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Form 990



Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

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

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 10-01-2013 , 2013, and ending 09-30-2014

B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization VERNON MEMORIAL HEALTHCARE INC		D Employer identification number 39-0806404
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) 507 SOUTH MAIN STREET	Room/suite	E Telephone number (608) 637-2101
	City or town, state or province, country, and ZIP or foreign postal code VIROQUA, WI 54665		G Gross receipts \$ 70,103,530
F Name and address of principal officer MARY KOENIG 507 SOUTH MAIN STREET VIROQUA, WI 54665			H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
J Website: ▶ WWW.VMH.ORG			
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶			L Year of formation 1946
			M State of legal domicile WI

Part I

Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities VERNON MEMORIAL HEALTHCARE, INC HAS BEEN COMMITTED TO PROVIDING THE HIGHEST QUALITY CARE AND TREATMENT TO THE INJURED, AFFLICTED AND WELL PEOPLE WHO NEED THE RESOURCES WE HAVE AT OUR COMMAND, WITHOUT REGARD TO RACE, CREED, COLOR, SEX, HANDICAP, NATIONAL ORIGIN, OR ABILITY TO PAY IT IS OUR INTENTION TO INSURE THAT IN EACH AND EVERY CASE OUR PATIENTS SHALL BE TREATED WITH COMPASSION, UNDERSTANDING, AND DIGNITY FURTHER, THE RIGHTS AND PRIVILEGES OF THE PEOPLE WE SERVE SHALL ALWAYS BE HELD IN THE HIGHEST REGARD, AND THEIR WELL-BEING MUST ALWAYS HAVE FIRST CONSIDERATION VERNON MEMORIAL HEALTHCARE IS COMMITTED TO PROVIDING MODERN FACILITIES AND EQUIPMENT CONSISTENT WITH NEW AND CONTEMPORARY MEDICAL TECHNOLOGY WE WILL FOSTER, STIMULATE, ENCOURAGE AND PROMOTE CONTINUING HEALTHCARE EDUCATION FOR EMPLOYEES AND THE COMMUNITY WE SERVE ALL THIS, WE MOST SOLEMNLY AND SINCERELY PLEDGE TO THE PEOPLE WHO NEED US, RECOGNIZING FULLY, THAT SERVICE TO HUMANITY IS THE GREATEST SERVICE OF ALL																										
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets																										
	<table><tr><td>3 Number of voting members of the governing body (Part VI, line 1a)</td><td>3</td><td>11</td></tr><tr><td>4 Number of independent voting members of the governing body (Part VI, line 1b)</td><td>4</td><td>11</td></tr><tr><td>5 Total number of individuals employed in calendar year 2013 (Part V, line 2a)</td><td>5</td><td>573</td></tr><tr><td>6 Total number of volunteers (estimate if necessary)</td><td>6</td><td>200</td></tr><tr><td>7a Total unrelated business revenue from Part VIII, column (C), line 12</td><td>7a</td><td>4,033,185</td></tr><tr><td>b Net unrelated business taxable income from Form 990-T, line 34</td><td>7b</td><td>-265,770</td></tr></table>	3 Number of voting members of the governing body (Part VI, line 1a)	3	11	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	11	5 Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	573	6 Total number of volunteers (estimate if necessary)	6	200	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	4,033,185	b Net unrelated business taxable income from Form 990-T, line 34	7b	-265,770								
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Part II

Signature Block

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

Sign Here	<div>*****</div> <div>Signature of officer</div>	<div>2015-05-06</div> <div>Date</div>			
	<div>MARY KOENIG CFO</div> <div>Type or print name and title</div>				
Paid Preparer Use Only	Prnt/Type preparer's name HOLLY POKRANDT CPA		Preparer's signature		Date 2015-05-04
	Firm's name ▶ WIPFLI LLP			Check <input type="checkbox"/> if self-employed PTIN P00449155	
	Firm's address ▶ 3703 OAKWOOD HILLS PARKWAY EAU CLAIRE, WI 54701			Firm's EIN ▶ 39-0758449 Phone no (715) 832-3407	
May the IRS discuss this return with the preparer shown above? (see instructions) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No					

Part III

Statement of Program Service Accomplishments

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

☐ Yes ☒ No

1

Briefly describe the organization's mission

VERNON MEMORIAL HEALTHCARE, INC WILL STRIVE TO HAVE THE VISION TO CONTINUALLY PROVIDE THE HIGHEST STANDARD OF CARE TO OUR PATIENTS AND THEIR FAMILIES WHILE BEING 'CLOSE TO HOME ' OUR MISSION IS TO PROVIDE COST-EFFECTIVE, ACCESSIBLE CARE AND SERVICE USING PROFESSIONALLY EDUCATED STAFF AND SUPERIOR TECHNOLOGY TO MEET THE HEALTHCARE NEEDS OF OUR COMMUNITY OUR CARING AND COMMITMENT TO THE COMMUNITY WILL BE DEMONSTRATED BY OUR EMPHASIS ON HEALTH PROMOTION AND DISEASE PREVENTION THROUGH EDUCATION

2

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

☐ Yes ☒ No

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

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 43,260,457 including grants of \$ 342,976) (Revenue \$ 50,352,638)

WHILE THERE IS A GROWING AGREEMENT IN THE UNITED STATES ABOUT WHAT CONSTITUTES A NON-PROFIT HEALTHCARE ORGANIZATION'S COMMUNITY BENEFIT, THIS IS A WORK IN PROGRESS OUR ORGANIZATION PROVIDES SIGNIFICANT CHARITY CARE AND OTHER COMMUNITY BENEFITS AS DEFINED BY THE IRS BUT IN ADDITION, WE BELIEVE THAT WE PROVIDE A CRITICALLY IMPORTANT COMMUNITY BENEFIT WHICH CANNOT BE QUANTIFIED OUR ORGANIZATION WAS CREATED AND IS MAINTAINED IN ORDER TO PROVIDE CARE LOCALLY-CARE THAT, WITHOUT THE PRESENCE OF OUR ORGANIZATION, WOULD NOT BE AVAILABLE TO THE PEOPLE IN OUR SERVICE AREA BEYOND MEDICAL, OBSTETRICAL, NEWBORN, AND SURGICAL INPATIENT HOSPITALIZATIONS, WE PROVIDE LOCAL ACCESS TO MANY OTHER HEALTH SERVICES INCLUDING A BIRTHING CENTER, A DIALYSIS CENTER, DIAGNOSTIC SERVICES-LABORATORY, IMAGING AND CARDIAC TESTING, 24-HOUR EMERGENCY SERVICES, URGENT CARE SERVICES, INFUSION SERVICES, GASTROINTESTINAL SERVICES, HOME HEALTH CARE, HOSPICE INPATIENT AND OUTPATIENT CARE, REHABILITATION SERVICES-PHYSICAL, OCCUPATIONAL, RESPIRATORY AND SPEECH THERAPY, SPECIALTY MEDICINE, AND PRIMARY CARE CLINICS IN FISCAL YEAR 2014, HOSPITAL INPATIENT SERVICES INCLUDED 2,933 ACUTE CARE PATIENT DAYS, 38 SWING BED PATIENT DAYS, AND 330 NEWBORN PATIENT DAYS THERE WERE 1,329 SURGERY CASES, 7,412 EMERGENCY ROOM/URGENT CARE VISITS, AND 6,370 VISITS TO THE SPECIALTY CLINIC

