. Charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services, and the equivalent percentage of charity care patients to all patients serviced were \$56,081, \$14,567, and 2.39%, respectively, for the year ended June 30, 2014 and \$56,286, \$15,735, and 2.57%, respectively, for the year ended June 30, 2013.

In addition to the charity care services described above, Wellmont provides a number of other services to benefit the indigent for which little or no payment is received. Medicare, Medicaid, and state indigent programs do not cover the full cost of those services. The shortfall between actual receipts from those programs and Wellmont's cost of providing care to those patients totaled \$37,432 and \$45,056 for the years ended June 30, 2014 and 2013, respectively.

Wellmont also provides services to the community at large for which it receives little or no payment. Health evaluations, screening programs, and specific services for the elderly and homebound are other services supplied. Wellmont also provides public health education, trains new health professionals, and conducts health research.

(8) Investment in Affiliates

Wellmont has investments with other healthcare providers, which include hospital, home care, regional laboratories, and other healthcare-related organizations. Wellmont records its share of equity in the operations of the respective organizations. Equity in earnings of affiliates was approximately \$1,764 and \$4,594 for the years ended June 30, 2014 and 2013, respectively, and is included in other operating revenue in the consolidated financial statements. Wellmont received distributions of \$3,484 and \$5,366 during 2014 and 2013, respectively, which reduced Wellmont's overall investment in the affiliates.

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The following table summarizes the unaudited aggregate financial information of Wellmont's investments in affiliates:

		2014	2013
Total assets	\$	136,824	135,802
Total liabilities		38,396	40,617
Total net assets	\$	98,428	95,185
Net revenues	\$	201,639	200,765
Expenses		191,023	186,394
Revenues in excess of expenses	\$	10,616	14,371

Wellmont's investment in these affiliates and its ownership percentage as of June 30, 2014 and 2013 is as follows:

		Amount		Percentages	
		2014	2013	2014	2013
Takoma Regional Hospital	\$	10,763	11,983	60%	60%
Holston Valley Imaging Center (HVIC)		—	8,336	—	75
Advanced Home Care (AHO)		6,092	6,092	6	6
Lab Group Holdings, LLC		—	3,500	—	1
Others		1,366	1,963	25%–50%	25%–50%
	\$	18,221	31,874		

As of March 31, 2014, Wellmont purchased the remaining 25% interest in HVIC and included HVIC in the consolidated financial statements from that date.

Prior to this transaction and although Wellmont's ownership percentage in Takoma Regional Hospital and HVIC was greater than 50%, Wellmont did not consolidate these entities because Wellmont only had a 50% representation on each respective board and did not have control over these entities. Also, during the fiscal year ended June 30, 2014, Lab Group Holdings, LLC was purchased by another entity, which also purchased all of Wellmont's share in this entity.

Wellmont provided billing, management, and professional services to some of the affiliates. Income recognized by Wellmont for the services was \$173 in 2014 and \$971 in 2013 and is included in other revenues. Included in other receivables are \$242 and \$406 as of June 30, 2014 and 2013, respectively, of amounts due to Wellmont from these entities.

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(9) Investments

Long-term investments, including assets limited as to use, at June 30 are reported at fair value and consist of the following:

	2014	2013
Assets limited as to use by Board for capital improvements:		
Stock mutual funds	\$ 148,453	109,356
Bond mutual funds	167,156	175,594
Cash and money market funds	5,904	3,749
Real estate funds	21,381	16,377
Alternative investments (private equity, hedge funds, commingled funds, and real estate funds):		
Liquid	14,215	10,504
Illiquid	26,852	26,016
	<u>383,961</u>	<u>341,596</u>
Assets limited as to use under self-insurance agreements:		
Cash and money market funds	16,051	—
Assets limited as to use under bond indenture agreements:		
Cash and money market funds	28,961	39,174
Less assets limited as to use that are required for current liabilities	<u>3,233</u>	<u>5,061</u>
Assets limited as to use, net of current portion	<u>\$ 425,740</u>	<u>375,709</u>
Long-term investments:		
Stock mutual funds	\$ 17,741	12,228
Bond mutual funds	11,420	13,478
Preferred equity investment and related options	1,512	1,512
Cash, money market funds, and certificates of deposit	230	190
Real estate funds	1,618	1,220
Total long-term investments	<u>\$ 32,521</u>	<u>28,628</u>

Investments in certain alternative limited partnership investments contain agreements whereby Wellmont is committed to contribute approximately \$10,162 as of June 30, 2014 of additional funds to the limited partnerships in the form of capital calls at the discretion of the general partner, of which \$567 was paid subsequent to June 30, 2014.

Effective June 27, 2013, Wellmont redeemed its \$10,000 in the preferred equity of a regional managed services organization; however, retained its \$1,512 on a right of first refusal related to any future sale of this organization. This equity had a guaranteed annual return of at least 6.5% of the outstanding preferred equity balance.

Wellmont's investments are concentrated in stock and bond mutual funds. In the event of a downward trend in the stock and bond markets, Wellmont's overall market value of net assets could be adversely

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affected by a material amount. Investments in alternative investments are generally illiquid investments whose value is determined by the general partner such as hedge funds, private equity, commingled funds, and real estate funds. Distributions are only at the discretion of a voting majority of the general partners.

Wellmont evaluates whether unrealized losses on investment securities indicate other-than-temporary impairment. Based on this evaluation, Wellmont recognized other-than-temporary impairment losses of \$0 and \$131 on investments as of June 30, 2014 and 2013, respectively. Other-than-temporary impairment losses are considered as realized losses and are reported within "investment income" in the consolidated statements of operations and changes in net assets.

