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Part IIISTatement of Program Service Accomplishments

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

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1

Briefly describe the organization's mission

PETERSON REGIONAL MEDICAL CENTER PROVIDES EXCEPTIONAL, COMPASSIONATE, PATIENT-CENTERED HEALTHCARE

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 \$ 88,938,437 including grants of \$ 84,545) (Revenue \$ 104,471,597)

PETERSON REGIONAL MEDICAL CENTER IS A PRIVATE, NOT-FOR-PROFIT COMMUNITY HOSPITAL IN KERRVILLE, TEXAS KERRVILLE IS LOCATED IN KERR COUNTY, APPROXIMATELY 60 MILES NORTHWEST OF SAN ANTONIO AND 80 MILES SOUTH WEST OF AUSTIN PETERSON REGIONAL MEDICAL CENTER SERVES THE COMMUNITIES AND RESIDENTS IN THE FOLLOWING COUNTIES KERR, BANDERA, GILLESPIE, KIMBLE, EDWARDS AND REAL PETERSON REGIONAL MEDICAL CENTER ANCHORS A 35-ACRE CAMPUS INCLUDING A 124 BED ACUTE CARE HOSPITAL PROVIDING SERVICES INCLUDING 24/7 EMERGENCY DEPARTMENT, WOMEN'S SERVICES (INCLUDING MATERNAL/NEWBORN), ACUTE INPATIENT REHABILITATION, ORTHOPEDICS, GENERAL SURGERY, DIAGNOSTIC IMAGING, INTENSIVE CARE UNIT, AND LABORATORY ON THE SAME CAMPUS IS AN AMBULATORY CARE CENTER PROVIDING OUTPATIENT REHAB SERVICES, OUTPATIENT SURGERY, OUTPATIENT DIAGNOSTIC IMAGING AND HYPERBARIC WOUND CARE PETERSON HOSPICE SERVICE AND PETERSON HOME CARE SERVICES ARE ALSO MEMBERS OF THE PETERSON REGIONAL FAMILY OF SERVICES BUT LOCATED OFF-SITE

4b

(Code) (Expenses \$ 1,399,261 including grants of \$) (Revenue \$ 1,604,534)

PETERSON HOME CARE - PETERSON HOME CARE PROVIDES A COMPREHENSIVE TEAM OF HEALTHCARE PROFESSIONALS TO THE RESIDENTS OF THE HILL COUNTRY, SPECIFICALLY KERR, GILLESPIE AND BANDERA COUNTIES PETERSON HOME CARE IS A NOT-FOR PROFIT ORGANIZATION PROVIDING A COMPREHENSIVE RANGE OF PROFESSIONAL SERVICES INCLUDING NURSING CARE, PHYSICAL & SPEECH THERAPY, OSTOMY AND WOUND CARE, IV ANTIBIOTICS, CHEMOTHERAPY, AIDE SERVICES AND MEDICATION MANAGEMENT ALL SERVICES ARE COORDINATED THROUGH AN INTERDISCIPLINARY APPROACH TO PATIENT CARE AND ESTABLISHED UNDER A PLAN OF TREATMENT OF A PHYSICIAN DIAGNOSTIC AND LABORATORY SERVICES, AS WELL AS MEDICAL AND SURGICAL SUPPLIES ARE ALSO PROVIDED IN CONJUNCTION WITH SKILLED CARE HOME CARE HAD 871 ADMISSIONS DURING THE YEAR AND 16,406 VISITS

4c

(Code) (Expenses \$ 2,884,992 including grants of \$) (Revenue \$ 3,421,527)

PETERSON HOSPICE IS A DEPARTMENT OF PRMC AND IS LOCATED OFF CAMPUS IT OPERATES AS ONE OF THE HOSPITAL'S MANY OUTREACHES FOR THE HILL COUNTRY COMMUNITIES IT SERVES PETERSON HOSPICE IS THE ONLY NON-PROFIT HOSPICE IN THE HILL COUNTRY WITH A MISSION THAT NO ONE WILL BE DENIED HOSPICE CARE BECAUSE OF AN INABILITY TO PAY IN ADDITION TO PROVIDING HOSPICE CARE, PETERSON HOSPICE ALSO PROVIDES THE FOLLOWING UNFUNDED COMMUNITY SERVICES 1 NAVIGATING THE WATERS OF GRIEF ~ A SIX WEEK GRIEF SUPPORT GROUP FOR ADULTS THIS PROGRAM IS FACILITATED TWICE A YEAR BY A GRIEF EXPERT WHO IS A LICENSED MEDICAL SOCIAL WORKER (MSW) NAVIGATING THE WATERS OF GRIEF WORKS CLOSELY WITH HILL COUNTRY CLERGY AND THE LOCAL COMMUNITIES TO SERVE HOSPICE FAMILIES AS WELL AS OTHERS FACING THE LOSS OF A LOVED ONE OR FRIEND 2 BRIDGING THE GAP ~ A SIX WEEK GRIEF SUPPORT GROUP FOR CHILDREN AGES KINDER THROUGH 12TH GRADE THIS PROGRAM GIVES THEM THE TOOLS THEY NEED TO WORK THROUGH THE GRIEVING PROCESS THE PARENTS ATTEND AS WELL TO OPEN COMMUNICATION AND FEELINGS TO HELP THE CHILD DEAL WITH GRIEF AT THEIR AGE APPROPRIATE LEVEL BTG WORKS WITH ALL HILL COUNTRY SCHOOLS AND THEIR COUNSELORS THE LOCAL COMMUNITY SERVES AS FACILITATORS AND VOLUNTEERS FOR THIS EXCELLENT PROGRAM 3 CAMP RAYS OF HOPE ~ IS A STATEWIDE PROGRAM WHICH IS A WEEKEND RETREAT FOR GRIEVING CHILDREN THAT INCORPORATES THE PARENTS AS WELL THE CHILDREN LEARN NEW WAYS TO COPE WITH THEIR LOSS, AND TO MEET OTHERS WITH SIMILAR CIRCUMSTANCES TO REMEMBER SPECIAL TIMES, TO MAKE NEW FRIENDS, AND TO HAVE FUN 4 FLORAL PROGRAM ~ IS A VOLUNTEER DRIVEN PROGRAM THAT DELIVERS FLOWERS TO OUR PATIENTS THE LOCAL FLORISTS IN THE AREA DONATE THE FLOWERS AND VOLUNTEERS ARRANGE AND DELIVER THEM VOLUNTEERS ALSO SUPPORT FAMILIES AND PATIENTS WITH THEIR VISITS 5 PATHWAYS ~ THIS VOLUNTEER OUTREACH OFFERS HOME BASED SOCIAL AND EMOTIONAL SUPPORT TO CLIENTS WITH AN ILLNESS THAT HAS A LIMITED LIFE EXPECTANCY BUT IS NOT YET HOSPICE APPROPRIATE VOLUNTEERS HELP REDUCE THE ISOLATION AND VULNERABILITY THAT CLIENTS AND FAMILIES EXPERIENCE DURING A DIFFICULT TIME EDUCATION IS AVAILABLE THROUGH PRMC RESOURCES REGARDING DISEASE PROCESSES, COPING STRATEGIES, ADVANCE DIRECTIVES, AND PRACTICAL AND SPIRITUAL ISSUES THIS SUPPORT HELPS CLIENTS DEFINE THEIR QUALITY OF LIFE 6 COMMUNITY SERVE PROGRAM ~ OFFERING OPPORTUNITIES FOR CITIZENS TO FULFILL COURT OBLIGATIONS IN A BENEFICIAL MANNER 303 ADMISSIONS ACCOUNTED FOR 22,542 PATIENT DAYS

(Code) (Expenses \$ 117,586 including grants of \$) (Revenue \$ 1,572,329)

HAS ONE LAB OFF-SITE OUTREACH LOCATION

4d

Other program services (Describe in Schedule O)





















(Expenses \$ 117,586 including grants of \$) (Revenue \$ 1,572,329)

4e

Total program service expenses

93,340,276

Part IV Checklist of Required Schedules

| | Yes | No |
|---|---------|----|
| 1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A  | 1 Yes | |
| 2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?  | 2 Yes | |
| 3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I  | 3 | No |
| 4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II  | 4 Yes | |
| 5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III  | 5 | No |
| 6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I  | 6 | No |
| 7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II  | 7 | No |
| 8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III  | 8 | No |
| 9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV  | 9 | No |
| 10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V  | 10 Yes | |
| 11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable | | |
| a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI  | 11a Yes | |
| b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII  | 11b | No |
| c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII  | 11c | No |
| d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX  | 11d | No |
| e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X  | 11e Yes | |
| f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X  | 11f | No |
| 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 | Yes | |
| 22 | Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> | 22 | Yes | |
| 23 | Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> | 23 | Yes | |
| 24a | Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i> | 24a | Yes | |
| b | Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? | 24b | Yes | |
| c | Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? | 24c | | No |
| d | Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? | 24d | | No |
| 25a | Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> | 25a | | No |
| b | Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> | 25b | | No |
| 26 | Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i> | 26 | | No |
| 27 | Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> | 27 | | No |
| 28 | Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions) | | | |
| a | A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> | 28a | | No |
| b | A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> | 28b | | No |
| c | An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> | 28c | | No |
| 29 | Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . | 29 | | No |
| 30 | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> | 30 | | No |
| 31 | Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> | 31 | | No |
| 32 | Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> | 32 | | No |
| 33 | Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> | 33 | | No |
| 34 | Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> | 34 | Yes | |
| 35a | Did the organization have a controlled entity within the meaning of section 512(b)(13)? | 35a | Yes | |
| 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 | Yes | |
| 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

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| | | | |
|---|--|-----|-------|
| | | Yes | No |
| 1a | Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. | 68 | |
| 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. | 2a | 1,098 |
| b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions). | | 2b | Yes |
| 3a Did the organization have unrelated business gross income of \$1,000 or more during the year? | | 3a | Yes |
| b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O. | | 3b | Yes |
| 4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)? | | 4a | No |
| b If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. | | | |
| 5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? | | 5a | No |
| b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? | | 5b | No |
| c If "Yes," to line 5a or 5b, did the organization file Form 8886-T? | | 5c | |
| 6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? | | 6a | No |
| b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? | | 6b | |
| 7 Organizations that may receive deductible contributions under section 170(c). | | | |
| a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor? | | 7a | No |
| b If "Yes," did the organization notify the donor of the value of the goods or services provided? | | 7b | |
| c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? | | 7c | No |
| d If "Yes," indicate the number of Forms 8282 filed during the year. | | 7d | |
| e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? | | 7e | No |
| f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? | | 7f | No |
| g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? | | 7g | |
| h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? | | 7h | |
| 8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? | | 8 | |
| 9 Sponsoring organizations maintaining donor advised funds. | | | |
| a Did the organization make any taxable distributions under section 4966? | | 9a | |
| b Did the organization make a distribution to a donor, donor advisor, or related person? | | 9b | |
| 10 Section 501(c)(7) organizations. Enter | | | |
| a Initiation fees and capital contributions included on Part VIII, line 12. | | 10a | |
| b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities. | | 10b | |
| 11 Section 501(c)(12) organizations. Enter | | | |
| a Gross income from members or shareholders. | | 11a | |
| b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them). | | 11b | |
| 12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041? | | 12a | |
| b If "Yes," enter the amount of tax-exempt interest received or accrued during the year. | | 12b | |
| 13 Section 501(c)(29) qualified nonprofit health insurance issuers. | | | |
| a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O. | | 13a | |
| b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans. | | 13b | |
| c Enter the amount of reserves on hand. | | 13c | |
| 14a Did the organization receive any payments for indoor tanning services during the tax year? | | 14a | No |
| b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O. | | 14b | |

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

| | | | |
|--|---|-----|-----|
| | | Yes | No |
| 1a | Enter the number of voting members of the governing body at the end of the tax year | 11 | |
| If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O | | | |
| b | Enter the number of voting members included in line 1a, above, who are independent | 11 | |
| 2 | Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? | 2 | No |
| 3 | Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? | 3 | No |
| 4 | Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? | 4 | No |
| 5 | Did the organization become aware during the year of a significant diversion of the organization's assets? | 5 | No |
| 6 | Did the organization have members or stockholders? | 6 | No |
| 7a | Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? | 7a | No |
| b | Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? | 7b | No |
| 8 | Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following | | |
| a | The governing body? | 8a | Yes |
| b | Each committee with authority to act on behalf of the governing body? | 8b | Yes |
| 9 | Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O | 9 | No |

Section B. Policies

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

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

Section C. Disclosure

| | |
|----|--|
| 17 | List the States with which a copy of this Form 990 is required to be filed▶ |
| 18 | Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <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 ▶SID PETERSON MEMORIAL HOSPIT 551 HILL COUNTRY DRIVE Kerrville, TX 78028 (830) 896-4200 |

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) Stephen Huser Director | 5 0 | X | | | | | | | | |
| (2) Sam Junkin Director | 5 0 | X | | | | | | | | |
| (3) Louis Romero Director | 5 0 | X | | | | | | | | |
| (4) Mike Bauman Vice Chair | 7 0 | X | | | | | | | | |
| (5) Harold Wilson Director | 5 0 | X | | | | | | | | |
| (6) Gloria Olsen PHD Chairman | 10 0 | X | | | | | | | | |
| (7) Mark Armstrong Director | 5 0 | X | | | | | | | | |
| (8) Debbie Mitchell Director | 5 0 | X | | | | | | | | |
| (9) Sarah Fontenot Vice Chair | 7 0 | X | | | | | | | | |
| (10) Royce Itschner Director | 5 0 | X | | | | | | | | |
| (11) William Morns Jr MD Director | 5 0 | X | | | | | | | | |
| (12) Patrick Murray CEO | 40 0 | | | X | | | | 290,645 | 0 | 127,062 |
| (13) Robert Walther CFO | 40 0 0 0 | | | X | | | | 187,053 | 0 | 4,946 |
| (14) Stephen Paulter COO | 40 0 | | | X | | | | 179,159 | 0 | 18,305 |
| (15) Kaeli Dressler CNO | 40 0 | | | X | | | | 120,598 | | 5,306 |
| (16) Richard Cruthirds Cheif Information Officer | 40 0 | | | X | | | | 111,614 | | 4,020 |
| (17) Julie Johnson CFO | 40 0 | | | X | | | | 98,357 | | 1,267 |