4b

(Code) (Expenses \$ 11,162,797 including grants of \$) (Revenue \$ 10,839,624)

VERNON MEMORIAL HEALTHCARE, INC OPERATES FOUR RURAL HEALTH CLINICS LOCATED IN VIROQUA, LAFARGE, SOLDIERS GROVE, AND WESTBY TOGETHER, THE RURAL HEALTH CLINICS STRIVE TO MEET THE HEALTHCARE NEEDS OF PATIENTS AND FAMILIES WHO LIVE AND WORK IN THE COMMUNITIES THEY SERVE A TOTAL OF 40,042 CLINIC VISITS OCCURRED IN FISCAL YEAR 2014

4c

(Code) (Expenses \$ 2,104,031 including grants of \$) (Revenue \$ 1,116,929)

VERNON MEMORIAL HEALTHCARE, INC ALSO PROVIDES HOME HEALTH AND HOSPICE SERVICES THE HOME CARE AGENCY PROVIDES QUALITY HEALTHCARE TO PATIENTS IN THE COMFORT OF THEIR OWN HOME THE HOME CARE TEAM WORKS TOGETHER TO PROVIDE INSTRUCTION, CARE AND SUPPORT DURING FISCAL YEAR 2014, A TOTAL OF 2,186 HOME HEALTH VISITS WERE MADE TO 100 INDIVIDUALS VERNON MEMORIAL HEALTHCARE HOSPICE OFFERS CARE, COMFORT, AND SUPPORT WHEN IT IS NEEDED MOST HOSPICE IS FOR PATIENTS, FAMILIES, FRIENDS, AND CAREGIVERS DEALING WITH THE END OF LIFE THIS SUPPORT BRINGS COMFORT, HOPE AND REASSURANCE VERNON MEMORIAL HEALTHCARE HOSPICE SERVES PATIENTS AT HOME, IN THE BLAND BEKKEDAL HOSPICE HOUSE, IN LONG-TERM CARE FACILITIES, OR AT VERNON MEMORIAL HOSPITAL HOSPICE CARE WAS PROVIDED TO 112 INDIVIDUALS IN FISCAL YEAR 2014

4d

Other program services (Describe in Schedule O)

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

4e




















Total program service expenses

56,527,285

Form 990 (2013)

Part IV

Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	47	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c			
2a		573	
2b		Yes	
3a		Yes	
3b		Yes	
4a			No
b			
5a			No
5b			No
5c			
6a			No
6b			
7			
7a			No
7b			
7c			No
7d			
7e			No
7f			No
7g			
7h			
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13b			
13c			
14a			No
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			
1b	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	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	a The governing body?	8a	Yes
8b	b Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	WI
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 MARY KOENIG 507 SOUTH MAIN STREET VIROQUA, WI 54665 (608) 637-2101	

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) PHYLLIS MALIN MEMBER	1 00	X						0	0	0
(2) CHARLES NORTON MEMBER	1 00	X						0	0	0
(3) JERRY MORAN MEMBER	1 00	X						0	0	0
(4) JUDY SCHMIRLER MEMBER	1 00	X						0	0	0
(5) TRUDY WALLIN MEMBER	1 00	X						0	0	0
(6) BONNIE RATH MEMBER	1 00	X						0	0	0
(7) BLANE CHARLES MEMBER	1 00	X						0	0	0
(8) ENID NEUBAUER SECRETARY	1 00	X		X				0	0	0
(9) LEE CUNNINGHAM TREASURER	1 00	X		X				0	0	0
(10) ROGER JOHNSON VICE CHAIRMAN	1 00	X		X				0	0	0
(11) ROBERT KNADLE CHAIRMAN	1 00	X		X				0	0	0
(12) KYLE BAKKUM CEO	40 00			X				444,184	0	41,767
(13) MARY KOENIG CFO	40 00			X				498,959	0	31,299
(14) DR JEFFREY MENN PHYSICIAN	40 00					X		481,952	0	40,689
(15) DR ANTHONY MACASAET PHYSICIAN	40 00					X		360,856	0	33,521
(16) ARNOLD NOMANN CRNA	40 00					X		419,034	0	29,421
(17) BRIAN MILLER CRNA	40 00					X		339,594	0	36,336

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	3,850,367	0	253,371

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 42

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
GUNDERSEN HEALTH SYSTEM 1900 SOUTH AVE LA CROSSE WI 54601	LAB/RADIOLOGY	2,266,254
MARKET & JOHNSON 2350 GALLOWAY STREET EAU CLAIRE WI 54702	CONSTRUCTION	1,541,688
GPS ANESTHESIA SERVICES N2685 POTATO RIDGE ROAD LA CROSSE WI 54601	ANESTHESIA SERVICES	417,920
RURAL WISCONSIN HEALTH COOPERATIVE 880 INDEPENDENCE LANE SAUK CITY WI 53583	MRI SERVICES	268,307
CLINICAL ULTRASOUND SERVICES PO BOX 7 POSTVILLE IA 52162	ULTRASOUND SERVICES	222,975

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 13

Part VIII

Statement of Revenue

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

			(A)	(B)	(C)	(D)
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a			
	b	Membership dues	1b			
	c	Fundraising events	1c			
	d	Related organizations	1d	33,781		
	e	Government grants (contributions)	1e			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	284,334		
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f		318,115		
Program Service Revenue	2a	HOSPITAL	Business Code			
			621990	48,000,283	48,000,283	
	b	CLINIC	621110	10,839,624	10,839,624	
	c	RETAIL PHARMACY	446110	6,176,964	2,254,950	3,922,014
	d	HOME HEALTH & HOSPICE	621610	1,116,929	1,116,929	
	e	MEALS AND DIETARY	722210	208,576	97,405	111,171
	f	All other program service revenue				
	g	Total. Add lines 2a-2f		66,342,376		
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		625,124	
4		Income from investment of tax-exempt bond proceeds				
5		Royalties				
6a		Gross rents	(i) Real			
			(ii) Personal			
			254,284			
			304,311			
b		Less rental expenses				
c		Rental income or (loss)	-50,027			
d		Net rental income or (loss)		-50,027		-50,027
7a		Gross amount from sales of assets other than inventory	(i) Securities			
			(ii) Other			
			2,548,581	15,050		
			2,490,085	13,541		
b		Less cost or other basis and sales expenses				
c		Gain or (loss)	58,496	1,509		
d		Net gain or (loss)		60,005		60,005
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a			
b		Less direct expenses	b			
c		Net income or (loss) from fundraising events				
9a		Gross income from gaming activities See Part IV, line 19	a			
b	Less direct expenses	b				
c	Net income or (loss) from gaming activities					
10a	Gross sales of inventory, less returns and allowances	a				
b	Less cost of goods sold	b				
c	Net income or (loss) from sales of inventory					
Miscellaneous Revenue		Business Code				
11a						
b						
c						
d	All other revenue					
e	Total. Add lines 11a-11d					
12	Total revenue. See Instructions		67,295,593	62,309,191	4,033,185	635,102