Gross unrealized losses on investments for which other-than-temporary impairments have not been recognized and the fair values of those investments, aggregated by the length of time that individual investments have been in a continuous unrealized loss position, at June 30, 2014 and 2013 were as follows:

	Less than 12 months		12 months or more		Total	
	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
2014						
Alternative investments	\$ —	—	647	878	647	878
Mutual funds	16	1,655	3,632	119,716	3,648	121,371
	<u>\$ 16</u>	<u>1,655</u>	<u>4,279</u>	<u>120,594</u>	<u>4,295</u>	<u>122,249</u>
2013						
Alternative investments	\$ 478	3,243	—	—	478	3,243
Mutual funds	7,304	181,780	371	3,185	7,675	184,965
	<u>\$ 7,782</u>	<u>185,023</u>	<u>371</u>	<u>3,185</u>	<u>8,153</u>	<u>188,208</u>

Investment income is comprised of the following for the years ended June 30:

	2014	2013
Interest and dividends, net of amounts capitalized	\$ 11,780	15,893
Realized gains on investments, net	2,969	3,423
Investment income, net	<u>\$ 14,749</u>	<u>19,316</u>
Change in net unrealized gains on investment	\$ 28,333	6,157

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(10) Land, Buildings, and Equipment

Land, buildings, and equipment at June 30 consist of the following:

	2014	2013
Land	\$ 49,825	49,758
Buildings and improvements	523,069	536,758
Equipment	490,805	384,747
Buildings and equipment under capital lease obligations	46,031	45,102
	<u>1,109,730</u>	<u>1,016,365</u>
Less accumulated depreciation	(623,930)	(576,210)
	485,800	440,155
Construction in progress	6,781	34,575
Land, buildings, and equipment	<u>\$ 492,581</u>	<u>474,730</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$50,058 and \$49,465, respectively. Included in depreciation expense is amortization related to capitalized software and equipment under capital leases. Accumulated amortization for equipment under capitalized software and lease obligations was \$21,789 and \$18,408 as of June 30, 2014 and 2013, respectively.

(11) Other Long-Term Liabilities

Other long-term liabilities at June 30 consist of the following:

	2014	2013
Workers' compensation liability	\$ 11,096	9,882
Professional and general liability	15,940	11,492
Postretirement benefit obligation	2,633	4,582
Asset retirement obligation	3,139	2,969
Deferred gain on sale of assets	409	439
Derivative liability	6,118	7,425
Pension benefit liability	11,041	10,393
Other	—	583
	<u>50,376</u>	<u>47,765</u>
Less current portion	(6,510)	(6,198)
Total other long-term liabilities	<u>\$ 43,866</u>	<u>41,567</u>

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(12) Debt

(a) Long-Term Debt

Long-term debt consists of the following at June 30:

	2014	2013
Hospital Refunding Bonds, Series 2014A	\$ 14,242	—
Hospital Refunding Bonds, Series 2014B	52,275	—
Hospital Refunding Bonds, Series 2014C	20,836	—
Hospital Revenue Bonds, Series 2014D	13,575	—
Hospital Revenue Refunding Bonds, Series 2011	75,300	76,165
Hospital Revenue Bonds, Series 2010 (Bank Qualified)	—	22,836
Hospital Revenue Bonds, Series 2007A	55,000	55,000
Hospital Revenue Refunding Bonds, Series 2006C	200,000	200,000
Hospital Revenue Refunding Bonds, Series 2005	—	54,820
Hospital Revenue Bonds, Series 2003	—	25,225
Project Odyssey 2012 Tax-Exempt Master Lease/Sublease Financing	40,589	16,150
Notes payable	10,232	11,968
Capital lease obligations	19,749	21,601
Other	674	847
	<u>502,472</u>	<u>484,612</u>
Unamortized premium	5,986	6,679
Unamortized discount	—	(343)
	<u>508,458</u>	<u>490,948</u>
Less current maturities	<u>(18,015)</u>	<u>(15,002)</u>
	<u>\$ 490,443</u>	<u>475,946</u>

(b) Series 2014 Bonds

On June 25, 2014, Wellmont (a) refunded the Revenue Bonds, Series 2003, the Revenue Refunding Bonds, Series 2005, and the Revenue Bonds, Series 2010 (Bank Qualified), with the proceeds of the Hospital Revenue Refunding Bonds, Series 2014A, Series 2014B, and Series 2014C and (b) issued Series 2014D. The Series 2014A through Series 2014D Bonds were issued by Health, Educational, and Housing Facilities Board of the County of Sullivan, Tennessee on behalf of Wellmont. Under the terms of the bond indenture, the proceeds were used to advance refund the Revenue Bonds, Series 2003, the Revenue Refunding Bonds, Series 2005, and the Revenue Bonds, Series 2010 (Bank Qualified) and to issue new debt in the amount of \$13,575 to reimburse Wellmont for the purchase price of Wellmont Wexford House and to pay closing costs of issuing the Series 2014D Bonds. All of the Series 2014 Bonds were issued as tax-exempt and were issued in accordance with the Master Trust Indenture dated May 1, 1991.

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The Series 2014 Bonds were issued with four maturities; Series 2014A for \$14,242, maturing September, 1, 2019, Series 2014B for \$52,275, maturing September 1, 2032, Series 2014C for \$20,836, maturing September 1, 2024, and Series 2014D for \$13,575, maturing September 1, 2040. Principal and interest will be paid annually, except there will be interest only paid on the Series 2014D through September 2030. Principal payments will begin on September 1, 2031.

Interest on the Series 2014 Bonds is 100% of LIBOR plus a quotient of applicable spread divided by 67%. Accrued interest is paid monthly in arrears. Interest rates on the 2014A, 2014B, 2014C, and 2014D Bonds were 0.92%, 1.02%, 0.85%, and 0.85%, respectively, as of June 30, 2014.

The Series 2014C and Series 2014D Bonds can be called by the bondholders June 1, 2021 and each successive year after that until they mature.