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

| (A) Name and Title | (B) Average hours per week (list any hours for related organizations below dotted line) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | | (D) Reportable compensation from the organization (W- 2/1099-MISC) | (E) Reportable compensation from related organizations (W- 2/1099-MISC) | (F) Estimated amount of other compensation from the organization and related organizations |
|--|--|---|-----------------------|---------|--------------|------------------------------|--------|--|---|--|---|
| | | Individual trustee or director | Institutional Trustee | Officer | Key employee | Highest compensated employee | Former | | | | |
| (18) Joe Piszor VP of Operations | 40 0 | | | X | | | | | 11,000 | | |
| (19) Shane Anders RN IV | 40 0 | | | | | X | | | 128,990 | | 7,812 |
| (20) Milton Dare Director of Development | 40 0 | | | | | X | | | 117,310 | | 3,260 |
| (21) Paulette Newlin Nursing Supervisor | 40 0 | | | | | X | | | 115,352 | | 5,137 |
| (22) Jana McDermott Nurse Practitioner | 40 0 | | | | | X | | | 114,995 | | 3,976 |
| (23) Robert Bauer Nurse Practitioner | 40 0 | | | | | X | | | 113,069 | | 4,401 |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| 1b Sub-Total | | | | | | | | | | | |
| c Total from continuation sheets to Part VII, Section A | | | | | | | | | | | |
| d Total (add lines 1b and 1c) | | | | | | | | | 1,588,142 | 0 | 185,492 |

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

Section B. Independent Contractors

| 1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year. | | |
|--|--------------------------------|---------------------|
| (A) Name and business address | (B) Description of services | (C) Compensation |
| Sound Physicians, 1123 PACIFIC AVENUE TACOMA WA 98402 | PHYSICIAN SERVICES | 1,767,227 |
| Anesthesia Associates, 420 WATER STREET SUITE 105B KERRVILLE TX 78028 | Anesthesia Services | 485,184 |
| Luker Pharmacy Management, PO Box 1072 BLANCO TX 78606 | Pharmacy Management | 2,274,484 |
| Sodexo, PO Box 536922 ATLANTA GA 30353 | Food Services | 525,588 |
| Favonte Healthcare Staffing, PO Box 803356 KANSAS CITY MO 64190 | Contract Labor | 470,960 |
| 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: 16 | | |

Part VIII

Statement of Revenue

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

| | | | (A) Total revenue | (B) Related or exempt function revenue | (C) Unrelated business revenue | (D) Revenue excluded from tax under sections 512-514 | |
|---|--|---|---|--|---|---|-----------|
| Contributions, Gifts, Grants and Other Similar Amounts | 1a | Federated campaigns | 1a | | | | |
| | b | Membership dues | 1b | | | | |
| | c | Fundraising events | 1c | | | | |
| | d | Related organizations | 1d | 803,528 | | | |
| | e | Government grants (contributions) | 1e | | | | |
| | f | All other contributions, gifts, grants, and similar amounts not included above | 1f | 37,752 | | | |
| | g | Noncash contributions included in lines 1a-1f \$ | | | | | |
| | h | Total. Add lines 1a-1f | | 841,280 | | | |
| Program Service Revenue | 2a | NET PATIENT SERVICE REVENUE | Business Code 621110 | 110,160,793 | 110,160,793 | | |
| | b | MANAGEMENT REVENUE | 900099 | 351,323 | 351,323 | | |
| | c | | | | | | |
| | d | | | | | | |
| | e | | | | | | |
| | f | All other program service revenue | | | | | |
| | g | Total. Add lines 2a-2f | | 110,512,116 | | | |
| | Other Revenue | 3 | Investment income (including dividends, interest, and other similar amounts) | | 1,569,196 | | 1,569,196 |
| 4 | | Income from investment of tax-exempt bond proceeds | | 0 | | | |
| 5 | | Royalties | | 0 | | | |
| 6a | | Gross rents | (i) Real | (ii) Personal | | | |
| | | | 10,400 | 70,220 | | | |
| | | | | 70,220 | | | |
| | | | 10,400 | 0 | | | |
| d | | Net rental income or (loss) | | 10,400 | | 10,400 | |
| 7a | | Gross amount from sales of assets other than inventory | (i) Securities | (ii) Other | | | |
| | | | 6,422,150 | 5,980 | | | |
| | | | 5,567,587 | 38,569 | | | |
| | | | 854,563 | -32,589 | | | |
| d | | Net gain or (loss) | | 821,974 | | 821,974 | |
| 8a | | Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 | a | | 0 | | |
| 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 | | 0 | | |
| b | | Less direct expenses | b | | | | |
| c | | Net income or (loss) from gaming activities | | | | | |
| 10a | | Gross sales of inventory, less returns and allowances | a | | 0 | | |
| b | Less cost of goods sold | b | | | | | |
| c | Net income or (loss) from sales of inventory | | | | | | |
| | Miscellaneous Revenue | Business Code | | | | | |
| 11a | THRIFT SHOP REVENUE | 453310 | 355,052 | 355,052 | | | |
| b | MISCELLANEOUS | 900099 | 202,819 | 202,819 | | | |
| c | | | | | | | |
| d | All other revenue | | | | | | |
| e | Total. Add lines 11a-11d | | 557,871 | | | | |
| 12 | Total revenue. See Instructions | | 114,312,837 | 111,069,987 | | 2,401,570 | |

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

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

| Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII. | | (A) Total expenses | (B) Program service expenses | (C) Management and general expenses | (D) Fundraising expenses |
|--|---|-----------------------|---------------------------------|--|-----------------------------|
| 1 | Grants and other assistance to governments and organizations in the United States. See Part IV, line 21. | 9,187 | 9,187 | | |
| 2 | Grants and other assistance to individuals in the United States. See Part IV, line 22. | 75,358 | 75,358 | | |
| 3 | Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16. | 0 | | | |
| 4 | Benefits paid to or for members. | 0 | | | |
| 5 | Compensation of current officers, directors, trustees, and key employees. | 1,159,331 | 1,018,955 | 139,625 | 751 |
| 6 | Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). | 0 | | | |
| 7 | Other salaries and wages. | 36,001,701 | 31,647,085 | 4,189,023 | 165,593 |
| 8 | Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions). | 449,522 | 395,149 | 52,361 | 2,012 |
| 9 | Other employee benefits. | 5,396,948 | 4,718,265 | 649,230 | 29,453 |
| 10 | Payroll taxes. | 2,719,813 | 2,451,190 | 256,887 | 11,736 |
| 11 | Fees for services (non-employees): | | | | |
| a | Management. | 641,822 | 373,022 | 268,800 | |
| b | Legal. | 0 | | | |
| c | Accounting. | 124,551 | | 124,551 | |
| d | Lobbying. | 0 | | | |
| e | Professional fundraising services. See Part IV, line 17. | 0 | | | |
| f | Investment management fees. | 0 | | | |
| g | Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O). | 11,592,656 | 9,266,721 | 2,321,695 | 4,240 |
| 12 | Advertising and promotion. | 396,644 | 369,870 | 4,911 | 21,863 |
| 13 | Office expenses. | 1,399,118 | 1,171,009 | 224,372 | 3,737 |
| 14 | Information technology. | 37,239 | | 37,239 | |
| 15 | Royalties. | 0 | | | |
| 16 | Occupancy. | 1,621,376 | 1,455,610 | 165,766 | |
| 17 | Travel. | 196,055 | 196,055 | | |
| 18 | Payments of travel or entertainment expenses for any federal, state, or local public officials. | 0 | | | |
| 19 | Conferences, conventions, and meetings. | 146,279 | 111,196 | 34,540 | 543 |
| 20 | Interest. | 3,674,715 | 3,674,715 | | |
| 21 | Payments to affiliates. | 0 | | | |
| 22 | Depreciation, depletion, and amortization. | 7,059,559 | 5,277,114 | 1,782,445 | |
| 23 | Insurance. | 95,691 | 71,768 | 23,923 | |
| 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 | BAD DEBT EXPENSE | 10,460,359 | 10,460,359 | | |
| b | MEDICAL SUPPLIES | 16,500,334 | 16,490,072 | 10,262 | |
| c | EQUIPMENT REPAIR/MAINTENANCE | 2,844,772 | 2,782,278 | 62,494 | |
| d | EQUIPMENT/SUPPLY RENTAL | 518,147 | 518,147 | | |
| e | All other expenses | 1,829,204 | 807,151 | 1,011,537 | 10,516 |
| 25 | Total functional expenses. Add lines 1 through 24e. | 104,950,381 | 93,340,276 | 11,359,661 | 250,444 |
| 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 | | 165,289 | 1 | 304,320 |
| | 2 | Savings and temporary cash investments | | 26,998,672 | 2 | 20,647,953 |
| | 3 | Pledges and grants receivable, net | | 0 | 3 | 0 |
| | 4 | Accounts receivable, net | | 14,813,507 | 4 | 18,253,423 |
| | 5 | Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L | | 0 | 5 | 0 |
| | 6 | Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L | | 0 | 6 | 0 |
| | 7 | Notes and loans receivable, net | | 0 | 7 | 0 |
| | 8 | Inventories for sale or use | | 2,339,958 | 8 | 2,332,505 |
| | 9 | Prepaid expenses and deferred charges | | 694,084 | 9 | 944,619 |
| | 10a | Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D | 10a154,160,760 | | | |
| | b | Less accumulated depreciation | 10b73,072,536 | 82,793,607 | 10c | 81,088,224 |
| | 11 | Investments—publicly traded securities | | 73,554,867 | 11 | 92,827,803 |
| | 12 | Investments—other securities See Part IV, line 11 | | 0 | 12 | 0 |
| | 13 | Investments—program-related See Part IV, line 11 | | 0 | 13 | 0 |
| | 14 | Intangible assets | | 0 | 14 | 0 |
| | 15 | Other assets See Part IV, line 11 | | 3,444,998 | 15 | 2,892,599 |
| | 16 | Total assets. Add lines 1 through 15 (must equal line 34) | | 204,804,982 | 16 | 219,291,446 |
| Liabilities | 17 | Accounts payable and accrued expenses | | 8,740,392 | 17 | 10,478,396 |
| | 18 | Grants payable | | -701 | 18 | 0 |
| | 19 | Deferred revenue | | 0 | 19 | 0 |
| | 20 | Tax-exempt bond liabilities | | 67,341,290 | 20 | 65,485,359 |
| | 21 | Escrow or custodial account liability Complete Part IV of Schedule D | | 0 | 21 | 0 |
| | 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 | | 0 | 22 | 0 |
| | 23 | Secured mortgages and notes payable to unrelated third parties | | 1,745,000 | 23 | 1,835,000 |
| | 24 | Unsecured notes and loans payable to unrelated third parties | | 0 | 24 | 0 |
| | 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 | | 9,911,931 | 25 | 8,175,711 |
| | 26 | Total liabilities. Add lines 17 through 25 | | 87,737,912 | 26 | 85,974,466 |
| 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 | | 116,817,581 | 27 | 133,061,828 |
| | 28 | Temporarily restricted net assets | | 249,489 | 28 | 255,152 |
| | 29 | Permanently restricted net assets | | 0 | 29 | 0 |
| | 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 | | 117,067,070 | 33 | 133,316,980 |
| | 34 | Total liabilities and net assets/fund balances | | 204,804,982 | 34 | 219,291,446 |

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 | 114,312,837 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 104,950,381 |
| 3 | Revenue less expenses Subtract line 2 from line 1 | 3 | 9,362,456 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) | 4 | 117,067,070 |
| 5 | Net unrealized gains (losses) on investments | 5 | 6,882,311 |
| 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 | 5,143 |
| 10 | Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B)) | 10 | 133,316,980 |

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 | | |

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.

OMB No 1545-0047

2013

Open to Public Inspection

| | |
|--|--|
| Name of the organization Sid Peterson Memorial Hospital | Employer identification number 74-2557820 |
|--|--|

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?

11g(i)

☐

No

(ii)

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

11g(ii)

☐

No

(iii)

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

11g(iii)

☐

No

h

☐

Provide the following information about the supported organization(s)

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

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 | |
|------------------|-------------|--|
|------------------|-------------|--|

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ **Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.**
▶ **See separate instructions. ▶ Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public
Inspection

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

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

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

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

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

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

| | |
|--|--|
| Name of the organization Sid Peterson Memorial Hospital | Employer identification number 74-2557820 |
|--|--|

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

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

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

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

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

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

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

Part II-A

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

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

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

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

| Lobbying Expenditures During 4-Year Averaging Period | | | | | |
|--|----------|----------|----------|----------|-----------|
| Calendar year (or fiscal year beginning in) | (a) 2010 | (b) 2011 | (c) 2012 | (d) 2013 | (e) Total |
| 2a Lobbying nontaxable amount | | | | | |
| b Lobbying ceiling amount (150% of line 2a, column(e)) | | | | | |
| c Total lobbying expenditures | | | | | |
| d Grassroots nontaxable amount | | | | | |
| e Grassroots ceiling amount (150% of line 2d, column (e)) | | | | | |
| f Grassroots lobbying expenditures | | | | | |

Part II-B

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

| For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity. | | (a) | | (b) |
|---|--|-----|----|--------|
| | | Yes | No | Amount |
| 1 | During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of | | | |
| a | Volunteers? | | No | |
| b | Paid staff or management (include compensation in expenses reported on lines 1c through 1i)? | | No | |
| c | Media advertisements? | | No | |
| d | Mailings to members, legislators, or the public? | | No | |
| e | Publications, or published or broadcast statements? | | No | |
| f | Grants to other organizations for lobbying purposes? | Yes | | 4,044 |
| g | Direct contact with legislators, their staffs, government officials, or a legislative body? | | No | |
| h | Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means? | | No | |
| i | Other activities? | | No | |
| j | Total. Add lines 1c through 1i. | | | 4,044 |
| 2a | Did the activities in line 1 cause the organization to be not described in section 501(c)(3)? | | No | |
| b | If "Yes," enter the amount of any tax incurred under section 4912 | | | |
| c | If "Yes," enter the amount of any tax incurred by organization managers under section 4912 | | | |
| d | If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year? | | | |

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

| Return Reference | Explanation |
|--|---|
| GRANTS TO OTHER ORGANIZATION FOR LOBBYING PURPOSES | AMOUNT REPORTED IN PART II-B, QUESTION 1F REPRESENTS PORTION OF DUES PAID TO TRADE ASSOCIATIONS THAT IS ATTRIBUTABLE TO LOBBYING ACTIVITIES |
| | |
| | |
| | |
| | |
| | |
| | |

[illegible]

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2013

Open to Public Inspection

| | |
|---|---|
| Name of the organization Sid Peterson Memorial Hospital | Employer identification number 74-2557820 |
|---|---|