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.	342,976	342,976		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	601,618		601,618	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	24,513,670	22,380,856	2,132,814	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	991,162	904,926	86,236	
9	Other employee benefits.	5,776,320	5,273,750	502,570	
10	Payroll taxes.	1,670,861	1,457,723	213,138	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	56,772		56,772	
c	Accounting.	88,605		88,605	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	5,525,061	4,420,680	1,104,381	
12	Advertising and promotion.	110,121		110,121	
13	Office expenses.	248,285	199,700	48,585	
14	Information technology.	630,471		630,471	
15	Royalties.				
16	Occupancy.	2,240,462	2,240,462		
17	Travel.	86,408	55,928	30,480	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.				
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	2,604,754	1,861,565	743,189	
23	Insurance.	242,747		242,747	
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	SUPPLIES	12,546,348	12,531,351	14,997	
b	EQUIPMENT RENTAL & MAIN	2,376,291	2,213,841	162,450	
c	BAD DEBT EXPENSE	2,254,208	2,254,208		
d	DUES AND SUBSCRIPTIONS	587,997	346,612	241,385	
e	All other expenses	136,287	42,707	93,580	
25	Total functional expenses. Add lines 1 through 24e.	63,631,424	56,527,285	7,104,139	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		1,836,274	1	1,856,060
	2	Savings and temporary cash investments		20,145,362	2	17,551,884
	3	Pledges and grants receivable, net		640,924	3	784,135
	4	Accounts receivable, net		6,910,634	4	7,072,138
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		2,253,123	8	2,349,866
	9	Prepaid expenses and deferred charges		288,325	9	551,271
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a66,417,034			
	b	Less accumulated depreciation	10b27,451,790	36,047,407	10c	38,965,244
	11	Investments—publicly traded securities		20,041,801	11	21,877,801
	12	Investments—other securities See Part IV, line 11		12,180	12	12,180
	13	Investments—program-related See Part IV, line 11		2,133,896	13	2,141,348
	14	Intangible assets		550,840	14	459,065
	15	Other assets See Part IV, line 11		1,408,207	15	1,289,478
	16	Total assets. Add lines 1 through 15 (must equal line 34)		92,268,973	16	94,910,470
Liabilities	17	Accounts payable and accrued expenses		6,715,814	17	5,845,398
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		22,100,761	20	21,314,125
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties		66,045	24	60,449
	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		1,634,680	25	1,460,898
	26	Total liabilities. Add lines 17 through 25		30,517,300	26	28,680,870
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		61,024,325	27	65,351,043
	28	Temporarily restricted net assets		727,348	28	878,557
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		61,751,673	33	66,229,600
	34	Total liabilities and net assets/fund balances		92,268,973	34	94,910,470

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	67,295,593
2	Total expenses (must equal Part IX, column (A), line 25)	2	63,631,424
3	Revenue less expenses Subtract line 2 from line 1	3	3,664,169
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	61,751,673
5	Net unrealized gains (losses) on investments	5	843,158
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	-29,400
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	66,229,600

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 checked="" type="checkbox"/> Separate basis <input 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)

Department of the
Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization VERNON MEMORIAL HEALTHCARE INC	Employer identification number 39-0806404
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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	<input type="checkbox"/>	A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i).
2	<input type="checkbox"/>	A school described in section 170(b)(1)(A)(ii). (Attach Schedule E)
3	<input checked="" type="checkbox"/>	A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
4	<input type="checkbox"/>	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	<input type="checkbox"/>	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	<input type="checkbox"/>	A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
7	<input type="checkbox"/>	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	<input type="checkbox"/>	A community trust described in section 170(b)(1)(A)(vi) (Complete Part II)
9	<input type="checkbox"/>	An organization that normally receives (1) more than 33 ¹ / ₃ % of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 ¹ / ₃ % of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2). (Complete Part III)
10	<input type="checkbox"/>	An organization organized and operated exclusively to test for public safety See section 509(a)(4).
11	<input type="checkbox"/>	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 <input type="checkbox"/> Type I b <input type="checkbox"/> Type II c <input type="checkbox"/> Type III - Functionally integrated d <input type="checkbox"/> Type III - Non-functionally integrated
e	<input type="checkbox"/>	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	<input type="checkbox"/>	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	<input type="checkbox"/>	Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons? (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? (ii) A family member of a person described in (i) above? (iii) A 35% controlled entity of a person described in (i) or (ii) above?
h	<input type="checkbox"/>	Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

Part IIISupport Schedule for Organizations Described in Section 509(a)(2)

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

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

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

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

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

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

Facts And Circumstances Test

Return Reference	Explanation	
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SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

OMB No 1545-0047

2013

Open to Public Inspection

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

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

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

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

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

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

Name of the organization VERNON MEMORIAL HEALTHCARE INC	Employer identification number 39-0806404
--	--

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?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		4,222
j	Total. Add lines 1c through 1i.			4,222
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Return Reference	Explanation
PART II-B, LINE 1	VERNON MEMORIAL HEALTHCARE, INC. PAYS ANNUAL ASSOCIATION MEMBERSHIP DUES TO THE WISCONSIN HOSPITAL ASSOCIATION AND RURAL WISCONSIN HEALTH COOPERATIVE. THESE DUES ARE PRIMARILY FOR ACCESS TO EDUCATIONAL MATERIALS AND STAFF TRAINING AND DEVELOPMENT. A SMALL PORTION OF THE ANNUAL DUES WERE USED IN CONJUNCTION WITH LOBBYING ACTIVITIES WITH THE GOAL OF IMPROVING THE OVERALL HEALTHCARE ENVIRONMENT.

Part IV Supplemental Information (*continued*)[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 VERNON MEMORIAL HEALTHCARE INC	Employer identification number 39-0806404
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Part I

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

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

Part II

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

- 3

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

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

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

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

☐ Yes

☐ No

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

- 1a

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

☐ Yes

☐ No
- b

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

Beginning balance

d

Additions during the year

e

Distributions during the year

f

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

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

☐ Yes

☐ No
- b

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

☐

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

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

- 2

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

Board designated or quasi-endowment
- b

Permanent endowment
- c

Temporarily restricted endowment

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

Are there endowment funds not in the possession of the organization that are held and administered for the organization by

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

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		1,686,208		1,686,208
b Buildings		49,868,542	19,392,935	30,475,607
c Leasehold improvements				
d Equipment		12,450,834	8,058,855	4,391,979
e Other		2,411,450		2,411,450
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				38,965,244

Schedule D (Form 990) 2013

Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements	1	65,876,929
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	843,158
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	304,311
e	Add lines 2a through 2d	2e	1,147,469
3	Subtract line 2e from line 1	3	64,729,460
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	2,566,133
c	Add lines 4a and 4b	4c	2,566,133
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)	5	67,295,593

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	61,369,602
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	304,311
e	Add lines 2a through 2d	2e	304,311
3	Subtract line 2e from line 1	3	61,065,291
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	2,566,133
c	Add lines 4a and 4b	4c	2,566,133
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)	5	63,631,424