(c) *Project Odyssey 2012 Tax-Exempt Master Lease/Sublease Financing*

On December 1, 2012, The Health, Educational, and Housing Facilities Board of the County of Sullivan, Tennessee (as Lessee) and Wellmont (as Sub-Lessee) entered into a Master Equipment Lease and Sublease Agreement with Banc of America Public Capital Corp (the Lessor). The proceeds of this Master Lease were used to finance an electronic medical records system consisting of an EpicCare Inpatient Clinical System and an EpicCare Ambulatory Electronic Medical Records System inclusive of hardware, software, and implementation services. The Sub-Lessee authorized the Lessor to take a security interest in the entire System although only certain components of the System were funded under this Master Lease with the rest funded by Bank of America N.A. and Sub-Lessee. During the fiscal year ended June 30, 2013, Wellmont received two draws totaling \$16,150. During the fiscal year ended June 30, 2014, Wellmont received two additional draws totaling \$26,349.

Each lease term shall commence and interest shall begin to accrue on the date any funds are advanced by Wellmont. The first six lease payments under each agreement consist only of an interest component and the remaining 78 lease payments consist of a principal component and an interest component. Commencing on June 30, 2013, and continuing on the first day of each fiscal quarter thereafter, Wellmont shall pay accrued interest on the outstanding balance of the loan. Each agreement will have an interest component based on a fixed rate of interest and payable with respect to the amount of funds that the Lessor has advanced. The rates of interest are 1.79% and 1.97% for the two draws in the fiscal year ended June 30, 2014 and 1.45% and 1.82% for the two draws in the fiscal year ended June 30, 2013.

(d) *Series 2011 Bonds*

On May 5, 2011, Wellmont refunded the Revenue Bonds, Series 2006A, with the proceeds of the Revenue Bonds, Series 2011. The Series 2011 Bonds were issued by Health, Educational, and Housing Facilities Board of the County of Sullivan, Tennessee on behalf of Wellmont. Under the terms of the bond indenture, the proceeds were used to advance refund the Revenue Bonds, Series 2006A and to pay the costs of issuing the Series 2011 Bonds.

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In order to refund the Series 2006A Bonds, Wellmont made a tender offer to the holders of the Series 2006A Bonds. The holders of all outstanding Series 2006A Bonds agreed to tender their Series 2006A Bonds to Wellmont. Proceeds of the Series 2011 Bonds were used to pay the purchase price of Series 2006A Bonds tendered for purchase. All outstanding Series 2006A Bonds were purchased by the Wellmont on the date of issuance of the Bonds and were immediately surrendered to the trustee for the Series 2006A Bonds for retirement and cancellation.

The Series 2011 Bonds were issued with two maturities of \$42,385 and \$33,780 for 2026 and 2032, respectively. The Series 2011 Bonds maturing September 1, 2026 are subject to mandatory redemption prior to maturity pursuant to the operation of a sinking fund, in part by lot starting on the redemption dates beginning on September 1, 2013 and ending on September 1, 2026 in annual amounts ranging from \$865 to \$4,680. The Series 2011 Bonds maturing September 1, 2032 are subject to mandatory redemption prior to maturity pursuant to the operation of a sinking fund, in part by lot starting on the redemption dates beginning on September 1, 2027 and ending on September 1, 2032 in annual amounts ranging from \$4,980 to \$6,300. The Series 2011 Bonds were issued as fixed-rate obligations at 6.0% and 6.5% for the two maturities (2026 and 2032, respectively).

(e) *Series 2010 Bank Qualified Bonds*

On November 1, 2010, The Health, Educational, and Housing Facilities Board of the County of Sullivan, Tennessee (the Board) issued \$30,000 Hospital Revenue Bonds, Series 2010 (Bank Qualified). The Series 2010 Bonds were issued and sold pursuant to the Bond Purchase Agreement dated as of November 1, 2010, between the Board and First Tennessee Bank National Association. Commencing on January 1, 2011, and continuing on the first day of each fiscal quarter thereafter, Wellmont shall pay accrued interest on the outstanding balance of the loan. Commencing on October 1, 2011 and continuing on the first day of each fiscal quarter thereafter, Wellmont shall also make principal payments equal to \$500. The outstanding bonds accrue interest at a rate equal to the product of 65% of the sum of LIBOR plus the applicable margin; however, the Series 2010 Bonds were redeemed upon the issuance of the Series 2014C Bonds.

(f) *Series 2007 Bonds*

On July 24, 2007, The Virginia Small Business Financing Authority issued, on behalf of Wellmont, \$55,000 of Hospital Revenue Bonds, Series 2007A. The Series 2007A Bonds, with other methods of financing, were used to purchase the assets of Mountain View Regional Medical Center and Lee Regional Medical Center.

Principal on outstanding Series 2007A Bonds is payable through maturity or mandatory sinking fund redemption in annual amounts ranging from \$360 to \$2,460 commencing on September 1, 2017 through September 1, 2036, with a balloon payment of \$29,245 due on September 1, 2037. The outstanding bonds accrue interest at rates ranging from 5.125% to 5.250%.

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(g) Series 2006 C

On October 26, 2006, The Health, Educational, and Housing Facilities Board of the County of Sullivan Tennessee issued, on behalf of Wellmont, \$200,000 of Hospital Revenue Bonds, Series 2006C. The Series 2006C Bonds were used to finance the costs of acquisition of land for expansion, construction, expansion, equipping, and renovation of HVMC, including the construction of a new patient tower (collectively known as Project Platinum); finance the costs of the construction, expansion, equipping, and renovation of the emergency department at BRMC (the Bristol Emergency Department Project); and finance the costs of construction, expansion, renovation, and equipping of an operating room and related facilities at Hawkins County Memorial Hospital.

Principal on outstanding Series 2006C Bonds is payable through maturity or mandatory sinking fund redemption in annual amounts ranging from \$1,605 to \$25,330 commencing on September 1, 2017 through September 1, 2036. The outstanding bonds accrue interest at rates ranging from 5.00% to 5.25%.