Part I

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

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

Part II

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2013

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

- 3

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

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

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

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

☐ Yes

☐ No

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

- 1a

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

☐ Yes

☒ No
- b

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

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance
- | | |
|----|--------|
| | Amount |
| 1c | |
| 1d | |
| 1e | |
| 1f | |
- 2a

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

☐ Yes

☒ No
- b

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

☐

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

| | (a)Current year | (b)Prior year | b (c)Two years back | (d)Three years back | (e)Four years back |
|--|-----------------|---------------|---------------------|---------------------|--------------------|
| 1a Beginning of year balance | 106,408 | 81,151 | 81,306 | 80,263 | 77,800 |
| b Contributions | | | | | |
| c Net investment earnings, gains, and losses | 16,403 | 25,516 | 78 | 1,266 | 2,661 |
| d Grants or scholarships | | | | | |
| e Other expenditures for facilities and programs | | | | | |
| f Administrative expenses | 250 | 259 | 233 | 223 | 198 |
| g End of year balance | 122,561 | 106,408 | 81,151 | 81,306 | 80,263 |

- 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 100 000 %
- 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)

No

(ii) related organizations

3a(ii)

No
- b

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

3b
- 4

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

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

| Description of property | (a) Cost or other basis (investment) | (b)Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--|--------------------------------------|--------------------------------|------------------------------|----------------|
| 1a Land | | 3,668,549 | | 3,668,549 |
| b Buildings | | 91,081,182 | 27,940,189 | 63,140,993 |
| c Leasehold improvements | | 405,717 | 219,448 | 186,269 |
| d Equipment | | 59,005,312 | 44,912,899 | 14,092,413 |
| e Other | | | | |
| Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) | | | | 81,088,224 |

| 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 | 113,075,526 |
| 2 | Amounts included on line 1 but not on Form 990, Part VIII, line 12 | | | | | |
| a | Net unrealized gains on investments | 2a | 6,882,311 | | | |
| b | Donated services and use of facilities | 2b | | | | |
| c | Recoveries of prior year grants | 2c | | | | |
| d | Other (Describe in Part XIII) | 2d | -10,460,360 | | | |
| e | Add lines 2a through 2d | | | | 2e | -3,578,049 |
| 3 | Subtract line 2e from line 1 | | | | 3 | 116,653,575 |
| 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 | -2,340,738 | | | |
| c | Add lines 4a and 4b | | | | 4c | -2,340,738 |
| 5 | Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12) | | | | 5 | 114,312,837 |

| 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 | 97,634,286 |
| 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 | 3,153,745 | | | |
| e | Add lines 2a through 2d | | | | 2e | 3,153,745 |
| 3 | Subtract line 2e from line 1 | | | | 3 | 94,480,541 |
| 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 | 10,469,840 | | | |
| c | Add lines 4a and 4b | | | | 4c | 10,469,840 |
| 5 | Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18) | | | | 5 | 104,950,381 |

| Part XIII Supplemental Information |
|------------------------------------|
|------------------------------------|

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

| Return Reference | Explanation |
|--------------------------|--|
| PART V, LINE 4 | DESCRIBE THE INTENDED USES OF THE ORGANIZATION'S ENDOWMENT FUNDS. EARNINGS FROM THE ENDOWMENT FUND WILL BE USED FOR THE HOSPICE PROGRAM. TO DATE EARNINGS HAVE NOT BEEN EXPENDED. |
| SCH D, PART XI, LINE 2D | RECONCILIATION OF REVENUE PER AUDITED F/S WITH REVENUE PER RETURN. BAD DEBT EXPENSE OFFSETTING AUDIT REVENUE (10,460,360) |
| SCH D, PART XI, LINE 4B | RECONCILIATION OF REVENUE PER AUDITED F/S WITH REVENUE PER RETURN. LOSS ON DISPOSAL IN EXPENSES PER AUDIT (32,589) NET ASSETS RELEASED FROM RESTRICTION 803,527 CLASSIFICATION DIFFERENCES 9,480 UCC/DISPRO EXPENSE (3,050,936) RENTAL EXPENSE INCLUDED IN REVENUE FOR 990 (70,220) ----- ----- TOTAL (2,340,738) |
| SCH D, PART XII, LINE 2D | RECONCILIATION OF EXPENSES PER AUDITED F/S WITH EXPENSES PER RETURN. LOSS ON DISPOSAL IN EXPENSES PER AUDIT 48,884 UCC/DIRSPRO EXPENSE 3,050,936 RENTAL EXPENSE INCLUDED IN REVENUE FOR 990 70,220 ----- ----- TOTAL 3,153,745 |
| SCH D, PART XII, LINE 4B | RECONCILIATION OF EXPENSES PER AUDITED F/S WITH EXPENSES PER RETURN. BAD DEBT EXPENSE OFFSETTING AUDIT REVENUE 10,460,360 CLASSIFICATION DIFFERENCES 9,480 -- ----- TOTAL 10,469,840 |
| | |
| | |

[illegible]

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Sid Peterson Memorial Hospital

Employer identification number
74-2557820

Part I Financial Assistance and Certain Other Community Benefits at Cost

| | | | |
|----|---|--------|----|
| | | Yes | No |
| 1a | Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a | 1a Yes | |
| b | If "Yes," was it a written policy? | 1b Yes | |
| 2 | If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities | | |
| 3 | Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>174 %</u> b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input checked="" type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? | 3a Yes | |
| 5a | Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? | 3b Yes | |
| b | If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? | 4 Yes | |
| c | If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? | 5a Yes | |
| 6a | Did the organization prepare a community benefit report during the tax year? | 5b Yes | |
| b | If "Yes," did the organization make it available to the public? | 5c | No |
| | Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H | 6a Yes | |
| | | 6b Yes | |

7 Financial Assistance and Certain Other Community Benefits at Cost

| Financial Assistance and Means-Tested Government Programs | (a) Number of activities or programs (optional) | (b) Persons served (optional) | (c) Total community benefit expense | (d) Direct offsetting revenue | (e) Net community benefit expense | (f) Percent of total expense |
|---|---|-------------------------------|-------------------------------------|-------------------------------|-----------------------------------|------------------------------|
| a Financial Assistance at cost (from Worksheet 1) | | | 5,212,125 | | 5,212,125 | 5 510 % |
| b Medicaid (from Worksheet 3, column a) | | | 6,098,511 | 10,352,891 | -4,254,380 | |
| c Costs of other means-tested government programs (from Worksheet 3, column b) | | | 116,137 | 194,445 | -78,308 | |
| d Total Financial Assistance and Means-Tested Government Programs | | | 11,426,773 | 10,547,336 | 879,437 | 5 510 % |
| Other Benefits | | | | | | |
| e Community health improvement services and community benefit operations (from Worksheet 4) | | | 235,439 | | 235,439 | 0 250 % |
| f Health professions education (from Worksheet 5) | | | 171,567 | | 171,567 | 0 180 % |
| g Subsidized health services (from Worksheet 6) | | | | | | |
| h Research (from Worksheet 7) | | | | | | |
| i Cash and in-kind contributions for community benefit (from Worksheet 8) | | | | | | |
| j Total Other Benefits | | | 407,006 | | 407,006 | 0 430 % |
| k Total . Add lines 7d and 7j | | | 11,833,779 | 10,547,336 | 1,286,443 | 5 940 % |

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

10,460,359

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

4,184,144

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

40,518,834

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

6

41,109,110

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

7

-590,276

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 | | | | |
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| 11 | | | | |
| 12 | | | | |
| 13 | | | | |

Part V

Facility Information

Section A. Hospital Facilities

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

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

| | | Licensed hospital | General medical & surgical | Children's hospital | Teaching hospital | Critical access hospital | Research facility | ER-24 hours | ER-other | Other (Describe) | Facility reporting group |
|--|---------------------------|-------------------|----------------------------|---------------------|-------------------|--------------------------|-------------------|-------------|----------|------------------|--------------------------|
| | See Additional Data Table | | | | | | | | | | |
| | | | | | | | | | | | |
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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)
PART V LINE 16 17 & 18

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 <u>12</u> | | |
| 3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted | 3 Yes | |
| 4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI | 4 | No |
| 5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply) | 5 Yes | |
| a <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>SEE SECTION C</u> | | |
| 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 checked="" type="checkbox"/> Participation in the development of a community-wide plan | | |
| d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan | | |
| e <input type="checkbox"/> Inclusion of a community benefit section in operational plans | | |
| f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA | | |
| g <input checked="" type="checkbox"/> Prioritization of health needs in its community | | |
| h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community | | |
| i <input type="checkbox"/> Other (describe in Part VI) | | |
| 7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs | 7 Yes | |
| 8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? | 8a | No |
| b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? | 8b | |
| 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 174 % 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 300 % If "No," explain in Part VI the criteria the hospital facility used | 11 | Yes |
| 12 | Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) | 12 | Yes |
| a <input checked="" type="checkbox"/> Income level | | | |
| b <input type="checkbox"/> Asset level | | | |
| c <input type="checkbox"/> Medical indigency | | | |
| d <input type="checkbox"/> Insurance status | | | |
| e <input type="checkbox"/> Uninsured discount | | | |
| f <input type="checkbox"/> Medicaid/Medicare | | | |
| g <input type="checkbox"/> State regulation | | | |
| h <input type="checkbox"/> Residency | | | |
| i <input type="checkbox"/> Other (describe in Part VI) | | | |
| 13 | Explained the method for applying for financial assistance? | 13 | Yes |
| 14 | Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) | 14 | Yes |
| a <input type="checkbox"/> The policy was posted on the hospital facility's website | | | |
| b <input checked="" 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 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 | |
| <div>a</div> <div><input type="checkbox"/></div> <div>The hospital facility did not provide care for any emergency medical conditions</div> | | |
| <div>b</div> <div><input type="checkbox"/></div> <div>The hospital facility's policy was not in writing</div> | | |
| <div>c</div> <div><input type="checkbox"/></div> <div>The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)</div> | | |
| <div>d</div> <div><input type="checkbox"/></div> <div>Other (describe in Part VI)</div> | | |

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 | | |
| <div>a</div> <div><input type="checkbox"/></div> <div>The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged</div> | | |
| <div>b</div> <div><input type="checkbox"/></div> <div>The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged</div> | | |
| <div>c</div> <div><input type="checkbox"/></div> <div>The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged</div> | | |
| <div>d</div> <div><input checked="" type="checkbox"/></div> <div>Other (describe in Part VI)</div> | | |
| 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? 6

| Name and address | | Type of Facility (describe) |
|------------------|---|-----------------------------|
| 1 | PETERSON AMBULATORY CARE CENTER 260 CULLY DRIVE KERRVILLE, TX 78028 | AMBULATORY SURGICAL CENTER |
| 2 | PETERSON HOME CARE 1420 WATER STREET KERRVILLE, TX 78028 | HOME HEALTH SERVICES |
| 3 | PETERSON HOSPICE 1121 BROADWAY KERRVILLE, TX 78028 | HOSPICE CARE |
| 4 | KERRVILLE OUTREACH LAB 320 WATER STREET KERRVILLE, TX 78028 | LAB DRAW SITE |
| 5 | KMP OUTREACH LAB 1331 BANDERA HIGHWAY KERRVILLE, TX 78028 | LAB DRAW SITE |
| 6 | PETERSON COMMUNITY CARE CLINIC 823 JUNCTION HWY KERRVILLE, TX 78028 | HOSPITAL BASED CLINIC |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |

Part VI

Supplemental Information

Provide the following information

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

| Form and Line Reference | Explanation |
|-------------------------|--|
| PART III, LINE 4 | ACCOUNTS RECEIVABLE ARE REDUCED BY AN ALLOWANCE FOR DOUBTFUL ACCOUNTS. IN EVALUATING THE COLLECTABILITY OF ACCOUNTS RECEIVABLE, THE MEDICAL CENTER ANALYZES ITS PAST HISTORY AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYER SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PROVISION FOR UNCOLLECTIBLE ACCOUNTS. MANAGEMENT REGULARLY REVIEWS DATA ABOUT THESE MAJOR PAYER SOURCES OF REVENUE IN EVALUATING THE SUFFICIENCY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS. FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY COVERAGE, THE MEDICAL CENTER ANALYZES CONTRACTUALLY DUE AMOUNTS AND PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR UNCOLLECTIBLE ACCOUNTS, IF NECESSARY. FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS (WHICH INCLUDES BOTH PATIENTS WITHOUT INSURANCE AND PATIENTS WITH DEDUCTIBLE AND COPAYMENT BALANCES DUE FOR WHICH THIRD-PARTY COVERAGE EXISTS FOR PART OF THE BILL), THE MEDICAL CENTER RECORDS A SIGNIFICANT PROVISION FOR UNCOLLECTIBLE ACCOUNTS ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE. THE DIFFERENCE BETWEEN THE STANDARD RATES (OR THE DISCOUNTED RATES IF NEGOTIATED) AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS. THE MEDICAL CENTER'S ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR SELF-PAY PATIENTS INCREASED FROM 86 PERCENT OF SELF-PAY ACCOUNTS RECEIVABLE AT JUNE 30, 2013, TO 93 PERCENT OF SELF-PAY ACCOUNTS RECEIVABLE AT JUNE 30, 2014. THE MEDICAL CENTER'S WRITE-OFFS INCREASED APPROXIMATELY \$503,000 FROM APPROXIMATELY \$6,055,000 FOR THE YEAR ENDED JUNE 30, 2013, TO APPROXIMATELY \$6,558,000 FOR THE YEAR ENDED JUNE 30, 2014. THE INCREASE IN THE ALLOWANCE FOR DOUBTFUL ACCOUNTS IS THE RESULT OF UNFAVORABLE SHIFTS IN THE AGING OF ACCOUNTS RECEIVABLES AND TRENDS EXPERIENCED IN THE COLLECTION OF AMOUNTS FROM SELF-PAY PATIENTS. |

| Form and Line Reference | Explanation |
|-------------------------|---|
| PART III, LINE 2 | AMOUNT REPORTED ON LINE 2 IS BASED ON BAD DEBTS PER THE AUDITED FINANCIAL STATEMENTS PART III, LINE 3 AMOUNT REPORTED IN ITEM 3 IS THE ORGANIZATION'S ESTIMATE OF THE AMOUNT OF BAD DEBT ATTRIBUTABLE TO CHARITY CARE PATIENTS ESTIMATED AT 40% |