Part XIII

Supplemental Information

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

Return Reference	Explanation
PART X, LINE 2	IN ORDER TO ACCOUNT FOR ANY UNCERTAIN TAX POSITIONS, VERNON MEMORIAL HEALTHCARE, INC ASSESSES WHETHER IT IS MORE LIKELY THAN NOT THAT A TAX POSITION WILL BE SUSTAINED UPON EXAMINATION OF THE TECHNICAL MERITS OF THE POSITION, ASSUMING THE TAXING AUTHORITY HAS FULL KNOWLEDGE OF ALL INFORMATION. IF THE TAX POSITION DOES NOT MEET THE MORE LIKELY THAN NOT RECOGNITION THRESHOLD, THE BENEFIT OF THAT POSITION IS NOT RECOGNIZED IN THE ACCOMPANYING FINANCIAL STATEMENTS. VERNON MEMORIAL HEALTHCARE, INC HAS NOT RECORDED ANY ASSETS OR LIABILITIES RELATED TO UNCERTAIN TAX POSITIONS OR UNRECOGNIZED TAX BENEFITS AS OF SEPTEMBER 30, 2014 AND 2013. FEDERAL TAX RETURNS FOR TAX YEARS ENDED SEPTEMBER 30, 2011, AND BEYOND REMAIN SUBJECT TO EXAMINATION BY THE INTERNAL REVENUE SERVICE.
PART XI, LINE 2D - OTHER ADJUSTMENTS	RENTAL EXPENSES NET AGAINST REVENUE 304,311
PART XI, LINE 4B - OTHER ADJUSTMENTS	EXPENSES NET AGAINST REVENUE 311,925. BAD DEBT EXPENSE NET AGAINST REVENUE 2,254,208.
PART XII, LINE 2D - OTHER ADJUSTMENTS	RENTAL EXPENSES NET AGAINST REVENUE 304,311
PART XII, LINE 4B - OTHER ADJUSTMENTS	EXPENSES NET AGAINST REVENUE 311,925. BAD DEBT EXPENSE NET AGAINST REVENUE 2,254,208.

[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
VERNON MEMORIAL HEALTHCARE INC

Employer identification number
39-0806404

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 <div><input type="checkbox"/> Applied uniformly to all hospital facilities</div> <div><input type="checkbox"/> Applied uniformly to most hospital facilities</div> <div><input type="checkbox"/> Generally tailored to individual hospital facilities</div>		
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 <div><input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>30000 0000000000 %</u></div>	3a Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care <div><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 _____ %</div>	3b Yes	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care		
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4 Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c	No
6a	Did the organization prepare a community benefit report during the tax year?	6a Yes	
b	If "Yes," did the organization make it available to the public?	6b Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H		

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			1,126,980		1,126,980	1 840 %
b Medicaid (from Worksheet 3, column a)			7,196,455	4,739,732	2,456,723	4 000 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . .						
d Total Financial Assistance and Means-Tested Government Programs . .			8,323,435	4,739,732	3,583,703	5 840 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			239,052	15,040	224,012	0 360 %
f Health professions education (from Worksheet 5)			275,325		275,325	0 450 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			371,556	540	371,016	0 600 %
j Total. Other Benefits			885,933	15,580	870,353	1 410 %
k Total. Add lines 7d and 7j . .			9,209,368	4,755,312	4,454,056	7 250 %

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			390		390	0 %
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development			630		630	0 %
9Other			57,059	1,125	55,934	0 090 %
10Total			58,079	1,125	56,954	0 090 %

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

1,274,716

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

1,019,770

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

10,940,150

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

6

11,587,749

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

7

-647,599

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

No

Part IVManagement Companies and Joint Ventures

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

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

Part V

Facility Information

Section A. Hospital Facilities

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

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

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

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

VERNON MEMORIAL HOSPITAL INC

Name of hospital facility or facility reporting group

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

1

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

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes		
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>300 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes		
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes		
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes		
a <input checked="" type="checkbox"/> Income level					
b <input checked="" type="checkbox"/> Asset level					
c <input checked="" type="checkbox"/> Medical indigency					
d <input checked="" type="checkbox"/> Insurance status					
e <input checked="" type="checkbox"/> Uninsured discount					
f <input checked="" type="checkbox"/> Medicaid/Medicare					
g <input type="checkbox"/> State regulation					
h <input type="checkbox"/> Residency					
i <input type="checkbox"/> Other (describe in Part VI)					
13 Explained the method for applying for financial assistance?		13	Yes		
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes		
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website					
b <input type="checkbox"/> The policy was attached to billing invoices					
c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms					
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices					
e <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility					
f <input checked="" type="checkbox"/> The policy was available upon request					
g <input checked="" type="checkbox"/> Other (describe in Part VI)					
Billing and Collections					
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes		
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP					
a <input type="checkbox"/> Reporting to credit agency					
b <input type="checkbox"/> Lawsuits					
c <input type="checkbox"/> Liens on residences					
d <input type="checkbox"/> Body attachments					
e <input type="checkbox"/> Other similar actions (describe in Section C)					
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?				17	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
a <input type="checkbox"/> Reporting to credit agency					
b <input type="checkbox"/> Lawsuits					
c <input type="checkbox"/> Liens on residences					
d <input type="checkbox"/> Body attachments					
e <input type="checkbox"/> Other similar actions (describe in Section C)					

Part V

Facility Information (continued)

- 18 Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☐

Notified individuals of the financial assistance policy on admission
- b

☐

Notified individuals of the financial assistance policy prior to discharge
- c

☐

Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- d

☐

Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

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

[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? 9

Name and address		Type of Facility (describe)
1	HIRSCH CLINIC 407 S MAIN ST SUITE 400 VIROQUA, WI 54665	PROVIDER BASED RURAL HEALTH CLINIC
2	VERNON MEMORIAL HEALTHCARE PHARMACY 407 S MAIN ST SUITE 400 VIROQUA, WI 54665	PHARMACY
3	LAFARGE MEDICAL CLINIC 111 W SNOW ST LAFARGE, WI 54639	PROVIDER BASED RURAL HEALTH CLINIC
4	SOLAR TOWN PHARMACY 104 SUNSET AVE SOLDIERS GROVE, WI 54655	PHARMACY
5	BLAND CLINIC 100 MELBY ST WESTBY, WI 54667	PROVIDER BASED RURAL HEALTH CLINIC
6	KICKAPOO VALLEY MEDICAL CLINIC 102 SUNSET AVE SOLDIERS GROVE, WI 54655	PROVIDER BASED RURAL HEALTH CLINIC
7	VERNON MEMORIAL HEALTHCARE INC 705 ARENA DRIVE VIROQUA, WI 54665	HOSPICE
8	VERNON MEMORIAL PHARMACY - WESTBY 115 W STATE STREET WESTBY, WI 54667	PHARMACY
9	VERNON MEMORIAL HEALTHCARE INC 705 ARENA DRIVE VIROQUA, WI 54665	HOME HEALTH AGENCY
10		

Part VI

Supplemental Information

Provide the following information

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

Form and Line Reference	Explanation
PART I, LINE 7	THE COSTING METHOD USED ON FORM 990 IS BASED ON A COST-TO-CHARGE RATIO WHICH IS DEVELOPED BASED ON THE HOSPITAL'S TOTAL OPERATING EXPENSES LESS THE PROVISION FOR BAD DEBTS DIVIDED BY GROSS PATIENT SERVICE REVENUE THIS COST-TO-CHARGE RATIO IS APPLIED AGAINST REVENUE AND EXPENSE CATEGORIES TO COMPUTE THE ESTIMATED COMMUNITY BENEFIT EXPENSE UNDER IRS COSTING METHODS FOR THE FORM 990