(h) Series 2005

On December 8, 2005, The Health, Educational, and Housing Facilities Board of the County of Sullivan, Tennessee, issued, on behalf of Wellmont, \$70,620 of Hospital Revenue Refunding Bonds, Series 2005. The Series 2005 Bonds together with other available funds were used to advance refund the previously issued Hospital Revenue Bonds, Series 2002, and to pay certain expenses incurred in connection with the issuance of the Series 2005 Bonds. Principal on outstanding Series 2005 Bonds is payable through maturity or mandatory sinking fund redemption in annual amounts ranging from \$1,945 to \$3,390 commencing on September 1, 2007 through September 1, 2032; however, the Series 2005 Bonds were redeemed upon the issuance of the Series 2014B Bonds.

(i) Series 2003

On June 1, 2003, The Health, Educational, and Housing Facilities Board of the County of Sullivan, Tennessee, issued, on behalf of Wellmont, \$59,100 of Hospital Revenue Bonds, Series 2003. The bonds were issued to provide funds necessary to refund Wellmont's Hospital Revenue Bonds, Series 1993 (HVHC), to fund a debt service reserve fund and to pay certain expenses incurred in connection with the issuance of the Series 2003 Bonds.

The Wellmont Series 2003 Bonds consist of \$27,460 in fixed-rate serial bonds and \$19,280 in fixed-rate term bonds payable through maturity or mandatory sinking fund redemption maturing in annual amounts ranging from \$3,230 on September 1, 2007 to \$4,140 on September 1, 2019; however, the Series 2003 Bonds were redeemed upon the issuance of the Series 2014A Bonds.

(j) Master Trust Indenture

The master trust indentures and loan agreements for the 2014, 2011, 2007, and 2006 bonds contain certain requirements regarding deposits to trustee funds, maintenance of rates, maintenance of debt service coverage and liquidity, permitted indebtedness, and permitted disposition of assets. Gross

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receipts of Wellmont collateralize the bonds. The purpose of the master trust indenture is to provide a mechanism for the efficient and economical issuance of notes by individual members of Wellmont using the collective borrowing capacity and credit rating of Wellmont. The master trust indenture requires individual members of Wellmont to make principal and interest payments on notes issued for their benefit. The master trust indenture also requires Wellmont members to make payments on notes issued by other members of Wellmont if such other members are unable to satisfy their obligations under the master trust indenture. Payments of principal and interest on certain bonds are also insured by bond insurance policies.

Funds held by the trustee related to the various revenue bonds are available for specific purposes. The bond interest and revenue funds may be used only to pay interest and principal on the bonds; the debt service reserve fund may be used to pay interest and principal if sufficient funds are not available in the bond interest and revenue funds. The original issue discount and premium on all bond series outstanding are being amortized over the life of the bond issue using the effective-interest method.

(k) Notes Payable

During 2007, Wellmont entered into a five-year \$3,000 note payable, which has a fixed interest rate of 7.25% and a termination date of July 2011. In August 2011, Wellmont renewed this note agreement in the amount of \$1,760 with a variable interest rate indexed to *The Wall Street Journal* U.S. Prime Rate with a ceiling of 7.75% and a floor of 4.00% and a maturity date of August 2016. At June 30, 2014 and 2013, \$828 and \$1,199, respectively, were outstanding on this note.

During 2009, Wellmont entered into a five-year \$2,400 term note payable with a variable interest rate indexed to *The Wall Street Journal* U.S. Prime Rate and a maturity date of October 2014. At June 30, 2014 and 2013, \$150 and \$379, respectively, were outstanding on this note.

On October 17, 2012, Wellmont entered into a 10-year \$12,500 term note payable with Bank of America, N.A. The proceeds were used for the EpicCare system and its implementation, among other general corporate purposes. The note payable has a fixed interest rate of 3.27% and a maturity date of December 13, 2022. At June 30, 2014, \$9,254 and \$10,390 was outstanding on this note.

(l) Capital Lease Obligations

Assets under capital leases are included in property and equipment and have a net carrying value of \$24,242 and \$26,695 as of June 30, 2014 and 2013, respectively. Amortization of capital assets is included in depreciation expense. The lease obligations are recorded at the net present value of the minimum lease payments with interest rates from 2.1% to 12.0%.

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(m) Long-Term Debt Maturities Schedule

Bond maturities in accordance with the original terms of the Master Trust Indenture and other long-term debt maturities for each of the next five years and in the aggregate at June 30, 2014 are as follows:

2015	\$	18,015
2016		17,318
2017		16,405
2018		18,912
2019		19,638
Thereafter		412,184
	\$	<u>502,472</u>

Interest paid for the years ended June 30, 2014 and 2013 was \$18,899 and \$19,622, respectively, net of amounts capitalized. Interest costs of \$1,444 and \$299 were capitalized in 2014 and 2013, respectively.

(13) Derivative Transactions

Wellmont is a party to a number of interest rate swap agreements. Such swaps have not been designated as hedges and are valued at estimated fair value in the accompanying consolidated balance sheets. By using derivative financial instruments to hedge exposures to changes in interest rates, Wellmont exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes Wellmont, which creates credit risk for Wellmont. When the fair value of a derivative contract is negative, Wellmont owes the counterparty, and therefore, Wellmont is not exposed to the counterparty's credit risk in those circumstances. Pursuant to the terms of its interest rate swap agreements, Wellmont is required to post collateral with its counterparties under certain specified conditions. Collateral posting requirements are based on the amount of Wellmont's derivative liability and Wellmont's bond rating. As of June 30, 2014 and 2013, Wellmont was not required to post collateral related to its swaps.

Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

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Management's primary objective in holding such derivatives is to introduce a fixed or variable rate component into its variable rate debt structure using LIBOR rates. The fair value as of June 30, 2014 and 2013 of approximately \$(6,118) and \$(7,425), respectively, is included in other long-term liabilities in the consolidated balance sheets. The change in the fair value of the derivative instruments was approximately \$1,307 and \$2,356, respectively, in 2014 and 2013 and is included in nonoperating gains in the consolidated statements of operations. The terms of the swap agreements allow netting of all amounts due from/to the counterparty. The following is a summary of the interest rate swap information as of June 30, 2014:

Type of interest swap	Debt hedging	Notional amount	Effective date	Maturity date	Rate paid	Rate received	Swap fair value asset (liability)
Total return swap	Series 2011	\$ 75,300	May 5, 2011	September 1, 2032	1.410%	6.222%	\$ 987
Pay fixed interest rate swap	*	52,275	December 13, 2005	September 1, 2016	3.548	0.101	(3,323)
Basis swap	*	56,465	September 1, 2002	September 1, 2032	0.060	0.173	(1,127)
Pay fixed interest rate swap	*	27,575	October 24, 2003	September 1, 2021	3.613	0.104	(2,655)
							<u>\$ (6,118)</u>

* Previously designated bond series has been refinanced

The following is a schedule detailing the swap information as of June 30, 2013:

Type of interest swap	Debt hedging	Notional amount	Effective date	Maturity date	Rate paid	Rate received	Swap fair value asset (liability)
Total return swap	Series 2011	\$ 76,165	May 5, 2011	September 1, 2032	1.400%	6.222%	\$ 1,792
Pay fixed interest rate swap	Series 2005	54,820	December 13, 2005	September 1, 2016	3.548	0.082	(4,738)
Basis swap	*	58,680	September 1, 2002	September 1, 2032	0.050	0.163	(1,245)
Pay fixed interest rate swap	*	30,295	October 24, 2003	September 1, 2021	3.613	0.082	(3,234)
							<u>\$ (7,425)</u>

* Previously designated bond series has been refinanced

In September and October 2008, the counterparty and credit support provider, for four of the swaps held at that time, filed bankruptcy. The bankruptcy process is underway and the ultimate outcome regarding any final settlement cannot be determined at this time.

(14) Pension and Other Postretirement Benefits

Wellmont sponsors a retirement program and defined-contribution retirement plan (Retirement Plan) that covers substantially all employees. Wellmont makes annual contributions to the Retirement Plan in an amount equal to 2% (after October 1, 2013) and 3% (before October 1, 2013) of each participant's base wages and contributes an additional amount, based on each participant's voluntary contributions, which

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cannot exceed certain limits established in the Internal Revenue Code, up to 2.4% (after October 1, 2013) and 3% (before October 1, 2013) of each participant's wages. The total pension expense related to the Retirement Plan was \$10,687 and \$12,765 for the years ended June 30, 2014 and 2013, respectively.

A predecessor to Wellmont sponsored a noncontributory, defined-benefit pension plan covering substantially all its employees. However, effective June 30, 1996, this plan was frozen and no further benefits accrue. One of Wellmont's acquired hospitals also sponsored a defined-benefit pension plan covering substantially all its employees, but the two plans were merged on June 30, 2007 and effective June 30, 2010, the plan was frozen for all employees and no further benefits accrue.

The defined-pension benefits are actuarially determined based on a formula taking into consideration an employee's compensation and years of service. The funding policy is to make annual contributions to the plan based upon the funding standard developed by the plan actuary. This standard uses the projected unit credit actuarial cost method, including the amortization of prior service costs, over a 20-year period. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. Wellmont recognizes the funded status (i.e., difference between the fair value of plan assets and projected benefit obligations) of its defined-benefit pension plans as an asset or liability in its consolidated balance sheet and recognizes changes in that funded status in the year in which the changes occur as a change in unrestricted net assets. The defined-benefit pension plans use a June 30 measurement date.

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The following table sets forth the funded status of the Plans, amounts recognized in the accompanying consolidated financial statements, and assumptions at June 30:

	<u>2014</u>	<u>2013</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 50,749	54,081
Service cost	—	—
Interest cost	2,196	2,102
Actuarial loss(gain)	5,815	(3,062)
Benefits paid	<u>(2,469)</u>	<u>(2,372)</u>
Benefit obligation at end of year	<u>56,291</u>	<u>50,749</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	40,357	36,791
Actual return on plan assets	4,960	2,521
Employer contribution	2,402	3,417
Benefits paid	<u>(2,469)</u>	<u>(2,372)</u>
Fair value of plan assets at end of year	<u>45,250</u>	<u>40,357</u>
Funded status	<u>\$ (11,041)</u>	<u>(10,393)</u>
Amounts recognized in the accompanying consolidated balance sheets:		
Pension benefit liability (other long-term liabilities)	\$ (11,041)	(10,393)

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	<u>2014</u>	<u>2013</u>
Amounts not yet reflected in net periodic benefit cost and included as an accumulated charge to unrestricted net assets:		
Unrecognized actuarial loss	\$ 16,777	14,552
Unrecognized prior service cost	<u>—</u>	<u>—</u>
Net amounts included as an accumulated charge to unrestricted net assets	<u>\$ 16,777</u>	<u>14,552</u>
Calculation of change in unrestricted net assets:		
Accumulated charge to unrestricted net assets, end of year	\$ 16,777	14,552
Reversal of accumulated charge to unrestricted net assets, prior year	<u>(14,552)</u>	<u>(19,773)</u>
Change in unrestricted net assets	<u>\$ 2,225</u>	<u>(5,221)</u>
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Actuarial loss (gain) arising during the year	\$ 3,665	(3,003)
Amortization of actuarial loss	(1,440)	(2,218)
Amortization of prior service cost	<u>—</u>	<u>—</u>
Net amounts recognized in unrestricted net assets	<u>\$ 2,225</u>	<u>(5,221)</u>

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	<u>2014</u>	<u>2013</u>
Estimate of amounts that will be amortized from unrestricted net assets to net pension cost in 2013:		
Amortization of net loss	\$ 1,810	1,467
Amortization of prior service cost	—	—
Estimated future benefit payments:		
Fiscal 2014	\$ —	2,590
Fiscal 2015	2,804	2,658
Fiscal 2016	2,894	2,741
Fiscal 2017	3,004	2,828
Fiscal 2018	3,093	2,907
Fiscal 2019–2023	19,937	15,736
Weighted average assumptions used to determine benefit obligations:		
Settlement (discount) rate	4.00%	4.50%
Weighted average rate of increase in future compensation levels	N/A	N/A
Components of net periodic benefit cost (benefit):		
Service cost	\$ —	—
Interest cost	2,196	2,102
Expected return on plan assets	(2,810)	(2,581)
Amortization of net loss	1,440	2,218
Net periodic benefit cost	<u>\$ 826</u>	<u>1,739</u>
Weighted average assumptions used to determine net periodic benefit cost:		
Settlement (discount) rate	4.50%	4.00%
Expected long-term return on plan assets (HVMC)	7.00	7.00
Expected long-term return on plan assets (LPH)	7.00	7.00
Weighted average rate of increase in future compensation levels	N/A	N/A