| Form and Line Reference | Explanation |
|-------------------------|--|
| PART III, LINE 8 | THE MEDICAL CENTER USES MEDICARE COST REPORT METHODOLOGY, WHICH APPORTIONS ROUTINE COSTS (ROOM AND BOARD) BASED ON MEDICARE OR MEDICAID DAYS TO TOTAL DAYS AND APPORTIONS ANCILLARY COSTS BASED ON PROGRAM CHARGES TO TOTAL CHARGES THE ORGANIZATION HAD A MEDICARE SHORTFALL IN THE AMOUNT OF \$590,276 LESSENING THE BURDEN OF GOVERNMENT IN ADDITION, THE STATE OF TEXAS TREATS MEDICARE SHORTFALL AS COMMUNITY BENEFIT FOR MEETING STATUTORY REQUIREMENTS FOR CHARITY CARE AND COMMUNITY BENEFIT |

| Form and Line Reference | Explanation |
|-------------------------|---|
| PART III, LINE 9B | IF THE PATIENT QUALIFIES FOR CHARITY CARE PER WRITTEN HOSPITAL CRITERIA, THE QUALIFYING BALANCE IS WRITTEN OFF TO CHARITY CARE AND NO FURTHER COLLECTION EFFORTS ARE MADE |

| Form and Line Reference | Explanation |
|--------------------------|--|
| PART I, LINE 7, COLUMN F | PERCENT OF TOTAL EXPENSE BAD DEBT EXPENSE OF \$10,460,359 WAS INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT WAS SUBTRACTED FROM TOTAL EXPENSE FOR THE CALCULATION OF "PERCENT OF TOTAL EXPENSE" IN THIS COLUMN |

| Form and Line Reference | Explanation |
|-------------------------|--|
| NEEDS ASSESSMENT | PETERSON REGIONAL MEDICAL CENTER (PRMC) ASSESSES COMMUNITY NEEDS THROUGH A COMBINATION OF OUTSIDE SOURCES, LIKE FOCUS GROUPS TO DETERMINE COMMUNITY PERCEPTIONS ABOUT OUR SERVICES (EMERGENCY DEPARTMENT AND WOMEN'S HEALTH SERVICES MOST RECENTLY), THOMSON REUTERS, TEXAS DEPARTMENT OF HEALTH AND HUMAN SERVICES, AND ORGANIZATIONS INCLUDING CHAMBER OF COMMERCE, ECONOMIC DEVELOPMENT COMMISSION AND TEXAS HOSPITAL ASSOCIATION. ALONG WITH INFORMATION AND DATA GATHERED FROM THESE EXTERNAL SOURCES PRMC USES PRESSGANEY SURVEYS FOR PATIENTS, EMPLOYEES AND PHYSICIANS. PRESENTLY PRMC OFFERS MOST OF THE SAME HIGH-TECH MEDICAL TREATMENTS AND PROCEDURES FOUND IN NEARBY URBAN AREAS. ADDITIONALLY, THE 35-ACRE PRMC CAMPUS INCLUDES AN AMBULATORY CARE CENTER COMPLETE WITH OUTPATIENT SURGERY, IMAGING, LABORATORY, INFUSION SERVICES AND REHABILITATION SERVICES INCLUDING A LARGE INDOOR HEATED THERAPY POOL AS WELL AS A REGIONAL WOUND HEALING CENTER. |

| Form and Line Reference | Explanation |
|---|---|
| PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE | <p>PATIENTS WHO HAVE OR WILL HAVE A PATIENT RESPONSIBILITY ARE APPROACHED BY PATIENT REGISTRATION STAFF TO MAKE FINANCIAL ARRANGEMENTS PRIOR TO OR AT THE TIME OF SERVICE ANY PATIENT WHO CANNOT MAKE APPROPRIATE FINANCIAL ARRANGEMENTS IS REFERRED TO MEDICAL THIRD PARTY RESOURCES (MTPR) (A GROUP CONTRACTED BY HOSPITAL TO ASSIST PATIENTS IN QUALIFYING FOR FINANCIAL ASSISTANCE) FOR POSSIBLE FINANCIAL ASSISTANCE FOR WHICH THEY MAY QUALIFY IF PATIENT DOES NOT QUALIFY FOR ASSISTANCE THROUGH MTPR, REGISTRATION STAFF OFFER AN INTERNAL FINANCIAL AID APPLICATION (CHARITY CARE) AND EXPLAIN THE PROCESS TPR CONTACTS ALL REFERRED UNINSURED PATIENTS, NOT SEEN AT THE TIME OF HOSPITAL PRE-REGISTRATION OR AT REGISTRATION, BY SENDING A LETTER, CONTACT BY PHONE, AND OR PERSONAL VISIT, INFORMING THEM OF FEDERAL, STATE OR LOCAL GOVERNMENT PROGRAMS THAT MAY ASSIST WITH UNPAID MEDICAL BILLS THE PATIENT IS INSTRUCTED TO CALL OR COME BY THE OFFICE TO BE SCREENED FOR POSSIBLE ASSISTANCE IF PATIENT IS POTENTIALLY ELIGIBLE, MTPR WILL ASSIST WITH THE APPLICATION PROCESS AND GATHERING OF NECESSARY VERIFICATION IF NO ASSISTANCE IS AVAILABLE THROUGH THESE PROGRAMS, MTPR WILL OFFER A FINANCIAL AID APPLICATION (CHARITY CARE) FOR POSSIBLE ASSISTANCE WITH THE HOSPITAL BILL AT THE TIME OF BILLING FOR PATIENTS WITH SELF PAY BALANCES, BUSINESS OFFICE INCLUDE LETTERS WHICH STATE TO CALL IF FINANCIAL ASSISTANCE IS NEEDED WHEN PAYMENTS ARE NOT RECEIVED IN A TIMELY MANNER, A COURTESY CALL TO THE PATIENT IS ATTEMPTED TO MAKE PAYMENT ARRANGEMENTS IF THE PATIENT STATES THAT THEY DO NOT HAVE MEANS TO PAY THE BILL, AN OFFER IS AGAIN MADE TO CONTACT MTPR FOR FINANCIAL ASSISTANCE OR WE OFFER TO MAIL OUR FINANCIAL AID APPLICATION A POSTING IS DISPLAYED IN REGISTRATION AREAS THAT WE OFFER CHARITY CARE AND TO CONTACT THE BUSINESS OFFICE (PHONE NUMBER IS PROVIDED) FOR DETAILS</p> |

| Form and Line Reference | Explanation |
|-------------------------|--|
| COMMUNITY INFORMATION | PRMC SERVES A REGION OF APPROXIMATELY 6 COUNTIES, MORE THAN 40,000 PEOPLE LIVE WITHIN PRMC'S PRIMARY SERVICE AREA AND APPROXIMATELY 80,000 PEOPLE RESIDE IN PRMC'S OVERALL SERVICE AREA REPRESENTED BY KERR, KENDALL, KIMBLE, BANDERA, EDWARDS, GILLESPIE AND REAL COUNTIES PRMC OPERATES WITHIN A COMPETITIVE HEALTHCARE MARKETPLACE LOCATED APPROXIMATELY 60 MILES NORTHWEST OF SAN ANTONIO, RESIDENTS OF THE TEXAS HILL COUNTRY HAVE RELATIVELY EASY ACCESS TO THE SOUTH TEXAS MEDICAL CENTER, A MEDICAL DISTRICT CONSISTING OF 45 MEDICALLY RELATED INSTITUTIONS- VARIOUS SEPARATE MEDICAL, DENTAL AND NURSING SCHOOLS, TWELVE HOSPITALS AND FIVE SPECIALTY INSTITUTIONS |

| Form and Line Reference | Explanation |
|-------------------------------|--|
| PROMOTION OF COMMUNITY HEALTH | PRMC ACTIVELY PROMOTES HEALTHCARE AND WELLNESS EDUCATION WITHIN THE COMMUNITIES WE SERVE THROUGH LOW OR NO COST SCREENINGS, MONTHLY EDUCATIONAL SEMINARS ADDRESSING IMPORTANT AND TIMELY MEDICAL ISSUES, EVENTS AND PUBLICATIONS PRMC EMPLOYS A HEALTH AND WELLNESS COORDINATOR TO HELP ORGANIZE, SCHEDULE, AND EXECUTE THE COMMUNITY SEMINARS AND SCREENINGS WORKING WITH LOCAL BUSINESSES, CHURCHES, COMMUNITY GROUPS, AND SENIORS, PRMC BRINGS INFORMATION AND EDUCATION OUT INTO THE COMMUNITIES WE SERVE THROUGH PROGRAMS LIKE THE FOLLOWING ANNUAL COMMUNITY FLU CLINIC CELEBRATE YOUR PREGNANCY ADOPT-A-HIGHWAY COMMUNITY MEMORIAL SERVICE BARK FOR LIFE WALK FOR LIFE MONTHLY EDUCATIONAL PRESENTATIONS, MEMBERSHIPS & SUPPORT GROUPS 3RD SATURDAY AFFORDABLE LAB TESTING DIABETES SUPPORT GROUP COMMUNITY JOINT REPLACEMENT CLASS THE BABY PLACE FOR MOMS-TO-BE AND THEIR PARTNERS DEMENTIA SUPPORT GROUP CARING FOR A LOVED ONE SUPPORT & LEARNING CANCER SUPPORT GROUP OSTOMY SUPPORT GROUP STROKE SUPPORT GROUP MENTAL HEALTH SUPPORT GROUP PETERSON HOME CARE PLAZA ON THE RIVER BLOOD PRESSURE CHECKS LIFE AFTER LOSS BRIDGING THE GAP CHILDREN & PARENT GRIEF SUPPORT BLOOD DRIVES BOY SCOUT LEADERSHIP YMCA BOARD OF DIRECTORS PARTICIPATION SCHREINER UNIVERSITY NURSING PROGRAM MENTORSHIP ADVANCED DIRECTIVES/DNR COMMUNITY WORK SHOPS TIVY HIGH SCHOOL BIOARD OF DIRECTORS PARTICIPATION SOUTH TEXAS BLOOD & TISSUE DRIVE COMMUNITY ART LENDING PROGRAM ROTARY CLUB OF KERRVILLE REMARKABLE WOMEN COMMUNITY HEALTH FAIR COMMANCHE TRACE MEDICAL LECTURE SERIES CAR SEAT SAFETY CLINIC THE MEN'S EVENT COMMUNITY HEALTH WORK SHOP MOTHER-DAUGHTER COMMUNITY BUTTERFLY TEA AMERICAN CANCER SOCIETY "RELAY FOR LIFE" EVENT COMMUNITY SKIN CANCER SCREENING TIVY / INGRAM HIGH SCHOOL SHADOW DAY CAREERS IN HEALTHCARE PRMC LADIES AUXILLARY PATIENT & FAMILY ADVISORY COUNCIL FIRST AID & CPR BREASTFEEDING CLASS CHILDBIRTH CLASS NEWBORN CARE & INFANT NUTRITION INFANT SAFETY & CPR JUNIOR AUXILLARY ELEMENTARY SCHOOL PRESENTATIONS THERAPY & REHAB WEEK CARING FOR YOUR KIDNEYS HALO OF LOVE FAMILIES IN LITERACY COMFORT & CONVERSATION |

| Form and Line Reference | Explanation |
|---|-------------|
| STATE FILING OF COMMUNITY BENEFIT REPORT | TEXAS |

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Sid Peterson Memorial Hospital

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

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

Employer identification number
74-2557820

Part I

General Information on Grants and Assistance

1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No

2

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

Part II

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

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

2

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

3

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

Part III

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

| (a)Type of grant or assistance | (b)Number of recipients | (c)Amount of cash grant | (d)Amount of non-cash assistance | (e)Method of valuation (book, FMV, appraisal, other) | (f)Description of non-cash assistance |
|--------------------------------|-------------------------|-------------------------|----------------------------------|--|---------------------------------------|
| (1) EDUCATION ASSISTANCE | 25 | 75,358 | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Part IV

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

| Return Reference | Explanation |
|--------------------|---|
| PART I, QUESTION 2 | IN ORDER TO BE ELIGIBLE TO RECEIVE FUNDS FROM PETERSON REGIONAL MEDICAL CENTER'S SCHOOL OR WORK STUDY PROGRAMS, THE FOLLOWING CRITERIA MUST BE MET 1)A COPY OF THE STUDENT'S DEGREE PLAN FROM THE EDUCATIONAL INSTITUTION 2)A COPY OF THE BILL 3)THE REQUESTED COURSES FOR THE SEMESTER 4)A CURRENT COPY OF THE STUDENT'S FAFSA CONFIRMATION 5)E-MAIL/MOX FROM THE UNIT MANAGER ACKNOWLEDGING THE STUDENT IS ENROLLING 6)PERSONAL DATA FROM CURRENT TO THIS SEMESTER 7)COPY OF PROCEDURES FOR MONITORING THE USE OF GRANT FUNDS TO U S GRADES FROM ANY PREVIOUS PAID CLASSES 8)IF WORK STUDY, A COPY OF THE SIGNED PROMISSORY AGREEMENT 9)IF WORK STUDY, THE APPLICATION EVERY STUDENT IS REQUIRED TO COMPLETE AND PRESENT THIS INFORMATION FOR EVERY SEMESTER THEY REQUEST SCHOLARSHIP FUNDS THE REQUEST FOR FUNDS IS CONSIDERED ONLY AFTER ALL PAPERWORK IS TURNED IN AND PASSING GRADES FROM THE PREVIOUS SEMESTER FUNDS ARE PRESENTED |

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
Sid Peterson Memorial Hospital

Employer identification number
74-2557820

Part I

Questions Regarding Compensation

| | Yes | No |
|---|-----|-----|
| <div><div>1a</div><div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</div><div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div></div> | | |
| <div><div>b</div><div>If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain</div></div> | 1b | |
| <div><div>2</div><div>Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?</div></div> | 2 | |
| <div><div>3</div><div>Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III</div><div><div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Form 990 of other organizations</div></div><div><div><input type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div></div> | | |
| <div><div>4</div><div>During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization</div></div> | | |
| <div><div>a</div><div>Receive a severance payment or change-of-control payment?</div></div> | 4a | No |
| <div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div> | 4b | Yes |
| <div><div>c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div><div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div></div> | 4c | No |
| <div><div></div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div> | | |
| <div><div>5</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of</div></div> | | |
| <div><div>a</div><div>The organization?</div></div> | 5a | No |
| <div><div>b</div><div>Any related organization?</div><div>If "Yes," to line 5a or 5b, describe in Part III</div></div> | 5b | No |
| <div><div>6</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of</div></div> | | |
| <div><div>a</div><div>The organization?</div></div> | 6a | No |
| <div><div>b</div><div>Any related organization?</div><div>If "Yes," to line 6a or 6b, describe in Part III</div></div> | 6b | No |
| <div><div>7</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III</div></div> | 7 | No |
| <div><div>8</div><div>Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III</div></div> | 8 | No |
| <div><div>9</div><div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div></div> | 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)Patrick Murray CEO | (i) | 290,645 | 0 | 0 | 120,000 | 7,062 | 417,707 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (2)Robert Walther CFO | (i) | 108,174 | 0 | 78,879 | 0 | 4,946 | 191,999 | 78,879 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (3)Stephen Paulter COO | (i) | 179,159 | 0 | 0 | 10,000 | 8,305 | 197,464 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Part III Supplemental Information