Form and Line Reference	Explanation
PART I, LINE 7, COLUMN (F)	THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 2,254,208

Form and Line Reference	Explanation
PART II, COMMUNITY BUILDING ACTIVITIES	WHILE THERE IS A GROWING AGREEMENT IN THE UNITED STATES ABOUT WHAT CONSTITUTES A NON-PROFIT HOSPITAL'S COMMUNITY BENEFIT, THIS IS A WORK IN PROGRESS. OUR HOSPITAL PROVIDES CHARITY CARE AND OTHER COMMUNITY BENEFITS AS DEFINED BY THE IRS. BUT IN ADDITION, WE BELIEVE THAT WE PROVIDE A CRITICALLY IMPORTANT COMMUNITY BENEFIT WHICH IS NOT QUANTIFIED. OUR HOSPITAL, LIKE MOST RURAL HOSPITALS, WAS CREATED AND IS MAINTAINED IN ORDER TO PROVIDE LOCAL ACCESS TO MANY HEALTH SERVICES: BIRTHING CENTER, DIAGNOSTICS, EMERGENCY SERVICES AND URGENT CARE, HOME CARE, HOSPICE, INFUSION SERVICES, INPATIENT CARE, LABORATORY SERVICES, OCCUPATIONAL HEALTH, REHABILITATION SERVICES, SPECIALTY MEDICINE, SPEECH AND AUDIOLOGY, SURGICAL SERVICES, AND WOMEN'S HEALTH.

Form and Line Reference	Explanation
PART III, LINE 2	THE COSTING METHODOLOGY USED ON FORM 990 IS BASED ON A COST-TO-CHARGE RATIO WHICH IS DEVELOPED BASED ON THE HOSPITAL'S TOTAL OPERATING EXPENSES LESS THE PROVISION FOR BAD DEBTS DIVIDED BY GROSS PATIENT SERVICE REVENUE THIS COST-TO-CHARGE RATIO IS APPLIED AGAINST THE TOTAL CHARGES THAT ARE WRITTEN OFF DURING THE FISCAL YEAR TO ESTIMATE THE COST OF THE CHARITY CARE OF PATIENTS THAT HAVE ACCOUNTS THAT ARE DEEMED TO BE BAD DEBTS TO THE HOSPITAL THE HOSPITAL ALSO PROVIDES DISCOUNTS TO ELIGIBLE UNINSURED OR UNDERINSURED PATIENTS UNDER ITS CHARITY CARE POLICY THESE AMOUNTS ARE INCLUDED IN THE CONTRACTUAL ADJUSTMENTS ON THE FINANCIAL STATEMENTS AND ARE NOT INCLUDED IN THE RATIO AS DESCRIBED ABOVE AND APPROVED BY THE IRS FOR USE ON FORM 990 IF CONSIDERED, THESE ADDITIONAL WRITE-OFF AMOUNTS TO UNINSURED OR UNDERINSURED ACCOUNTS WOULD ALSO INCREASE THE ESTIMATED BAD DEBT EXPENSE ASSOCIATED WITH THESE UNCOLLECTIBLE ACCOUNTS TO THE ORGANIZATION

Form and Line Reference	Explanation
PART III, LINE 3	MANAGEMENT PROVIDES FOR PROBABLE UNCOLLECTIBLE AMOUNTS, PRIMARILY UNINSURED PATIENTS, AND AMOUNTS PATIENTS ARE PERSONALLY RESPONSIBLE FOR, THROUGH A CHARGE TO OPERATIONS AND A CREDIT TO A VALUATION ALLOWANCE BASED ON ITS ASSESSMENT OF HISTORICAL COLLECTION LIKELIHOOD AND THE CURRENT STATUS OF INDIVIDUAL ACCOUNTS BALANCES THAT ARE STILL OUTSTANDING AFTER MANAGEMENT HAS USED REASONABLE COLLECTION EFFORTS ARE WRITTEN OFF THROUGH A CHARGE TO THE VALUATION ALLOWANCE AND A CREDIT TO ACCOUNTS RECEIVABLE MANY TIMES PATIENTS ARE UNABLE TO COMPLETE THE REQUIRED CHARITY CARE APPLICATION AND ARE TRANSFERRED TO COLLECTION SERVICES EVEN THOUGH THE HOSPITAL PROVIDES THIS INFORMATION TO ALL PATIENTS AND ASSISTANCE WITH THE APPLICATIONS DUE TO NO RESPONSES FROM SOME PATIENTS, A SIGNIFICANT AMOUNT OF BAD DEBTS COULD BE CONSIDERED AS CHARITY CARE

Form and Line Reference	Explanation
PART III, LINE 4	ACCOUNTS RECEIVABLE AND CREDIT POLICY IN EVALUATING THE COLLECTABILITY OF ACCOUNTS RECEIVABLE, VERNON MEMORIAL HEALTHCARE, INC ANALYZES PAST RESULTS AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYOR SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PROVISION FOR BAD DEBTS MANAGEMENT REGULARLY REVIEWS DATA ABOUT THESE MAJOR PAYOR SOURCES OF REVENUE IN EVALUATING THE SUFFICIENCY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS SPECIFICALLY, FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY COVERAGE, THE ORGANIZATION ANALYZES CONTRACTUALLY DUE AMOUNTS AND PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR BAD DEBTS FOR EXPECTED UNCOLLECTIBLE DEDUCTIBLES AND COPAYMENTS ON ACCOUNTS FOR WHICH THE THIRD-PARTY PAYOR HAS NOT YET PAID, OR FOR PAYORS AND PATIENTS WHO ARE KNOWN TO BE HAVING FINANCIAL DIFFICULTIES THAT MAKE THE REALIZATION OF AMOUNTS DUE UNLIKELY FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS (WHICH INCLUDES BOTH PATIENTS WITHOUT INSURANCE AND PATIENTS WITH DEDUCTIBLE AND COPAYMENT BALANCES DUE FOR WHICH THIRD-PARTY COVERAGE EXISTS FOR PART OF THE BILL), THE ORGANIZATION RECORDS A SIGNIFICANT PROVISION FOR BAD DEBTS IN THE PERIOD OF SERVICE ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE THE DIFFERENCE BETWEEN THE STANDARD RATES (OR THE DISCOUNTED RATES IF NEGOTIATED) AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS THE AUDITED FINANCIAL STATEMENTS DO NOT INCLUDE A SEPARATE FOOTNOTE REGARDING BAD DEBT EXPENSE