Wellmont's overall expected long-term rate of return on assets is 7%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Wellmont has developed a plan investment policy, which is reviewed and approved by the board of directors. The policy established goals and objectives of the fund, asset allocations, asset classifications, and manager guidelines. The policy dictates a target asset allocation and an allowable range for such categories based on quarterly investment fluctuations. Investments are managed by independent advisers who are monitored by management and the board of directors.

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The table below shows the target allocation and actual asset allocations as of June 30, 2014 and 2013:

Asset	Target allocation	2014	2013
Equity securities	47%	48%	48%
Fixed income	41	33	33
Cash	—	3	1
Other	12	16	18

Wellmont monitors the asset allocation and executes required recalibrations of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

A predecessor to Wellmont also participates in a health and welfare plan for its retirees. The plan provides postretirement medical and life insurance benefits to certain employees who meet minimum age and service requirements. Effective January 1, 1995, the death benefit was changed to provide a flat \$5 benefit to all future retirees. During 1995, the medical program for retirees was amended to terminate medical benefits for any active employees who would not meet the full eligibility requirements of the program by January 1, 1996. The plan is contributory and contains other cost-sharing features such as deductibles and coinsurance.

The following table sets forth the postretirement plan's funded status, amounts recognized in the accompanying consolidated financial statements, and assumptions at June 30:

	Postretirement benefits	
	2014	2013
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 4,582	7,039
Interest cost	96	163
Plan participants contributions	17	19
Actuarial losses	(1,978)	(2,554)
Benefits paid	(84)	(85)
Benefit obligation at end of year	2,633	4,582
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contribution	66	66
Plan participants contributions	17	19
Benefits paid	(83)	(85)
Fair value of plan assets at end of year	—	—
Funded status	\$ (2,633)	(4,582)

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	Postretirement benefits	
	2014	2013
Amounts recognized in the consolidated balance sheets consist of:		
Noncurrent assets	\$ —	—
Current liabilities	—	—
Noncurrent liabilities	(2,633)	(4,582)
Accumulated charge to unrestricted net assets	5,939	4,608
	<u>\$ 3,306</u>	<u>26</u>

Amounts recognized as an accumulated credit to unrestricted net assets consist of the following:

	2014	2013
Net actuarial gain	\$ 5,939	4,608

Net periodic benefit cost recognized and other changes in plan assets and benefit obligations recognized in unrestricted net assets in 2014 and 2013 were as follows:

	Postretirement benefits	
	2014	2013
Net periodic benefit cost:		
Interest cost	\$ 95	163
Amortization of net gain	(646)	(416)
Net periodic benefit recognized	<u>(551)</u>	<u>(253)</u>
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Net actuarial loss	(1,978)	(2,554)
Amortization of net gain	646	416
Total recognized in unrestricted net assets	<u>(1,332)</u>	<u>(2,138)</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ (1,883)</u>	<u>(2,391)</u>

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The net gain and prior service credit for the defined-benefit postretirement plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$(646) and \$(416), respectively. Weighted average assumptions used to determine benefit obligations for 2014 and 2013 were as follows:

	2014	2013
Discount rate	3.50%	4.00%
Rate of compensation increase	—	—
Healthcare cost trend rate	5.00	5.00

Weighted average assumptions used to determine net benefit cost for 2014 and 2013 were as follows:

	Postretirement benefits	
	2014	2013
Discount rate	4.00%	4.00%
Expected long-term rate of return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Healthcare cost trend rate	5.00	5.00

Wellmont's overall expected long-term rate of return on assets is 7%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

For measurement purposes, a 6.7% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2014.

The following table summarizes the effect of one-percentage-point increase/decrease in healthcare costs trends:

	2014	2013
Effect of one-percentage-point increase in healthcare cost trend on:		
Service and interest cost	\$ 4	10
Accumulated pension benefit obligation	132	271
Effect of one-percentage-point decrease in healthcare cost trend on:		
Service and interest cost	\$ (3)	(9)
Accumulated pension benefit obligation	(116)	(242)

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The asset allocations of Wellmont's pension and postretirement benefits as of June 30, 2014 and 2013, respectively, were as follows:

Fair value measurement at June 30, 2014				
pension benefits – plan assets				
Quoted prices				
in active markets for identical assets				
Significant other observable inputs				
Significant unobservable inputs				
(Level 3)				
Total	(Level 1)	(Level 2)	(Level 3)	
Assets:				
Stock mutual funds	\$ 36,546	36,546	—	—
Cash and money market funds	1,416	1,416	—	—
Alternative funds	7,425	—	3,935	3,490
Total	\$ 45,387	37,962	3,935	3,490
Fair value measurement at June 30, 2013				
pension benefits – plan assets				
Quoted prices				
in active markets for identical assets				
Significant other observable inputs				
Significant unobservable inputs				
(Level 3)				
Total	(Level 1)	(Level 2)	(Level 3)	
Assets:				
Stock mutual funds	\$ 32,750	32,750	—	—
Cash and money market funds	543	543	—	—
Alternative funds	7,064	—	3,674	3,390
Total	\$ 40,357	33,293	3,674	3,390

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The following table presents Wellmont's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC 820 for the years ended June 30, 2014 and 2013:

	Alternative investments
Balance at June 30, 2012	\$ 3,547
Net change in value	(61)
Purchases, issuances, and settlements	(96)
Transfers into and/or out of Level 3 (net)	—
Balance at June 30, 2013	3,390
Net change in value	232
Purchases, issuances, and settlements	(132)
Transfers into and/or out of Level 3 (net)	—
Balance at June 30, 2014	\$ <u>3,490</u>

There were no transfers between any levels during the years ended June 30, 2014 and 2013.