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

| Return Reference | Explanation |
|---------------------|---|
| PART I, QUESTION 4B | PERSONS PARTICIPATING IN, OR RECEIVING PAYMENT FROM, A RETIREMENT PLAN THE FOLLOWING INDIVIDUALS PARTICIPATED IN A SERP PLAN AMOUNTS FOR THE CURRENT YEAR WERE AS FOLLOWS PARTICIPANTS IN SERP REPORTED IN W-2 DEFERRED COMPENSATION - ----- PAT MURRAY NONE \$ 120,000 BOB WALTHER \$ 78,879 NONE STEVE PAULTER NONE \$ 10,000 INDIVIDUALS ARE NOT ELIGIBLE TO RECEIVE ANY FUNDS UNTIL AFTER 5 YEARS OF SERVICE OR RETIRE AFTER 3 YEARS OF PROGRAM IMPLEMENTATION |

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Sid Peterson Memorial Hospital

Employer identification number
74-2557820

| Part I Bond Issues | | | | | | | | | | | |
|---|----------------|-------------|-----------------|-----------------|-----------------------------------|--------------|----|-------------------------|----|--------------------|----|
| (a) Issuer name | (b) Issuer EIN | (c) CUSIP # | (d) Date issued | (e) Issue price | (f) Description of purpose | (g) Defeased | | (h) On behalf of issuer | | (i) Pool financing | |
| | | | | | | Yes | No | Yes | No | Yes | No |
| A CITY OF KERRVILLE TX HEALTH FACILITIES DEV CORP | 20-3591155 | 492436AA8 | 10-26-2005 | 81,675,000 | FINANCE COST OF HEALTH FACILITIES | | X | | X | | X |

| Part II Proceeds | | | | | | | | | | | |
|------------------|--|--|--|------------|----|-----|----|-----|----|-----|----|
| | | | | A | | B | | C | | D | |
| 1 | Amount of bonds retired | | | 0 | | | | | | | |
| 2 | Amount of bonds legally defeased | | | 0 | | | | | | | |
| 3 | Total proceeds of issue | | | 81,675,000 | | | | | | | |
| 4 | Gross proceeds in reserve funds | | | 5,694,385 | | | | | | | |
| 5 | Capitalized interest from proceeds | | | 0 | | | | | | | |
| 6 | Proceeds in refunding escrows | | | 0 | | | | | | | |
| 7 | Issuance costs from proceeds | | | 1,959,776 | | | | | | | |
| 8 | Credit enhancement from proceeds | | | 0 | | | | | | | |
| 9 | Working capital expenditures from proceeds | | | 0 | | | | | | | |
| 10 | Capital expenditures from proceeds | | | 74,020,839 | | | | | | | |
| 11 | Other spent proceeds | | | 0 | | | | | | | |
| 12 | Other unspent proceeds | | | 0 | | | | | | | |
| 13 | Year of substantial completion | | | 2008 | | | | | | | |
| | | | | Yes | No | Yes | No | Yes | No | Yes | No |
| 14 | Were the bonds issued as part of a current refunding issue? | | | | X | | | | | | |
| 15 | Were the bonds issued as part of an advance refunding issue? | | | | X | | | | | | |
| 16 | Has the final allocation of proceeds been made? | | | X | | | | | | | |
| 17 | Does the organization maintain adequate books and records to support the final allocation of proceeds? | | | X | | | | | | | |

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

Part III

Private Business Use (Continued)

| | | A | | B | | C | | D | |
|----|--|-----|----|-----|----|-----|----|-----|----|
| | | Yes | No | Yes | No | Yes | No | Yes | No |
| 3a | Are there any management or service contracts that may result in private business use of bond-financed property? | | X | | | | | | |
| b | If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property? | | | | | | | | |
| c | Are there any research agreements that may result in private business use of bond-financed property? | | X | | | | | | |
| d | If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property? | | X | | | | | | |
| 4 | Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶ | 0 % | | | | | | | |
| 5 | Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶ | | | | | | | | |
| 6 | Total of lines 4 and 5 | | | | | | | | |
| 7 | Does the bond issue meet the private security or payment test? | | X | | | | | | |
| 8a | Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued? | | X | | | | | | |
| b | If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of | | | | | | | | |
| c | If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2? | | X | | | | | | |
| 9 | Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2? | X | | | | | | | |

Part IV

Arbitrage

| | | A | | B | | C | | D | |
|----|--|-----|----|-----|----|-----|----|-----|----|
| | | Yes | No | Yes | No | Yes | No | Yes | No |
| 1 | Has the issuer filed Form 8038-T? | | X | | | | | | |
| 2 | If "No" to line 1, did the following apply? | | | | | | | | |
| a | Rebate not due yet? | | X | | | | | | |
| b | Exception to rebate? | | X | | | | | | |
| c | No rebate due? | X | | | | | | | |
| | If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed | | | | | | | | |
| 3 | Is the bond issue a variable rate issue? | | X | | | | | | |
| 4a | Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue? | | X | | | | | | |
| b | Name of provider | 0 | | | | | | | |
| c | Term of hedge | | | | | | | | |
| d | Was the hedge superintegrated? | | | | | | | | |
| e | Was the hedge terminated? | | | | | | | | |

Part IV

Arbitrage (Continued)

| | | A | | B | | C | | D | |
|----|---|-----|----|-----|----|-----|----|-----|----|
| | | Yes | No | Yes | No | Yes | No | Yes | No |
| 5a | Were gross proceeds invested in a guaranteed investment contract (GIC)? | | X | | | | | | |
| b | Name of provider | 0 | | | | | | | |
| c | Term of GIC | | | | | | | | |
| d | Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied? | | | | | | | | |
| 6 | Were any gross proceeds invested beyond an available temporary period? | | X | | | | | | |
| 7 | Has the organization established written procedures to monitor the requirements of section 148? | | X | | | | | | |

Part V

Procedures To Undertake Corrective Action

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

Part VI

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

| Return Reference | Explanation |
|------------------|---|
| PART IV, LINE 2C | THE DATE OF THE ORGANIZATION'S MOST RECENT ARBITRAGE CALCULATION WAS FOR THE YEAR ENDED 6/30/2010 |

| Return Reference | Explanation |
|------------------|---|
| PART IV, LINE 7 | THE ORGANIZATION IS IN THE PROCESS OF DRAFTING PROCEDURES TO MONITOR COMPLIANCE WITH THE ARBITRAGE, YIELD RESTRICTION, AND REBATE REQUIREMENTS OF SECTION 148 |

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at
www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

| | |
|--|--|
| Name of the organization Sid Peterson Memorial Hospital | Employer identification number 74-2557820 |
|--|--|

990 Schedule O, Supplemental Information

| Return Reference | Explanation |
|---------------------------------------|---|
| FORM 990, PART VI, QUESTION 11B | |
| FORM 990, PART VI, QUESTION 15A | REVIEW OF CEO OR TOP MGMT OFFICIAL COMPENSATION THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS IS COMPOSED OF THREE DIRECTORS APPOINTED BY THE CHAIRMAN OF THE BOARD AND APPROVED BY THE BOARD THE COMPENSATION COMMITTEE ANNUALLY REVIEWS THE HISTORY OF COMPENSATION FOR THE CEO, COMPARES COMPENSATION FOR PETERSON REGIONAL MEDICAL CENTER WITH THAT OF OTHER NOT FOR PROFIT HOSPITALS OF SIMILAR SIZE AND SERVICE, ANALYZES LOCAL AND NATIONAL DATA REGARDING SUCH COMPENSATION, AND RECOMMENDS ACTION TO THE BOARD OF DIRECTORS AFTER EXTENSIVE EVALUATION OF THE WORK OF THE CEO, AND REVIEW OF THE DATA GATHERED BY THE COMMITTEE, THE BOARD DETERMINES COMPENSATION FOR THE YEAR |
| FORM 990, PART VI, QUESTION 19 | GOVERNING DOCUMENTS AVAILABLE TO THE PUBLIC THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST |
| FORM 990, PART VI, QUESTION 12C | PROCESS FOR MONITORING COMPLIANCE WITH CONFLICT OF INTEREST POLICY THE ORGANIZATION INTERNALLY REVIEWS TRANSACTIONS FOR POSSIBLE CONFLICT ON A ROUTINE BASIS THROUGHOUT THE YEAR ALL BOARD MEMBERS ARE COVERED UNDER THIS POLICY THE BOARD REVIEWS ALL POSSIBLE CONFLICTS THIS PAST YEAR ONE BOARD MEMBER WAS NOT ALLOWED TO ATTEND MEETINGS BECAUSE HIS CONSTRUCTION FIRM WAS BIDDING ON A HOSPITAL PROJECT HE WAS ALLOWED TO RESUME ATTENDING BOARD MEETINGS ONCE THE CONTRACTOR WAS DECIDED UPON |
| DESCRIPTION OF OTHER PROGRAM SERVICES | HAS ONE LAB OFF-SITE OUTREACH LOCATION THERE WERE 9,574 PATIENT VISITS FOR THE YEAR |
| FORM 990, PART IX QUESTION 11G | EXPENSES FOR SERVICES CONTRACTED SERVICES \$ 4,695,599 PROFESSIONAL FEES - PHYSICIANS 2,473,100 OUTSOURCED LABOR 2,136,790 PETERSON HOSPICE NURSING HOME SERVICES 289,379 CONSULTANT FEES 383,558 PATHOLOGY SERVICES 341,721 OTHER PROFESSIONAL FEES 301,057 PT/OT CONTRACTED SERVICES 152,330 CONTRACT LABOR 475,827 HEMODIALYSIS SERVICES 153,086 ADMINISTRATIVE PHONE EXPENSES 75,336 OTHER SERVICES 114,873 ----- \$ 11,592,656 |
| FORM 990, PART XI, LINE 9 | OTHER CHANGES IN NET ASSETS OF FUND BALANCES CONTRIBUTIONS RECORDED TO NET ASSETS 5,143 |

SCHEDULE R
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization
Sid Peterson Memorial Hospital

Employer identification number
74-2557820

▶ 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.

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 |
|---|-------------------------|--|---------------------|---------------------------|----------------------------------|
| | | | | | |
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Part II

Identification of Related Tax-Exempt Organizations

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

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Exempt Code section | (e) Public charity status (if section 501(c)(3)) | (f) Direct controlling entity | (g) Section 512(b)(13) controlled entity? | |
|--|-------------------------|--|----------------------------|---|----------------------------------|--|----|
| | | | | | | Yes | No |
| (1) Peterson Regional Medical Center Fdn 551 Hill Country Drive Kerrville, TX 78028 74-2645149 | SUPPORT | TX | 501(c)(3) | 11a | PRMC | Yes | |
| (2) HEALTHCARE PARTNERSHIP GRTR SAN ANTONIO 551 HILL COUNTRY DRIVE KERRVILLE, TX 78028 45-0599888 | SUPPORT | TX | 501(c)(3) | 7 | PRMC | Yes | |
| | | | | | | | |
| | | | | | | | |
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| | | | | | | | |
| | | | | | | | |

Part III

Identification of Related Organizations Taxable as a Partnership

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

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Direct controlling entity | (e) Predominant income(related, unrelated, excluded from tax under sections 512- 514) | (f) Share of total income | (g) Share of end-of-year assets | (h) Dispropportionate allocations? | | (i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065) | (j) General or managing partner? | | (k) Percentage ownership |
|--|-------------------------|--|--|--|---------------------------------|--|--|----|--|---|----|--------------------------------|
| | | | | | | | Yes | No | | Yes | No | |
| | | | | | | | | | | | | |
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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) PETERSON MEDICAL ASSOCIATES 551 HILL COUNTRY DR KERRVILLE, TX 78028 27-2184637 | HEALTHCARE | TX | PRMC | 509(A) C CORP | -1,697,720 | 166,658 | 100 000 % | Yes | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
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Part V

Transactions With Related Organizations

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

No

1b

No

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

Yes

1k

No

1l

Yes

1m

No

1n

Yes

1o

Yes

1p

No

1q

No

1r

Yes

1s

No

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

| (a) Name of related organization | (b) Transaction type (a-s) | (c) Amount involved | (d) Method of determining amount involved |
|---|----------------------------------|------------------------|--|
| (1) PETERSON REGIONAL MEDICAL CENTER FOUNDATION | C | 803,528 | FMV |
| (2) PETERSON MEDICAL ASSOCIATES | L | 351,323 | FMV |
| (3) PETERSON MEDICAL ASSOCIATES | D | 2,208,042 | FMV |
| (4) PETERSON REGIONAL MEDICAL CENTER FOUNDATION | D | 528,972 | FMV |
| | | | |
| | | | |

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 |
|------------------|-------------|
|------------------|-------------|

**Sid Peterson Memorial Hospital d/b/a
Peterson Regional Medical Center**
Auditor's Report and Consolidated Financial Statements
June 30, 2014 and 2013



**Sid Peterson Memorial Hospital d/b/a
Peterson Regional Medical Center**
June 30, 2014 and 2013

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Consolidated Financial Statements

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|--|----|
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2025 RELEASE UNDER E.O. 14176

We have audited the accompanying consolidated financial statements of Sid Peterson Memorial Hospital d/b/a Peterson Regional Medical Center, which comprise the consolidated balance sheets as of June 30, 2014 and 2013, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

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

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.