Form and Line Reference	Explanation
PART III, LINE 8	VERNON MEMORIAL HEALTHCARE, INC IS DESIGNATED AS A CRITICAL ACCESS HOSPITAL AND AS SUCH A PORTION OF ITS REVENUES ARE PAID UNDER A COST REIMBURSEMENT SYSTEM BASED ON THE INSTRUCTIONS, THE TOTAL MEDICARE REVENUE SHOWN ON THIS FORM 990 INCLUDES ONLY A PORTION OF THE GROSS MEDICARE REVENUE THAT IS ACTUALLY RECEIVED BY THE HOSPITAL FROM THE MEDICARE PROGRAM THE AMOUNTS LISTED FOR MEDICARE DO NOT INCLUDE PHYSICIAN AND MID-LEVEL PRACTITIONER SERVICES FOR THE COVERAGE OF THE EMERGENCY DEPARTMENT PHYSICIAN COVERAGE IS REIMBURSED PRIMARILY ON A FEE SCHEDULE REIMBURSEMENT METHODOLOGY AT RATES THAT ARE OFTEN BELOW THE COSTS OF CARING FOR PATIENTS EMERGENCY SERVICES PROVIDED TO MEDICARE PATIENTS ARE VITAL TO THE WELL-BEING OF THE COMMUNITY AND AS SUCH THESE COSTS AND SHORTFALLS SHOULD ALSO BE CONSIDERED AS AN ADDITIONAL BENEFIT THAT VERNON MEMORIAL HEALTHCARE, INC PROVIDES TO THE COMMUNITY AND SURROUNDING AREA THE COSTING METHOD USED ABOVE FOR IRS FORM 990 COMPLIANCE REPORTING IS ALSO BASED ON AN OVERALL AVERAGE COST-TO-CHARGE RATIO AND DOES NOT CONSIDER MEDICARE NON-ALLOWABLE EXPENSES AS IT IS BASED ON TOTAL HOSPITAL PATIENT SERVICE REVENUES (IGNORING CONTRACTUAL ADJUSTMENTS ON FEE SCHEDULE REIMBURSED ITEMS AND NON-ALLOWABLE MEDICARE EXPENSES AS NOTED ABOVE) DIVIDED BY TOTAL OPERATING EXPENSES LESS THE PROVISION FOR BAD DEBT EXPENSE THIS RATIO IS THEN MULTIPLIED BY THE TOTAL MEDICARE SERVICES WHICH ARE REIMBURSED ON A COST METHODOLOGY EXCLUDING THE FEE SCHEDULE ITEMS LIKE PHYSICIAN AND MID-LEVEL PRACTITIONER SERVICES WHICH THE HOSPITAL WOULD SHOW A LARGE LOSS ON THESE SERVICES WHETHER THERE IS A SHORTFALL OR SURPLUS FROM SERVICES PROVIDED TO MEDICARE BENEFICIARIES, THE RECIPIENTS ARE TYPICALLY ELDERLY AND/OR DISABLED MEMBERS OF THE COMMUNITY AND ARE AN UNDERSERVED POPULATION WHO EXPERIENCE ISSUES WITH ACCESS TO HEALTHCARE SERVICES WITHOUT TAX-EXEMPT HOSPITALS PROVIDING MEDICARE PATIENT SERVICES, THE CENTERS FOR MEDICARE AND MEDICAID (CMS) WOULD BEAR THE BURDEN OF DIRECTLY PROVIDING SERVICES TO THE ELDERLY AND DISABLED MEMBERS OF THE COMMUNITY

Form and Line Reference	Explanation
PART VI, LINE 2	IN ADDITION TO THE COMMUNITY HEALTH NEEDS ASSESSMENT RECENTLY CONDUCTED IN CONJUNCTION WITH AREA HEALTHCARE FACILITIES, THE GREAT RIVERS UNITED WAY AND COUNTY HEALTH DEPARTMENTS, VERNON MEMORIAL HEALTHCARE CONTINUALLY GATHERS AND REVIEWS DATA RELATED TO COMMUNITY NEEDS BY UTILIZING MORE INFORMAL FOCUS AND ADVISORY GROUPS, DISCUSSIONS WITH AREA EMPLOYERS, AND WEB SURVEYS, AS WELL AS THROUGH SERVING ON LOCAL AND STATE BOARDS AND COMMITTEES THE ORGANIZATION COLLABORATES WITH COMMUNITY ORGANIZATIONS, CHURCHES, BUSINESSES, AGENCIES, AND LOCAL COLLEGES AND UNIVERSITIES TO DETERMINE THE NEEDS OF THE COMMUNITIES SERVED BOARD MEMBERS REPRESENT NOT ONLY THE CITY OF VIROQUA, BUT COME FROM THE DIFFERENT AREAS SERVED BY THE ORGANIZATION THESE BOARD MEMBERS REGULARLY MEET WITH THE PEOPLE IN THEIR AREAS TO UTILIZE THE SERVICES OFFERED BY THE ORGANIZATION AND BRING BACK THEIR ISSUES AND CONCERNS

Form and Line Reference	Explanation
PART VI, LINE 3	VERNON MEMORIAL HEALTHCARE, INC MAKES EVERY EFFORT TO EDUCATE PATIENTS ABOUT CHARITY CARE AND OTHER DISCOUNT PROGRAMS AVAILABLE AT THE TIME OF REGISTRATION AND FOLLOWING DISCHARGE FORMS AND INSTRUCTIONS ARE AVAILABLE AT ALL REGISTRATION AREAS, INCLUDING THE MAIN HOSPITAL, EMERGENCY ROOM AND OUTLYING CLINICS FINANCIAL COUNSELORS ARE AVAILABLE DURING DAYTIME HOURS TO ASSIST PATIENTS WITH COMPLETION OF FORMS, EITHER IN PERSON OR OVER THE PHONE INFORMATION ABOUT CHARITY AND DISCOUNT PROGRAMS IS ALSO AVAILABLE ON THE ORGANIZATION'S WEBSITE AND E-NEWSLETTER SIGNS REGARDING THE COMMUNITY CARE PROGRAM ARE POSTED AT ALL REGISTRATION LOCATIONS

Form and Line Reference	Explanation
PART VI, LINE 4	VERNON MEMORIAL HEALTHCARE, INC SERVES THE CITY OF VIROQUA AND THE SURROUNDING AREA OTHER TOWNS IN THE PRIMARY SERVICE AREA INCLUDE WESTBY, READSTOWN, SOLDIERS GROVE, CASHTON, AND LAFARGE THE SECONDARY SERVICE AREA EXTENDS TO THE CITIES OF DESOTO , FERRYVILLE, HILLSBORO , COON VALLEY, RICHLAND CENTER, GAYS MILLS, AND ONTARIO THE COMMUNITIES AND SURROUNDING RURAL AREAS IN THE PRIMARY SERVICE AREA HAVE AN APPROXIMATE POPULATION OF 23,000 THE SECONDARY SERVICE AREA INCLUDES AN ADDITIONAL 25,000 PERSONS THE ENTIRE AREA IS RURAL WITH AN AGING POPULATION AND RELATIVELY LOW INCOME LEVELS