(15) Self-Insurance Programs

Wellmont is self-insured for professional and general liability and workers' compensation liability. Consulting actuaries have been retained to determine funding requirements and estimate claim liability exposures. Wellmont had established revocable self-insurance trust funds to provide for professional and general liability claims and workers' compensation claims and related expenses. Wellmont's contributions to the self-insurance trusts were based upon actuarial determinations by an independent service company. The trust fund requirement for professional and general liability was eliminated in fiscal year 2013.

Wellmont Insurance Company SPC, Ltd (the captive) was formed in 2014 as a wholly owned captive insurance company in the Cayman Islands. The captive holds Wellmont's self-insurance liabilities for professional and general liability and is funded by transfers from Wellmont Health System. These funds are included in assets limited as to use.

The professional and general liability self-insurance program is supplemented by umbrella excess liability policies consisting of various layers of coverage with commercial carriers based on policy year. The workers' compensation program is supplemented for Tennessee and Virginia by excess workers' compensation policies, with a commercial carrier for statutory limits per occurrence. Provisions based on actuarial estimates are made for the ultimate cost of claims asserted, as well as estimates of claims incurred but not reported as of the respective consolidated balance sheet dates. Workers' compensation expense under these programs amounted to approximately \$3,695 and \$3,588 for the years ended June 30, 2014 and 2013, respectively, and are included in salaries and benefits expense in the accompanying consolidated statements of operations and changes in net assets. All other self-insurance expense under these programs amounted to approximately \$5,707 and \$2,229 for the years ended June 30, 2014 and 2013, respectively,

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and are included in other expense in the accompanying consolidated statements of operations and changes in net assets.

At June 30, 2014 and 2013, Wellmont was involved in litigation relating to medical malpractice and workers' compensation claims arising in the ordinary course of business. There are also known incidents that occurred through June 30, 2014 that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past. Claims have been filed requesting damages in excess of the amount accrued for estimated malpractice costs. Management of Wellmont is of the opinion that estimated professional and general liability amounts accrued at June 30, 2014 are adequate to provide for potential losses resulting from pending or potential litigation. Amounts of claim settlements may be more or less than what has been provided for by management. The ultimate settlement of claims could be different from recorded accruals, with such differences being potentially significant.

Wellmont is also self-insured for medical and other healthcare benefits provided to its employees and their families. A provision for estimated incurred but not reported claims has been provided in the consolidated financial statements.

(16) Commitments and Contingencies

Construction in progress at June 30, 2014 and 2013 relates primarily to the completion of certain buildings and renovations. Total costs to complete these and other projects were approximately \$24,685 at June 30, 2014. Wellmont has entered into contracts of \$24,685 related to these projects.

Wellmont leases certain equipment and office space under operating lease agreements. Total rental expense under cancelable and noncancelable agreements was \$15,506 and \$17,892 for the years ended June 30, 2014 and 2013, respectively. Minimum future lease payments under noncancelable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2014 are as follows:

2015	\$	11,222
2016		8,117
2017		7,210
2018		6,439
2019		6,167
Thereafter		20,423
	\$	<u>59,578</u>

Wellmont has entered into contractual employment relationships with physicians to provide services to Wellmont physician practices that are intended to qualify under the employee safe harbor of the Anti-Kickback Statute and the employee exception of the Physician Self-Referral Law. These contracts have terms of varying lengths, guarantee certain base payments, and may provide for additional incentives based upon productivity.

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(Dollars in thousands)

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

(17) Functional Expense Disclosure

Wellmont provides healthcare services to residents within its geographic location. Expenses based upon functional classification related to providing these services during the years ended June 30 are as follows:

	2014	2013
Professional care of patients	\$ 610,162	613,277
Administrative and general	156,647	150,245
Fund-raising	1,054	1,172
	<u>\$ 767,863</u>	<u>764,694</u>

(18) Income Taxes

Wellmont, Inc. and its subsidiaries file consolidated federal and separate-company state income tax returns. These companies have combined net operating loss carryforwards for federal income tax purposes of approximately \$111,000 at June 30, 2014, which begin expiring in fiscal 2019 and expire through 2033. These net operating losses can be used to offset future consolidated taxable income of Wellmont, Inc. and subsidiaries. Wellmont participates in certain activities that generate unrelated business taxable income. These activities have generated net operating losses in prior years, and Wellmont files a Form 990-T with the Internal Revenue Service to report such activity. Wellmont has net operating loss carryforwards for federal income tax purposes of approximately \$1,796 for unrelated business activities. Management believes that it is more likely than not that deferred tax assets arising from net operating loss carryforwards will not be realizable. Accordingly, these are fully reserved at June 30, 2014 and 2013.

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(Dollars in thousands)

(19) Concentration of Credit Risk

Wellmont grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2014 and 2013 was as follows:

	2014	2013
Medicare	48%	53%
TennCare/Medicaid	13	14
Other third-party payors	31	27
Patients	8	6
	100%	100%

(20) Disclosures about Fair Value of Financial Instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer or settle a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820, *Fair Value Measurements*, establishes a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The classification of an investment within the hierarchy is based upon the pricing transparency or ability to redeem the investment and does not necessarily correspond to the perceived risk of that investment. Inputs are used in applying various valuation techniques that are assumptions, which market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, operating statistics, specific and broad credit data, liquidity statistics, recent transactions, earnings forecasts, future cash flows, market multiples, discount rates, and other factors.

Assets and liabilities measured and reported at fair value are classified within the fair value hierarchy as follows:

Level 1 – Valuations based on quoted market prices in active markets.

Level 2 – Investments that trade in markets that are considered to be active, but are based on dealer quotations or alternative pricing sources supported by observable inputs or investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs.