Pratt

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 Sid Peterson Memorial Hospital d/b/a Peterson Regional Medical Center as of June 30, 2014 and 2013, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BKD, LLP

Houston, Texas
November 26, 2014

Sid Peterson Memorial Hospital d/b/a Peterson Regional Medical Center

Consolidated Balance Sheets

June 30, 2014 and 2013

Assets

| | 2014 | 2013 |
|---|----------------|----------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 35,933,665 | \$ 30,235,620 |
| Short-term investments | 16,358,516 | 13,084,195 |
| Assets limited as to use | 2,458,907 | 2,444,439 |
| Patient accounts receivable, net of allowance, 2014 - \$10,278,000, 2013 - \$2,967,000 | 9,196,677 | 8,932,810 |
| Contributions receivable | 144,597 | 318,486 |
| Estimated amounts due from third-party payers | - | 1,406,623 |
| Supplies | 2,332,505 | 2,339,958 |
| Receivable from property sale | 978,109 | 1,000,000 |
| Prepaid expenses and other | 4,698,971 | 3,306,908 |
| Total current assets | 72,101,947 | 63,069,039 |
| Assets Limited As To Use | | |
| Held by trustee, under indenture agreement | 7,838,115 | 7,732,389 |
| Internally designated, self-insurance | 1,546,802 | 1,348,247 |
| Internally designated, capital acquisition and other | 17,733,611 | 15,229,147 |
| | 27,118,528 | 24,309,783 |
| Less amount required to meet current obligations | 2,458,907 | 2,444,439 |
| | 24,659,621 | 21,865,344 |
| Investments | 37,534,891 | 35,055,785 |
| Property and Equipment, At Cost | | |
| Land | 3,668,549 | 3,668,549 |
| Buildings and leasehold improvements | 91,450,006 | 85,492,126 |
| Equipment | 58,291,659 | 55,525,219 |
| Construction in progress | 750,546 | 4,422,405 |
| | 154,160,760 | 149,108,299 |
| Less accumulated depreciation | 73,072,536 | 66,314,692 |
| | 81,088,224 | 82,793,607 |
| Other Assets | | |
| Contributions receivable | 143,036 | 237,313 |
| Deferred financing costs | 1,130,737 | 1,215,160 |
| Receivable from property sale | - | 934,328 |
| Other | 333,230 | 278,213 |
| | 1,607,003 | 2,665,014 |
| Total assets | \$ 216,991,686 | \$ 205,448,789 |

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

| | 2014 | 2013 |
|--|----------------|----------------|
| Current Liabilities | | |
| Current maturities of long-term debt | \$ 1,835,000 | \$ 1,745,000 |
| Accounts payable | 1,960,391 | 1,361,303 |
| Accrued expenses | 8,194,683 | 7,058,927 |
| Estimated amounts due to third-party payers | 7,217,489 | 10,057,109 |
| Estimated self-insured employee benefit costs | 508,677 | 609,640 |
| Total current liabilities | 19,716,240 | 20,831,979 |
| Estimated Self-insured Professional Liability Costs | 443,583 | 646,917 |
| Deferred Compensation Obligation | 710,000 | 524,968 |
| Long-term Debt | 65,485,359 | 67,341,290 |
| Total liabilities | 86,355,182 | 89,345,154 |
| Net Assets | | |
| Unrestricted | 128,590,683 | 113,907,406 |
| Temporarily restricted | 1,825,821 | 1,976,229 |
| Permanently restricted | 220,000 | 220,000 |
| Total net assets | 130,636,504 | 116,103,635 |
| Total liabilities and net assets | \$ 216,991,686 | \$ 205,448,789 |

Sid Peterson Memorial Hospital d/b/a Peterson Regional Medical Center

Consolidated Statements of Operations

Years Ended June 30, 2014 and 2013

| | 2014 | 2013 |
|---|----------------|----------------|
| Unrestricted Revenues, Gains and Other Support | | |
| Patient service revenue (net of contractual allowances and discounts) | \$ 114,437,603 | \$ 103,607,782 |
| Provision for uncollectible accounts | 10,460,360 | 5,087,466 |
| | <hr/> | <hr/> |
| Net patient service revenue less provision for uncollectible accounts | 103,977,243 | 98,520,316 |
| Other | 3,380,383 | 2,381,756 |
| | <hr/> | <hr/> |
| Total unrestricted revenues, gains and other support | 107,357,626 | 100,902,072 |
| | <hr/> | <hr/> |
| Expenses and Losses | | |
| Salaries and wages | 40,285,018 | 38,358,098 |
| Employee benefits | 9,039,895 | 8,806,143 |
| Purchased services and professional fees | 14,638,896 | 12,218,484 |
| Supplies and other | 28,731,632 | 26,569,628 |
| Insurance | 211,933 | 216,830 |
| Depreciation and amortization | 7,129,779 | 8,152,746 |
| Interest | 3,674,715 | 3,637,020 |
| (Gain) loss on sale of property and equipment | 32,589 | (24,487) |
| | <hr/> | <hr/> |
| Total expenses and losses | 103,744,457 | 97,934,462 |
| | <hr/> | <hr/> |
| Operating Income | 3,613,169 | 2,967,610 |
| | <hr/> | <hr/> |
| Other Income | | |
| Investment return | 9,429,229 | 5,526,637 |
| Contributions | 37,753 | 353,710 |
| | <hr/> | <hr/> |
| Total other income | 9,466,982 | 5,880,347 |
| | <hr/> | <hr/> |
| Excess of Revenues Over Expenses | 13,080,151 | 8,847,957 |
| Net assets released from restriction used for purchase of property and equipment | 803,527 | 805,576 |
| Contribution of HPGSA | 799,599 | - |
| | <hr/> | <hr/> |
| Increase in Unrestricted Net Assets | \$ 14,683,277 | \$ 9,653,533 |
| | <hr/> | <hr/> |

**Sid Peterson Memorial Hospital d/b/a
Peterson Regional Medical Center**
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2014 and 2013

| | 2014 | 2013 |
|--|------------------------------|------------------------------|
| Unrestricted Net Assets | | |
| Excess of revenues over expenses | \$ 13,080,151 | \$ 8,847,957 |
| Net assets released from restriction used for purchase of property and equipment | 803,527 | 805,576 |
| Contribution of HPGSA | 799,599 | - |
| | <u>14,683,277</u> | <u>9,653,533</u> |
| Increase in unrestricted net assets | | |
| Temporarily Restricted Net Assets | | |
| Contributions received | 676,513 | 471,436 |
| Investment return, change in unrealized gains and losses on other-than-trading securities | 249,586 | 126,299 |
| Net assets released from restriction | <u>(1,076,507)</u> | <u>(805,576)</u> |
| | <u>(150,408)</u> | <u>(207,841)</u> |
| Decrease in temporarily restricted net assets | | |
| Change in Net Assets | 14,532,869 | 9,445,692 |
| Net Assets, Beginning of Year | <u>116,103,635</u> | <u>106,657,943</u> |
| Net Assets, End of Year | <u><u>\$ 130,636,504</u></u> | <u><u>\$ 116,103,635</u></u> |

Sid Peterson Memorial Hospital d/b/a Peterson Regional Medical Center

Consolidated Statements of Cash Flows

Years Ended June 30, 2014 and 2013

| | 2014 | 2013 |
|--|-----------------------------|-----------------------------|
| Operating Activities | | |
| Change in net assets | \$ 14,532,869 | \$ 9,445,692 |
| Items not requiring (providing) operating cash flow | | |
| Depreciation and amortization | 7,129,779 | 8,152,746 |
| Net gains on investments | (7,896,450) | (3,773,239) |
| (Gain) loss on sale of property and equipment | 32,589 | (24,487) |
| Provision for uncollectible accounts | 10,460,360 | 5,087,466 |
| Restricted contributions | (676,513) | (471,436) |
| Contribution of HPGSA | (799,599) | - |
| Changes in | | |
| Patient accounts receivable | (10,724,227) | (4,723,248) |
| Estimated amounts due from and to third-party payers | (1,432,997) | (6,244,195) |
| Accounts payable and accrued expenses | 1,734,844 | 1,512,366 |
| Deferred compensation obligation | 185,032 | 192,226 |
| Other current assets and liabilities | (1,787,705) | (2,767,295) |
| Net cash provided by operating activities | <u>10,757,982</u> | <u>6,386,596</u> |
| Investing Activities | | |
| Purchases of investments | (6,335,656) | (12,757,840) |
| Sales of investments | 6,469,533 | 21,104,264 |
| Proceeds from receivable of property sale | 1,000,000 | 1,000,000 |
| Proceeds from sale of property and equipment | 5,980 | 41,250 |
| Purchase of property and equipment | (5,399,473) | (5,903,756) |
| Net cash provided by (used in) investing activities | <u>(4,259,616)</u> | <u>3,483,918</u> |
| Financing Activities | | |
| Proceeds from restricted contributions | 944,679 | 777,760 |
| Payments on long-term debt | (1,745,000) | (1,660,000) |
| Net cash used in financing activities | <u>(800,321)</u> | <u>(882,240)</u> |
| Increase in Cash and Cash Equivalents | 5,698,045 | 8,988,274 |
| Cash and Cash Equivalents, Beginning of Year | <u>30,235,620</u> | <u>21,247,346</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 35,933,665</u></u> | <u><u>\$ 30,235,620</u></u> |
| Supplemental Cash Flows Information | | |
| Interest paid | \$ 3,585,432 | \$ 3,671,559 |
| Change in asset additions in accounts payable | (365,371) | 365,371 |

**Sid Peterson Memorial Hospital d/b/a
Peterson Regional Medical Center**
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

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

Nature of Operations

Sid Peterson Memorial Hospital d/b/a Peterson Regional Medical Center (the Medical Center) is a not-for-profit acute care hospital located in Kerrville, Texas. The Medical Center was incorporated on February 13, 1989. The Medical Center is governed by a Board of Directors (the Board) of not less than three or more than 15 members elected at an annual meeting of the Board. The Medical Center earns revenues by providing inpatient, outpatient and emergency services to residents in and around Kerr County, Texas.

Peterson Regional Health Care Center Foundation (the Foundation) is a nonprofit fund raising foundation organized to raise funds for the benefit of the Medical Center, its sole member.

Peterson Medical Associates (PMA) is a physician group practice organization. PMA's sole member is the Medical Center.

Healthcare Partnership of Greater San Antonio (HPGSA) is a service organization that facilitates affiliation agreements with hospitals to access Medicaid supplemental payments through the State of Texas. During 2014, the Medical Center became the sole member of HPGSA.

Principles of Consolidation

The consolidated financial statements include the accounts of the Medical Center, the Foundation, PMA and HPGSA. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Cash and Cash Equivalents

The Medical Center considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At June 30, 2014 and 2013, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

**Sid Peterson Memorial Hospital d/b/a
Peterson Regional Medical Center
Notes to Consolidated Financial Statements
June 30, 2014 and 2013**

At June 30, 2014 and 2013, the Medical Center's cash accounts exceeded federally insured limits by approximately \$19,500,000 and \$12,935,000, respectively.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the consolidated statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Assets Limited As To Use

Assets limited as to use include (1) assets held by trustee under bond indenture agreement, (2) assets internally designated for self-insurance arrangements, (3) assets internally designated under the supplemental executive retirement plan agreements, and (4) assets internally designated for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of the Medical Center are included in current assets.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center records a significant provision for uncollectible accounts on the basis of its past

**Sid Peterson Memorial Hospital d/b/a
Peterson Regional Medical Center
Notes to Consolidated Financial Statements
June 30, 2014 and 2013**

experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Medical Center's allowance for doubtful accounts for self-pay patients increased from 86 percent of self-pay accounts receivable at June 30, 2013, to 93 percent of self-pay accounts receivable at June 30, 2014. The Medical Center's write-offs increased approximately \$503,000 from approximately \$6,055,000 for the year ended June 30, 2013, to approximately \$6,558,000 for the year ended June 30, 2014. The increase in the allowance for doubtful accounts is the result of unfavorable shifts in the aging of accounts receivables and trends experienced in the collection of amounts from self-pay patients.

Supplies

The Medical Center states supply inventories at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line basis over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

| | |
|--------------------------------------|------------|
| Buildings and leasehold improvements | 5-40 years |
| Equipment | 3-10 years |

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets, unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

Long-lived Asset Impairment

The Medical Center evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows

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expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2014 and 2013.

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the interest method.

Physician Guarantees

In an effort to recruit new physicians to its service area, the Medical Center has entered into various physician income guarantee agreements. Under these agreements, the Medical Center guarantees minimum monthly income, revenues or collections, or guarantees reimbursement of expenses up to maximum limits to physicians during a specified period of time (typically, 12 to 24 months, the guarantee period). In return for the guarantee payments, the physicians are required to practice in the community for a stated period of time (typically, two to three years, the retention period) or else return the guarantee payments to the Medical Center. As of June 30, 2014, all physician income guarantee agreements were in the retention period; therefore, there are no potential future payments that the Medical Center could be required to make under the existing physician guarantee agreements.

Temporarily and Permanently Restricted Net Assets

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

Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

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Charity Care

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

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires (*i.e.*, when a time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions for other than capital purchases whose restrictions are met within the same year as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Professional Liability Claims

The Medical Center recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims. Professional liability claims are described more fully in Note 6.

Income Taxes

The Medical Center, the Foundation and HPGSA have been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Medical Center and the Foundation are subject to federal income tax on any unrelated business taxable income.

PMA is organized as a not-for-profit taxable 501(a) physician management organization. PMA's taxable income and deferred tax items as of and for the years ended June 30, 2014 and 2013, were not material.

The Medical Center, the Foundation, PMA and HPGSA file tax returns in the U.S. Federal jurisdiction. With a few exceptions, the Medical Center, the Foundation, PMA and HPGSA are no longer subject to U.S. Federal examinations by tax authorities for years before 2010.

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Excess of Revenues Over Expenses

The consolidated statements of operations include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which, by donor restriction, were to be used for the purpose of acquiring such assets).

Self-insurance

The Medical Center has elected to self-insure certain costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The Medical Center has purchased insurance that limits its exposure for individual claims to \$250,000.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMS). Payments under both programs are contingent on the Medical Center continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the administrative contractor. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Medical Center recognizes revenue under the grant accounting model using the cliff recognition approach. Under this approach, revenue is recognized once meaningful use status has been met for the full reporting period.

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In 2013, the Medical Center completed the first-year requirements under the Medicare program and recorded revenue of approximately \$1,621,000, which is included as a component of other operating revenue in the accompanying consolidated statements of operations. Under the adopted revenue recognition approach, revenue was not recognized during fiscal year 2014 for the second-year requirements, as not all of the criteria for payment were met during the fiscal year.

In 2014, the Medical Center completed the second-year requirements under the Medicare program and the first-year requirements under the Medicaid program. The Medical Center has recorded revenue of approximately \$1,426,000 which is included as a component of other operating revenue in the accompanying consolidated statements of operations.

Reclassifications

Certain reclassifications have been made to the 2013 consolidated financial statements to conform to the 2014 consolidated financial statement presentation. The reclassifications had no effect on the change in net assets.

Note 2: Net Patient Service Revenue

The Medical Center recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Medical Center records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the consolidated statements of operations as a component of net patient service revenue.

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

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare administrative contractor.