Form and Line Reference	Explanation
PART VI, LINE 5	VERNON MEMORIAL HEALTHCARE, INC PROVIDES A FULL RANGE OF INPATIENT AND OUTPATIENT SERVICES TO THE PEOPLE IN THE COMMUNITIES IT SERVES SERVICES ARE PROVIDED WITHOUT REGARD TO RACE, COLOR, CREED, RELIGION, GENDER ORIENTATION, DISABILITY, AGE, OR NATIONAL ORIGIN VERNON MEMORIAL HEALTHCARE, INC OPERATES A 24/7 EMERGENCY ROOM THAT IS OPEN TO SERVE ALL IN NEED, REGARDLESS OF ABILITY TO PAY THE ORGANIZATION OWNS AND OPERATES FOUR RURAL HEALTH CLINICS LOCATED IN THE CITIES OF VIROQUA, WESTBY, SOLDIERS GROVE, AND LAFARGE, AS WELL AS THREE RETAIL PHARMACIES LOCATED IN VIROQUA, WESTBY AND SOLDIERS GROVE HOME HEALTH AND HOSPICE SERVICES (INPATIENT AND OUTPATIENT) ARE ALSO PROVIDED VERNON MEMORIAL HEALTHCARE, INC COLLABORATES WITH COMMUNITIES, CHURCHES, BUSINESSES, AND OTHER HEALTHCARE ORGANIZATIONS IN THE REGION TO FACILITATE AND STRENGTHEN ACCESSIBILITY OF QUALITY COMPREHENSIVE HEALTHCARE SERVICES THE ORGANIZATION SUPPORTS THE LOCAL COMMUNITIES BY PROVIDING CONVENIENT LOCATIONS FOR PRIMARY CARE AND PHARMACY SERVICES THE BOARD OF DIRECTORS IS COMPRISED OF INDEPENDENT COMMUNITY MEMBERS WHO REPRESENT THE MAKE-UP OF THE AREAS SERVED BY THE ORGANIZATION VERNON MEMORIAL HEALTHCARE, INC HAS AN OPEN MEDICAL STAFF MADE UP OF QUALIFIED PHYSICIANS WHO WORK WITH THE HOSPITAL TO PROVIDE CARE TO THE COMMUNITIES SERVED ALL QUALIFIED PHYSICIANS AND AFFILIATED STAFF WHO ARE GRANTED PRIVILEGES UNDERGO A THOROUGH AND COMPREHENSIVE CREDENTIALING AND ORIENTATION PROCESS ANY SURPLUS FUNDS GENERATED THROUGH OPERATIONS ARE USED TO CONTINUE TO MEET THE NEEDS OF THE PEOPLE THAT ARE SERVED THROUGH THE ADDITION OF NEW FACILITIES AND EQUIPMENT, OR THE ADDITION OR EXPANSION OF NEEDED SERVICES

Form and Line Reference	Explanation
PART VI, LINE 7, REPORTS FILED WITH STATES	WI

Additional Data

Software ID:
Software Version:
EIN: 39-0806404
Name: VERNON MEMORIAL HEALTHCARE INC

990 Schedule H, Supplemental Information

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.	
Form and Line Reference	Explanation
VERNON MEMORIAL HOSPITAL, INC	
VERNON MEMORIAL HOSPITAL, INC	PART V, SECTION B, LINE 3 EIGHT KEY STAKEHOLDER MEETINGS WERE HELD EACH COUNTY FOCUS GROUP TEAM IDENTIFIED KEY COMMUNITY LEADERS REPRESENTING A BROAD RANGE OF COMMUNITY INTERESTS TO PARTICIPATE IN THESE MEETINGS TWO-HUNDRED FORTY COMMUNITY LEADERS REPRESENTING BUSINESS, CLERGY, HEALTHCARE PROVIDERS AND STAFF, ELECTED OFFICIALS, LAW ENFORCEMENT, EDUCATION, SCHOOL COUNSELORS, UNITED WAY PARTNER AGENCIES, FARMERS, AND COUNTY OFFICIALS FROM THE FIVE COUNTY AREA ATTENDED THE KEY STAKEHOLDER MEETINGS
VERNON MEMORIAL HOSPITAL, INC	PART V, SECTION B, LINE 4 THE COMPASS NOW 2012 PARTNERSHIP WAS CONDUCTED IN JOINT EFFORT WITH THE FOLLOWING OTHER HOSPITALS 1 GUNDERSEN LUTHERAN 2 MAYO CLINIC HEALTH SYSTEM 3 TOMAHAWK MEMORIAL HOSPITAL 4 TRI-COUNTY MEMORIAL HOSPITAL
VERNON MEMORIAL HOSPITAL, INC	PART V, SECTION B, LINE 5D THE CHNA IS AVAILABLE ON THE HOSPITAL'S WEBSITE HTTP //WWW.VMHC.ORG/CONTENT/COMMUNITY-NEEDS-ASSESSMENT THE CHNA IS ALSO AVAILABLE ON THE FOLLOWING WEBSITES HTTP //WWW.GREATRIVERSUNITEDWAY.ORG/OUR-WORK/COMMUNITY-NEEDS-ASSESSMENT HTTP //WWW.GUNDERSENHEALTH.ORG/UPLOAD/DOCS/STJOES/COMMUNITYNEEDSASSESSMENTSUMMARY2012.PDF HTTP //MAYOCLINIC.ORG/LOCATIONS/LA-CROSSE/ABOUT-US/COMMUNITY-HEALTH-NEEDS-ASSESSMENT
VERNON MEMORIAL HOSPITAL, INC	PART V, SECTION B, LINE 7 THERE WERE ITEMS IDENTIFIED IN THE CHNA WHICH WERE NOT ADDRESSED BY VERNON MEMORIAL HEALTHCARE, INC, HOWEVER, ALL ITEMS WERE CONSIDERED IF A NEED WAS BROUGHT TO THE ATTENTION OF THE GROUP DURING THE INFORMATION GATHERING PHASE OF THE CHNA PROCESS THE ITEMS THAT WERE NOT ADDRESSED PRIMARILY WERE NOT ADDRESSED DUE TO THE FINANCIAL CONSTRAINT OF PROVIDING A NEW SERVICE FOR A LIMITED POPULATION OF PEOPLE WITHIN THE PRIMARY SERVICE AREA
VERNON MEMORIAL HOSPITAL, INC	PART V, SECTION B, LINE 14G FORMS AND INSTRUCTIONS ARE AVAILABLE AT ALL REGISTRATION AREAS, INCLUDING THE MAIN HOSPITAL, EMERGENCY ROOM, AND OUTLYING CLINICS

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization
VERNON MEMORIAL HEALTHCARE INC

Employer identification number
39-0806404

Part I

General Information on Grants and Assistance

- 1

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

☒ Yes ☐ No
- 2

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

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) VIROQUA AREA SCHOOLS 115 N EDUCATION AVE VIROQUA,WI 54665	39-6004944	GOV'T ORGANIZATION	77,824				SUPPORT OF BIGLEY POOL, CROSS COUNTRY, POVERTY AWARENESS, BOOK OF THE MONTH PROGRAM
(2) YOUTH INITIATIVE HIGH SCHOOL 500 EAST JEFFERSON ST VIROQUA,WI 54665	39-1906073	501(C)(3)	15,000				MATCHING FUNDS
(3) WESTBY AREA SCHOOL DISTRICT 206 WEST AVE SOUTH WESTBY,WI 54667	39-6005143	GOV'T ORGANIZATION	40,000				SOFTBALL FIELD
(4) VIROQUA AREA FOUNDATION PO BOX 262 VIROQUA,WI 54665	39-1603279	501(C)(3)	90,000				FAIRGROUNDS BUILDING AND VIROQUA PUBLIC LIBRARY
(5) RUNNING INC DBA SCENIC MISSISSIPPI REGIONAL TRANSIT (SMRT) 318 W DECKER STREET VIROQUA,WI 54665	39-2014619	GOV'T ORGANIZATION	5,000				MATCHING FUNDS
(6) FAMILY AND CHILDREN'S CENTER 1707 MAIN STREET LA CROSSE,WI 54601	39-0821863	501(C)(3)	25,000				CAMPAIGN FOR BETTER TOMORROWS
(7) WDRT - DRIFTLESS COMMUNITY RADIO 311 MAIN STREET VIROQUA,WI 54665	74-3090618	501(C)(3)	5,000				PROGRAMMING