Level 3 – Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

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The following table presents assets and liabilities that are measured at fair value on recurring basis at June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 30,674	—	—	30,674
Assets limited as to use				
Stock mutual funds	148,453	—	—	148,453
Bond mutual funds	167,156	—	—	167,156
Cash and money market funds	50,916	—	—	50,916
Real estate funds	21,381	—	—	21,381
Alternative investments	—	—	41,067	41,067
Subtotal	<u>418,580</u>	<u>—</u>	<u>41,067</u>	<u>459,647</u>
Long-term investments				
Stock mutual funds	17,741	—	—	17,741
Bond mutual funds	11,420	—	—	11,420
Cash and money market funds	230	—	—	230
Real estate funds	<u>1,618</u>	<u>—</u>	<u>—</u>	<u>1,618</u>
Subtotal	<u>31,009</u>	<u>—</u>	<u>—</u>	<u>31,009</u>
	<u>\$ 449,589</u>	<u>—</u>	<u>41,067</u>	<u>490,656</u>
Liabilities				
Derivatives liability	\$ —	6,118	—	6,118
Total	<u>\$ —</u>	<u>6,118</u>	<u>—</u>	<u>6,118</u>

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(Dollars in thousands)

The following table presents assets and liabilities that are measured at fair value on recurring basis at June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 55,958	—	—	55,958
Assets limited as to use				
Stock mutual funds	109,356	—	—	109,356
Bond mutual funds	175,594	—	—	175,594
Cash and money market funds	42,923	—	—	42,923
Real estate funds	16,377	—	—	16,377
Alternative investments	—	—	36,520	36,520
Subtotal	<u>400,208</u>	<u>—</u>	<u>36,520</u>	<u>436,728</u>
Long-term investments				
Stock mutual funds	12,228	—	—	12,228
Bond mutual funds	13,478	—	—	13,478
Cash and money market funds	190	—	—	190
Real estate funds	<u>1,220</u>	<u>—</u>	<u>—</u>	<u>1,220</u>
Subtotal	<u>27,116</u>	<u>—</u>	<u>—</u>	<u>27,116</u>
	<u>\$ 427,324</u>	<u>—</u>	<u>36,520</u>	<u>463,844</u>
Liabilities				
Derivatives liability	\$ —	7,425	—	7,425
Total	<u>\$ —</u>	<u>7,425</u>	<u>—</u>	<u>7,425</u>

The following methods and assumptions were used to estimate fair value of each class of instruments:

- *Cash and Cash Equivalents*
The carrying amount approximates fair value due to the short maturities of these instruments.
- *Patient Accounts and Other Receivables*
The net recorded carrying value approximates fair value due to the short maturities of these instruments.
- *Investments and Assets Limited as to Use*
The fair values of investments and assets limited as to use are based on quoted market prices and quotes obtained from security brokers or, in the case of the limited partnerships, by the general partner.

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Wellmont also applies the measurement provisions of ASU No. 2009-12 to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. This guidance amends the previous guidance and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. Net asset value, in many instances may not equal fair value that would be calculated pursuant to ASC 820. The fair value of these investments was \$41,067 and \$36,520 at June 30, 2014 and 2013, respectively.

- *Accounts Payable and Accrued Expenses*

The carrying amount approximates fair value due to the short maturities of these liabilities.

- *Estimated Third-Party Payor Settlements, Other Long-Term Liabilities*

The carrying amount approximates fair market value due to the nature of these liabilities.

- *Long-Term Debt*

The carrying amount of indebtedness with variable interest rates approximates its fair value because the variable rates reflect current market rates for indebtedness with similar maturities and credit quality. The fair value of indebtedness with fixed interest rates is based on rates assumed to be currently available for indebtedness with similar terms and average maturities. Fair value measurements of indebtedness are based on observable interest rates and maturity schedules that fall within Level 2 of the hierarchy of fair value inputs. The estimated fair value of revenue bonds, using current market rates, was estimated at \$444,106 and \$436,832 for the years ended June 30, 2014 and 2013, respectively. The carrying amount of other long-term debt reported in note 11 and on the consolidated balance sheet approximates the related fair value.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Health System has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category in the table below may include changes in fair value that were attributable to both observable and unobservable inputs.

	Alternative investments
Balance at June 30, 2012	\$ 36,989
Total realized and unrealized gains (losses):	
Included in revenues and gains in excess of expenses and losses	(69)
Included in changes in net assets	1,113
Purchases, issuances, and settlements	(1,513)
Transfers into and/or out of Level 3 (net)	—
Balance at June 30, 2013	36,520

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	<u>Alternative investments</u>
Total realized and unrealized gains (losses):	
Included in revenues and gains in excess of expenses and losses	\$ (3,161)
Included in changes in net assets	1,898
Purchases, issuances, and settlements	5,810
Transfers into and/or out of Level 3 (net)	<u>—</u>
Balance at June 30, 2014	<u>\$ 41,067</u>

There were no transfers between any of the levels during the years ended June 30, 2014 and 2013.

(21) Subsequent Events

On July 1, 2014, Wellmont sold its 60% interest in Takoma Regional Hospital to Adventist Health System (which also owned the other 40%). Cash in the amount of \$11,700 was received prior to July 1, 2014 and is included in current liabilities.

On September 24, 2014, The Health, Educational, and Housing Facilities Board of the County of Sullivan, Tennessee issued, on behalf of Wellmont, \$21,335 of Hospital Revenue Refunding Bonds, Series 2014E. Under the terms of the bond indenture, the proceeds were used to establish a fund to advance refund \$19,580 of the Hospital Revenue Bonds, Series 2006C upon their call date in 2016. The Series 2014E Bonds were issued as tax-exempt and were issued in accordance with the Master Trust Indenture dated May 1, 1991. Upon the issuance of the Series 2014E Bonds, a new Master Trust Indenture was implemented and replaced the one dated May 1, 1991.

Wellmont has evaluated subsequent events from the balance sheet date through October 24, 2014, the date at which the consolidated financial statements were issued. No other material subsequent events were identified for recognition and disclosed.