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Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The Medical Center is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid administrative contractor.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. Settlements under reimbursement agreements with Medicare and Medicaid programs are estimated and recorded in the period the related services are rendered and are adjusted in future periods as adjustments become known or as the service years are no longer subject to audit, review or investigation. Annual cost reports required under the Medicare and Medicaid programs are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due to the Medical Center under the reimbursement programs. These audits often require several years to reach their final determination of amounts earned under the programs. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized for the years ended June 30, 2014 and 2013, is as follows:

| | 2014 | 2013 |
|--------------------------|-----------------------|-----------------------|
| Medicare | \$ 47,133,650 | \$ 40,014,169 |
| Medicaid | 11,026,576 | 11,091,271 |
| Other third-party payers | 50,975,161 | 44,903,800 |
| Self-pay | 5,302,216 | 7,598,542 |
| | <u>\$ 114,437,603</u> | <u>\$ 103,607,782</u> |

The Medical Center participates in CMS-approved private Medicaid Upper Payment Limit (UPL) programs. The Medical Center has affiliation agreements with third-party hospitals that provide free hospital and physician care to qualifying indigent residents of the counties in Texas in which the hospitals operate (Guadalupe and Kimble). The UPL payments are contingent on the county or hospital district making an Inter-Governmental Transfer (IGT) to the state Medicaid program.

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During the federal fiscal year 2012, the state of Texas began implementing a Section 1115(a) Medicaid Waiver program, which substantially replaces the existing UPL program. Under this waiver, hospitals will be paid supplemental funds for uncompensated care costs and delivery system improvement projects (DSRIP). Payments will be based on approved uncompensated costs and DSRIP projects, and payments will be generated by IGT payments that will be funded by the Medical Center and affiliated entities, which will be made on their behalf by the affiliated entities.

The Medical Center recognized as a component of net patient service revenue approximately \$5,977,000 and \$5,736,000 under these programs for the years ended June 30, 2014 and 2013, respectively.

During the year ended June 30, 2012, the Medical Center was notified by CMS that the Medical Center's status as a Sole Community Hospital (SCH) was being terminated. SCH status provides for a hospital a specific payment rate for inpatient services if that rate, in aggregate, results in total payments greater than the prospective payment that would be paid under Medicare's normal payment methodology and a 7.1 percent add-on to the prospective payment for outpatient services. The SCH status termination is retrospective to all fiscal years for which the Medicare cost report has not been settled by CMS, which is fiscal years 2008 through 2011. The impact of the lost SCH status for these fiscal years was estimated to be approximately \$12,045,000. During 2014, the Medical Center settled the fiscal year 2010 cost report related to inpatient services for approximately \$3,088,000. As of June 30, 2014, the remaining liability relates to outpatient services and is approximately \$6,612,000, which is shown as estimated amounts due to third-party payers in the accompanying consolidated balance sheets.

Note 3: Concentration of Credit Risk

Accounts Receivable

The Medical Center grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at June 30, 2014 and 2013, is as follows:

| | 2014 | 2013 |
|--------------------------|-------------|-------------|
| Medicare | 46% | 47% |
| Medicaid | 5% | 5% |
| Other third-party payers | 41% | 42% |
| Patients | 8% | 6% |
| | <u>100%</u> | <u>100%</u> |

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Note 4: Investments and Investment Return

Assets Limited As To Use

Assets limited as to use as of June 30, 2014 and 2013, include the following items:

| | 2014 | 2013 |
|--|----------------------|----------------------|
| Held by trustee under indenture agreement | | |
| Cash and cash equivalents | \$ 2,497,553 | \$ 2,470,079 |
| Certificates of deposit | 4,999,090 | 5,257,905 |
| Municipal bonds and notes | 322,400 | - |
| Accrued interest | 19,072 | 4,405 |
| | <u>\$ 7,838,115</u> | <u>\$ 7,732,389</u> |
| Internally designated for self-insurance | | |
| Cash and cash equivalents | \$ 57,705 | \$ 19,227 |
| Real estate investment trusts | 22,545 | - |
| Mutual funds principally invested in corporate and government bonds | - | 20,288 |
| Corporate fixed income instruments | 394,122 | - |
| Domestic mutual funds | 231,710 | 538,480 |
| Foreign mutual funds | 243,353 | 268,847 |
| Domestic equity securities | 540,670 | 455,395 |
| Foreign equity securities | 56,697 | 46,010 |
| | <u>\$ 1,546,802</u> | <u>\$ 1,348,247</u> |
| Internally designated for capital acquisition and other | | |
| Cash and cash equivalents | \$ 982,030 | \$ 1,310,893 |
| Certificates of deposit | 1,546,582 | 1,543,144 |
| Mutual funds principally invested in corporate and government bonds | 179,844 | 561,318 |
| Corporate fixed income instruments | 93,453 | - |
| Real estate investment trusts | 348,863 | 38,771 |
| Domestic mutual funds | 4,429,681 | 3,751,687 |
| Foreign mutual funds | 3,264,917 | 2,432,227 |
| Domestic equity securities | 6,258,582 | 5,078,987 |
| Foreign equity securities | 629,659 | 512,120 |
| | <u>\$ 17,733,611</u> | <u>\$ 15,229,147</u> |

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Other Investments

Other investments at June 30, 2014 and 2013, include:

| | 2014 | 2013 |
|---|-----------------------------|-----------------------------|
| Certificates of deposit | \$ 267,502 | \$ 193,921 |
| Mutual funds principally invested in corporate and government bonds | 26,674,538 | 24,997,060 |
| Domestic mutual funds | 2,839,845 | 3,185,599 |
| Foreign mutual funds | 3,283,437 | 2,826,200 |
| Domestic equity securities | 19,790,441 | 16,315,629 |
| Foreign equity securities | 665,688 | 621,571 |
| Real estate investment trusts | 371,956 | - |
| | <u>53,893,407</u> | <u>48,139,980</u> |
| Less long-term investments | <u>37,534,891</u> | <u>35,055,785</u> |
| Short-term investments | <u><u>\$ 16,358,516</u></u> | <u><u>\$ 13,084,195</u></u> |

Total investment return is comprised of the following:

| | 2014 | 2013 |
|-------------------------------|----------------------------|----------------------------|
| Interest and dividend income | \$ 1,782,365 | \$ 1,879,697 |
| Net realized gains | 872,306 | 7,228,355 |
| Net unrealized gains (losses) | <u>7,024,144</u> | <u>(3,455,116)</u> |
| | <u><u>\$ 9,678,815</u></u> | <u><u>\$ 5,652,936</u></u> |

Total investment return is reflected in the consolidated statements of operations and changes in net assets as follows:

| | 2014 | 2013 |
|---|----------------------------|----------------------------|
| Unrestricted net assets | | |
| Other income - investment return | \$ 9,429,229 | \$ 5,526,637 |
| Temporarily restricted net assets, change in unrealized gains and losses on other-than-trading securities | <u>249,586</u> | <u>126,299</u> |
| | <u><u>\$ 9,678,815</u></u> | <u><u>\$ 5,652,936</u></u> |

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Note 5: Contributions Receivable

Contributions receivable consisted of the following items at June 30, 2014 and 2013:

| | 2014 | 2013 |
|--------------------------------------|--------------------------|--------------------------|
| Due within one year | \$ 144,597 | \$ 318,486 |
| Due in one to five years | 341,246 | 544,091 |
| | <u>485,843</u> | <u>862,577</u> |
| Less: | | |
| Allowance for doubtful contributions | 39,440 | 152,130 |
| Unamortized discount | <u>158,770</u> | <u>154,648</u> |
| | <u>198,210</u> | <u>306,778</u> |
| | <u><u>\$ 287,633</u></u> | <u><u>\$ 555,799</u></u> |

Contributions receivable are for the construction of the new hospital and the Da Vinci surgical machine and have been discounted using an adjusted risk free rate at the time of the contribution.

Note 6: Risk Management

Professional and General Liability

The Medical Center is self-insured for medical malpractice risks. Losses from asserted and unasserted claims identified under the Medical Center's incident reporting system are accrued based on estimates that incorporate the Medical Center's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible the Medical Center's estimate of losses will change by a material amount in the near term.

The Medical Center has engaged professional actuarial consultants to assist in computing its accrual for malpractice exposure. Amounts accrued by the Medical Center as of June 30, 2014 and 2013, were approximately \$444,000 and \$647,000, respectively, which are shown as estimated self-insured professional liability costs in the accompanying consolidated balance sheets. Estimated losses have been discounted assuming a 2 percent rate of return for each of the years ended June 30, 2014 and 2013.

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Employee Health and Workers' Compensation

The Medical Center is also self-insured for employee health care and workers' compensation claims. The Medical Center has purchased excess insurance coverage for employee health care, which limits their annual individual exposure to \$250,000. A reserve has been established for unpaid claims and claims incurred, but not received, and are shown as estimated self-insured employee benefit costs in the accompanying consolidated balance sheets. Amounts accrued by the Medical Center for employee health and workers' compensation claims were approximately \$509,000 and \$610,000 for the years ended June 30, 2014 and 2013, respectively.

Note 7: Long-term Debt

| | 2014 | 2013 |
|---------------------------|----------------------|----------------------|
| Revenue bonds payable (A) | \$ 67,040,000 | \$ 68,785,000 |
| Bond premium | 280,359 | 301,290 |
| | <u>\$ 67,320,359</u> | <u>\$ 69,086,290</u> |

- (A) City of Kerrville, Texas, Health Facilities Development Corporation Hospital Revenue Bonds (Sid Peterson Memorial Hospital Project, Series 2005) in the original amount of \$81,675,000, plus a net original issue premium of \$485,917 dated October 1, 2005, bearing interest at rates ranging from 4.00 percent to 5.45 percent. The bond indenture requires the Medical Center to make annual principal and sinking fund payments each August 15 beginning in 2009 through 2035, with interest due each August 15 and February 15.

The bond issue includes \$35,070,000 of term bonds due August 15, 2035, which the Medical Center may call at par on any August 15 or February 15. Additionally, the Medical Center may call any other remaining bonds at par on or after August 15, 2016.

The City of Kerrville, Texas, Health Facilities Development Corporation (the Corporation) issued the bonds on behalf of the Medical Center. The bonds are secured by a pledge of the Medical Center's revenues, the reserve funds established with the bond trustee pursuant to the loan agreement and bond indenture, and a mortgage lien on substantially all land and buildings of the Medical Center. The bonds have not been guaranteed by the Corporation.

The indenture and loan agreements require that certain funds be established with a trustee. Accordingly, these funds are included as assets limited as to use held by a trustee in the consolidated financial statements. The agreements also require the Medical Center to

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comply with certain restrictive covenants including minimum insurance coverage, a liquidity covenant that requires a minimum of 60 days of cash and unrestricted investments on hand, maintaining a debt service coverage ratio of at least 1.15 and restrictions on the incurrence of additional debt and disposition of assets.

Aggregate annual maturities of long-term debt at June 30, 2014, are:

| | |
|------------|-----------------------------|
| 2015 | \$ 1,835,000 |
| 2016 | 1,930,000 |
| 2017 | 2,030,000 |
| 2018 | 2,135,000 |
| 2019 | 2,250,000 |
| Thereafter | <u>56,860,000</u> |
| | <u><u>\$ 67,040,000</u></u> |

Note 8: Line of Credit

At June 30, 2014 and 2013, the Medical Center had a \$3,000,000 line of credit with a local financial institution, which expires on February 1, 2015. No amounts were drawn on the line of credit during the years ended June 30, 2014 and 2013.

Note 9: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for health care services. During the years ended June 30, 2014 and 2013, net assets released from donor restrictions by incurring qualifying expenses or by the passage of time were approximately \$804,000 and \$806,000, respectively.

Permanently restricted net assets as of June 30, 2014 and 2013, were \$220,000, which are investments to be held in perpetuity with the income to be used for operations.

Note 10: Charity Care

In support of its mission, the Medical Center voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported in

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net patient service revenue. In addition, the Medical Center provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients and many times the payments are less than the cost of rendering the services provided.

The costs of charity care provided under the Medical Center's charity care policy were approximately \$5,273,000 and \$5,160,000 for the years ended June 30, 2014 and 2013, respectively. The cost of providing charity care is estimated by applying the ratio of cost to gross charges to gross uncompensated charges.

Note 11: Functional Expenses

The Medical Center provides health care services primarily to residents within its geographic area. Expenses related to providing these services are shown below:

| | 2014 | 2013 |
|----------------------------|-----------------------|----------------------|
| Health care services | \$ 95,891,472 | \$ 90,521,267 |
| General and administrative | 7,852,985 | 7,413,195 |
| | <u>\$ 103,744,457</u> | <u>\$ 97,934,462</u> |

Note 12: Pension Plan

The Medical Center has a defined contribution pension plan covering substantially all employees. The Board of Directors annually determines the amount, if any, of the Medical Center's contributions to the pension plan. Pension expense was approximately \$580,000 and \$157,000 for the years ended June 30, 2014 and 2013, respectively.

Effective July 1, 2010, the Medical Center implemented a supplemental executive retirement plan (SERP) covering certain members of management. The Medical Center's funding policy is to contribute the minimum annual contribution that is required by applicable regulations plus such amounts as the Medical Center may determine to be appropriate from time to time. The Medical Center contributed approximately \$130,000 and \$155,000 for the years ended June 30, 2014 and 2013, respectively.

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Note 13: Disclosures About Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2014 and 2013:

| | | Fair Value Measurement Using | | |
|-------------------------------|---------------|------------------------------|-------------|--------------|
| | | Quoted Prices | | |
| | | in Active | Significant | |
| | | Markets for | Other | Significant |
| | | Identical | Observable | Unobservable |
| | | Assets | Inputs | Inputs |
| | | (Level 1) | (Level 2) | (Level 3) |
| Fair Value | | | | |
| June 30, 2014 | | | | |
| Mutual funds principally | | | | |
| invested in corporate and | | | | |
| government bonds | \$ 26,854,382 | \$ 26,854,382 | \$ - | \$ - |
| Domestic mutual funds | 7,501,236 | 7,501,236 | - | - |
| Foreign mutual funds | 6,791,707 | 6,791,707 | - | - |
| Domestic equity securities | 26,589,693 | 26,589,693 | - | - |
| Foreign equity securities | 1,352,044 | 1,352,044 | - | - |
| Real estate investment trusts | 743,364 | 743,364 | - | - |
| Municipal bonds and notes | 322,400 | - | 322,400 | - |
| Corporate fixed income | | | | |
| instruments | 487,575 | - | 487,575 | - |

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| | Fair Value Measurement Using | | | |
|--|------------------------------|--|---|---|
| | Fair Value | Quoted Prices | | |
| | | in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |

| | | | | |
|---|---------------|---------------|------|------|
| June 30, 2013 | | | | |
| Mutual funds principally invested in corporate and government bonds | \$ 25,578,666 | \$ 25,578,666 | \$ - | \$ - |
| Domestic mutual funds | 7,475,766 | 7,475,766 | - | - |
| Foreign mutual funds | 5,527,274 | 5,527,274 | - | - |
| Domestic equity securities | 21,850,011 | 21,850,011 | - | - |
| Foreign equity securities | 1,179,701 | 1,179,701 | - | - |
| Real estate investment trusts | 38,771 | 38,771 | - | - |

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2014.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include domestic and foreign mutual funds and equity securities, mutual funds principally invested in corporate and government bonds, and real estate investment trusts. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include corporate and municipal fixed income securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Medical Center did not hold any Level 3 securities at June 30, 2014 and 2013.

Quoted market prices were used to determine the fair value of Level 1 items listed previously. For Level 2 investments, inputs include maturity and coupon rates and/or closing prices of similar securities from comparable industry financial data.

Fair Value of Financial Instruments

The following table presents estimated fair values of the Medical Center's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2014 and 2013.

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| | | Fair Value Measurements Using | | | |
|---|---------------|---|------------|--|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | | | |
| | | Significant Other Observable Inputs (Level 2) | | Significant Unobservable Inputs (Level 3) | |
| | | Carrying Amount | | | |
| June 30, 2014 | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | \$ 35,933,665 | \$ 35,933,665 | \$ - | \$ - | |
| Assets limited as to use and other investments | 81,011,935 | 80,201,960 | 809,975 | - | |
| Contributions receivable | 287,633 | 287,633 | - | - | |
| Financial liabilities | | | | | |
| Long-term debt | 67,320,359 | - | 69,371,256 | - | |
| June 30, 2013 | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | \$ 30,235,620 | \$ 30,235,620 | \$ - | \$ - | |
| Assets limited as to use and other investments | 72,449,763 | 72,449,763 | - | - | |
| Contributions receivable | 555,799 | 555,799 | - | - | |
| Financial liabilities | | | | | |
| Long-term debt | 69,086,290 | - | 71,702,625 | - | |

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

Cash and Cash Equivalents

The carrying amount approximates fair value.

Certificates of Deposit

Amortized cost approximates fair value.

Contributions Receivable

Fair value is estimated by discounting the cash flows of the future payments expected to be received using rates of return on assets with similar cash flows.

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June 30, 2014 and 2013**

Long-term Debt

Fair value is estimated based on the borrowing rates currently available to the Medical Center for debt with similar terms and maturities.

Note 14: Related-party Transactions

The Medical Center is party to an indigent care affiliation agreement with the City of Seguin and Guadalupe County, Texas d/b/a Guadalupe Regional Medical Center to collaborate with the Healthcare Partnership of Greater San Antonio (the Service Organization), a nonprofit corporation, to access Medicaid supplemental payments through the State of Texas. During July 2013, the Medical Center became the sole member of the Service Organization. The Medical Center contributed approximately \$3,117,000 and \$2,758,000 to access Medicare Supplemental payments during the years ended June 30, 2014 and 2013, respectively. These contributions, which were used to fund indigent care in west Texas, are reflected as a component of supplies and other expense in the consolidated statements of operations.

Note 15: Significant Estimates and Concentrations

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

Allowance for Net Patient Service Revenue Adjustments

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

Professional Liability Claims

Estimates related to the accrual for medical malpractice claims are described in Notes 1 and 6.

Litigation

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Medical Center's self-insurance programs (discussed elsewhere in these notes) or by commercial insurance (e.g., allegations regarding employment practices or performance of contracts). The

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Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Self-insured Employee Health Care and Workers' Compensation

Estimates related to the accrual for self-insured employee health care and workers' compensation claims are discussed in Note 6.

Investments

The Medical Center invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

Note 16: Patient Protection and Affordable Care Act

The *Patient Protection and Affordable Care Act* (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer-provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The State of Texas has currently indicated it will not expand the Medicaid program, which may result in revenues from newly covered individuals not offsetting the Medical Center's reduced revenue from other Medicare/Medicaid programs.

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The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible it will have a negative impact on the Medical Center's net patient service revenue. In addition, it is possible the Medical Center will experience payment delays and other operational challenges during PPACA's implementation.

Note 17: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were issued.

Supplementary Information

**Sid Peterson Memorial Hospital d/b/a
Peterson Regional Medical Center**
Balance Sheet Information – Consolidating Schedule
June 30, 2014

| | The Hospital | The Foundation | Peterson Medical Associates | HPGSA | Eliminations | Consolidated |
|--|---------------|----------------|-----------------------------------|---------|--------------|---------------|
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents | \$ 35,001,090 | \$ 99,556 | \$ 70,643 | 762,376 | \$ - | \$ 35,933,665 |
| Short-term investments | 16,333,444 | 25,072 | - | - | - | 16,358,516 |
| Assets limited as to use | 2,458,907 | - | - | - | - | 2,458,907 |
| Patient accounts receivable, net of allowance | 8,959,327 | - | 237,350 | - | - | 9,196,677 |
| Contributions receivable | - | 144,597 | - | - | - | 144,597 |
| Supplies | 2,332,505 | - | - | - | - | 2,332,505 |
| Receivable from property sale | 978,109 | - | - | - | - | 978,109 |
| Prepaid expenses and other | 10,782,362 | - | 1,000 | - | (6,084,391) | 4,698,971 |
| Total current assets | 76,845,744 | 269,225 | 308,993 | 762,376 | (6,084,391) | 72,101,947 |
| Assets Limited As To Use | | | | | | |
| Held by trustee, under indenture agreement | 7,838,115 | - | - | - | - | 7,838,115 |
| Internally designated, self-insurance | 1,546,802 | - | - | - | - | 1,546,802 |
| Internally designated, capital acquisition and other | 16,229,403 | 1,504,208 | - | - | - | 17,733,611 |
| | 25,614,320 | 1,504,208 | 0 | 0 | 0 | 27,118,528 |
| Less amount required to meet current obligations | 2,458,907 | - | - | - | - | 2,458,907 |
| | 23,155,413 | 1,504,208 | 0 | 0 | 0 | 24,659,621 |
| Investments | 36,810,875 | 724,016 | 0 | 0 | 0 | 37,534,891 |

**Sid Peterson Memorial Hospital d/b/a
Peterson Regional Medical Center**
Balance Sheet Information – Consolidating Schedule (Continued)
June 30, 2014

| | The Hospital | The Foundation | Peterson Medical Associates | HPGSA | Eliminations | Consolidated |
|--|----------------|----------------|-----------------------------------|------------|----------------|----------------|
| Property and Equipment, At Cost | | | | | | |
| Land | \$ 3,668,549 | \$ - | \$ - | \$ - | \$ - | \$ 3,668,549 |
| Buildings and leasehold improvements | 91,450,006 | - | - | - | - | 91,450,006 |
| Equipment | 58,291,659 | - | - | - | - | 58,291,659 |
| Construction in progress | 750,546 | - | - | - | - | 750,546 |
| | 154,160,760 | 0 | 0 | 0 | 0 | 154,160,760 |
| Less accumulated depreciation | 73,072,536 | - | - | - | - | 73,072,536 |
| | 81,088,224 | 0 | 0 | 0 | 0 | 81,088,224 |
| Other Assets | | | | | | |
| Contributions receivable | - | 143,036 | - | - | - | 143,036 |
| Deferred financing costs | 1,130,737 | - | - | - | - | 1,130,737 |
| Other | 260,453 | - | 15,752 | 57,025 | - | 333,230 |
| | 1,391,190 | 143,036 | 15,752 | 57,025 | 0 | 1,607,003 |
| Total assets | \$ 219,291,446 | \$ 2,640,485 | \$ 324,745 | \$ 819,401 | \$ (6,084,391) | \$ 216,991,686 |

**Sid Peterson Memorial Hospital d/b/a
Peterson Regional Medical Center**
Balance Sheet Information – Consolidating Schedule (Continued)
June 30, 2014

| | The Hospital | The Foundation | Peterson Medical Associates | HPGSA | Eliminations | Consolidated |
|--|----------------|----------------|-----------------------------------|------------|----------------|----------------|
| Liabilities and Net Assets | | | | | | |
| Current Liabilities | | | | | | |
| Current maturities of long-term debt | \$ 1,835,000 | \$ - | \$ - | \$ - | \$ - | \$ 1,835,000 |
| Accounts payable | 1,646,876 | - | 75,266 | 238,249 | - | 1,960,391 |
| Accrued expenses | 8,127,482 | - | 67,201 | - | - | 8,194,683 |
| Estimated amounts due to third-party payers | 7,217,489 | - | - | - | - | 7,217,489 |
| Estimated self-insured employee benefit costs | 508,677 | - | - | - | - | 508,677 |
| Due to Hospital from affiliate | - | 528,972 | 5,555,419 | - | (6,084,391) | - |
| Total current liabilities | 19,335,524 | 528,972 | 5,697,886 | 238,249 | (6,084,391) | 19,716,240 |
| Estimated Self-insured Professional Liability Costs | 443,583 | - | - | - | - | 443,583 |
| Deferred Compensation Obligation | 710,000 | - | - | - | - | 710,000 |
| Long-term Debt | 65,485,359 | - | - | - | - | 65,485,359 |
| Total liabilities | 85,974,466 | 528,972 | 5,697,886 | 238,249 | (6,084,391) | 86,355,182 |
| Net Assets | | | | | | |
| Unrestricted | 133,061,828 | 320,844 | (5,373,141) | 581,152 | - | 128,590,683 |
| Temporarily restricted | 255,152 | 1,570,669 | - | - | - | 1,825,821 |
| Permanently restricted | - | 220,000 | - | - | - | 220,000 |
| Total net assets | 133,316,980 | 2,111,513 | (5,373,141) | 581,152 | 0 | 130,636,504 |
| Total liabilities and net assets | \$ 219,291,446 | \$ 2,640,485 | \$ 324,745 | \$ 819,401 | \$ (6,084,391) | \$ 216,991,686 |

Sid Peterson Memorial Hospital d/b/a Peterson Regional Medical Center

Statement of Operations and Changes in Net Assets Information – Consolidating Schedule Year Ended June 30, 2014

| | The Hospital | The Foundation | Peterson Medical Associates | HPGSA | Eliminations | Consolidated |
|--|----------------|----------------|-----------------------------------|-----------|--------------|----------------|
| Unrestricted Revenues, Gains and Other Support | | | | | | |
| Patient service revenue (net of contractual discounts and allowances) | \$ 111,866,394 | \$ - | \$ 2,571,209 | \$ - | \$ - | \$ 114,437,603 |
| Provision for uncollectible accounts | 10,460,360 | - | - | - | - | 10,460,360 |
| Net patient service revenue less provision for uncollectible accounts | 101,406,034 | 0 | 0 | 0 | 0 | 103,977,243 |
| Other | 2,325,669 | 272,980 | - | 1,203,277 | (421,543) | 3,380,383 |
| Total unrestricted revenues, gains and other support | 103,731,703 | 272,980 | 2,571,209 | 1,203,277 | (421,543) | 107,357,626 |
| Expenses and Losses | | | | | | |
| Salaries and wages | 37,000,127 | - | 3,284,891 | - | - | 40,285,018 |
| Employee benefits | 9,039,895 | - | - | - | - | 9,039,895 |
| Purchased services and professional fees | 13,128,773 | - | 88,454 | 1,421,669 | - | 14,638,896 |
| Supplies and other | 27,416,475 | 1,317,073 | 1,223,099 | 55 | (1,225,070) | 28,731,632 |
| Insurance | 211,933 | - | - | - | - | 211,933 |
| Depreciation and amortization | 7,129,779 | - | - | - | - | 7,129,779 |
| Interest expense | 3,674,715 | - | - | - | - | 3,674,715 |
| Loss on sale of property and equipment | 32,589 | - | - | - | - | 32,589 |
| Total expenses and losses | 97,634,286 | 1,317,073 | 4,596,444 | 1,421,724 | (1,225,070) | 103,744,457 |
| Operating Income (Loss) | 6,097,417 | (1,044,093) | (2,025,235) | (218,447) | 803,527 | 3,613,169 |
| Other Income | | | | | | |
| Investment return | 9,306,070 | 123,159 | - | - | - | 9,429,229 |
| Contributions | 37,753 | - | - | - | - | 37,753 |
| Total other income | 9,343,823 | 123,159 | 0 | 0 | 0 | 9,466,982 |
| Excess (Deficiency) of Revenues Over Expenses | 15,441,240 | (920,934) | (2,025,235) | (218,447) | 803,527 | 13,080,151 |
| Net assets released from restriction used for purchase of property and equipment | 803,527 | 803,527 | - | - | (803,527) | 803,527 |
| Contribution of HPGSA | - | - | - | 799,599 | - | 799,599 |
| Increase (Decrease) in Unrestricted Net Assets | 16,244,767 | (117,407) | (2,025,235) | 581,152 | 0 | 14,683,277 |

**Sid Peterson Memorial Hospital d/b/a
Peterson Regional Medical Center**

Statement of Operations and Changes in Net Assets Information – Consolidating Schedule (Continued)

Year Ended June 30, 2014

| | The Hospital | The Foundation | Peterson Medical Associates | HPGSA | Eliminations | Consolidated |
|--|----------------|----------------|-----------------------------------|------------|--------------|----------------|
| Temporarily Restricted Net Assets | | | | | | |
| Contributions received | \$ 5,663 | \$ 670,850 | \$ - | \$ - | \$ - | \$ 676,513 |
| Investment return, change in unrealized gains and losses on other-than-trading securities | - | 249,586 | - | - | - | 249,586 |
| Net assets released from restriction | - | (1,076,507) | - | - | - | (1,076,507) |
| | | | | | | |
| Increase (decrease) in temporarily restricted net assets | 5,663 | (156,071) | 0 | 0 | 0 | (150,408) |
| Change in Net Assets | 16,250,430 | (273,478) | (2,025,235) | 581,152 | - | 14,532,869 |
| Net Assets, Beginning of Year | 117,066,550 | 2,384,991 | (3,347,906) | - | - | 116,103,635 |
| Net Assets, End of Year | \$ 133,316,980 | \$ 2,111,513 | \$ (5,373,141) | \$ 581,152 | \$ 0 | \$ 130,636,504 |