2

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

7

3

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

0

Part III

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

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

Part IV

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

Return Reference	Explanation
PART I, LINE 2	ALL DONEES ARE REQUIRED TO SUBMIT THEIR DONATION REQUESTS TO THE CEO OR MARKETING MANAGER OF VERNON MEMORIAL HEALTHCARE, INC REQUESTS SUBMITTED TO THE MARKETING MANAGER ARE FORWARDED TO THE CEO FOR FINAL APPROVAL THE REQUESTS MUST INCLUDE A DETAILED DESCRIPTION OF WHAT THE FUNDS WILL BE USED FOR AND HOW THEY WILL BENEFIT THE COMMUNITY DONEES ARE ASKED TO PROVIDE CONFIRMATION OF RECEIPT AND AN EXPLANATION OF HOW THE FUNDS WERE USED, EITHER VERBALLY OR IN WRITING, TO THE CEO IF THE REQUESTS ARE DEEMED BENEFICIAL TO THE NEEDS OF THE COMMUNITY, THE FUNDS ARE AWARDED TO THE APPLYING ORGANIZATION

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
VERNON MEMORIAL HEALTHCARE INC

Employer identification number
39-0806404

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 type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input checked="" 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> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</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> <div>If "Yes," to line 5a or 5b, describe in Part III</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> <div>If "Yes," to line 6a or 6b, describe in Part III</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)KYLE BAKKUM CEO	(i) (ii)	255,227 0	165,630 0	23,327 0	15,483 0	26,284 0	485,951 0	62,928 0
(2)MARY KOENIG CFO	(i) (ii)	212,642 0	279,118 0	7,199 0	12,939 0	18,360 0	530,258 0	85,921 0
(3)DR JEFFREY MENN PHYSICIAN	(i) (ii)	473,452 0	8,500 0	0 0	13,062 0	27,627 0	522,641 0	0 0
(4)DR ANTHONY MACASAET PHYSICIAN	(i) (ii)	352,356 0	8,500 0	0 0	17,647 0	15,874 0	394,377 0	0 0
(5)ARNOLD NOMANN CRNA	(i) (ii)	410,857 0	8,177 0	0 0	12,622 0	16,799 0	448,455 0	0 0
(6)BRIAN MILLER CRNA	(i) (ii)	328,609 0	6,673 0	4,312 0	10,052 0	26,284 0	375,930 0	0 0
(7)DR PAUL MARISKANISH PHYSICIAN	(i) (ii)	458,358 0	8,500 0	0 0	0 0	18,693 0	485,551 0	0 0
(8)GARITH STEINER FORMER CEO	(i) (ii)	0 0	836,330 0	2,600 0	0 0	21,645 0	860,575 0	405,487 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 II, COLUMN F	UNFUNDED DEFERRED COMPENSATION THAT WAS REPORTED IN PRIOR YEARS (2010 THROUGH 2013) ON SCHEDULE J, PART III IS REFLECTED IN PART II, COLUMN F. THE UNFUNDED DEFERRED COMPENSATION WAS PAID OUT IN DECEMBER 2013. THE TOTAL PAID OUT WAS \$1,264,887, ALL OF WHICH HAD BEEN RECOGNIZED AS AN EXPENSE IN YEARS PRIOR TO FISCAL YEAR 2014.

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
VERNON MEMORIAL HEALTHCARE INC

Employer identification number
39-0806404

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 WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY	39-1337855	97710VXQ6	05-19-2005	22,894,672	FINANCE CONSTRUCTION OF FACILITY EXPANSION		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	2,005,000							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	22,894,672							
4	Gross proceeds in reserve funds	1,846,325							
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	457,893							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	20,590,454							
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2006							
		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?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	4 530 %							
6	Total of lines 4 and 5	4 530 %							
7	Does the bond issue meet the private security or payment test?		X						
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?		X						

Part IV

Arbitrage

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

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

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

Return Reference	Explanation
SCHEDULE K, PART IV, LINE 2C ARBITRAGE	THE REBATE COMPUTATION WAS PERFORMED AS OF MARCH 31, 2010 THE REBATE AMOUNT CALCULATED IN ACCORDANCE WITH TREAS REG ACTION 1 148-3(B) FOR THE BONDS WAS \$0

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
VERNON MEMORIAL HEALTHCARE INC

Employer identification number
39-0806404

990 Schedule O, Supplemental Information

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6	
FORM 990, PART VI, SECTION A, LINE 7A	THE DUTIES OF THE MEMBERS OF THE ORGANIZATION SHALL BE THE ELECTION OF MEMBERS OF THE BOA RD OF DIRECTORS OF THE ORGANIZATION, THE REMOVAL OF MEMBERS OF THE BOARD OF DIRECTORS OF T HE ORGANIZATION, AND THE CHANGING OF THE NUMBER OF DIRECTORS CONSTITUTING THE BOARD OF DIR ECTORS OF THE ORGANIZATION
FORM 990, PART VI, SECTION A, LINE 7B	THE DUTIES OF THE MEMBERS OF THE VERNON ORGANIZATION SHALL ALSO INCLUDE THE AMENDMENT, RE STATEMENT, OR MODIFICATION OF THE ARTICLES OF INCORPORATION OR BYLAWS OF THE ORGANIZATION, AND THE APPROVAL OF THE SALE, LEASE, OR OTHER DISPOSITION OF ALL, OR SUBSTANTIALLY ALL OF THE ASSETS AND PROPERTY OF THE ORGANIZATION, THE DISSOLUTION OF THE ORGANIZATION, OR ITS MERGER WITH ANOTHER CORPORATION
FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 IS REVIEWED BY THE BOARD OF DIRECTORS OF VERNON MEMORIAL HEALTHCARE, INC AT THEIR REGULARLY SCHEDULED BOARD MEETING PRIOR TO FILING THE RETURN
FORM 990, PART VI, SECTION B, LINE 12	ALL BOARD MEMBERS OF VERNON MEMORIAL HEALTHCARE, INC ARE REQUIRED TO DISCLOSE ALL POSSIBL E CONFLICTS OF INTEREST WHEN FIRST ELECTED TO THE BOARD OF DIRECTORS DURING THEIR TERMS, IF ANY BUSINESS RELATIONSHIPS ARE ENTERED INTO WHICH MAY AFFECT THEIR INDEPENDENCE AS A ME MBER, THE MEMBER MUST IMMEDIATELY DISCLOSE THESE RELATIONSHIPS
FORM 990, PART VI, SECTION B, LINE 15	TO DETERMINE APPROPRIATE SALARY RANGES FOR UPPER MANAGEMENT POSITIONS, VERNON MEMORIAL HEA LTHCARE, INC UTILIZES BENCHMARK DATA FROM SURVEYS CONDUCTED BY RELEVANT TRADE ORGANIZATIO NS THE CEO HAS THE RIGHT TO AMEND THE DETERMINED AMOUNT FOR THE CFO AND COO THE BOARD HA S THE RIGHT TO AMEND THE AMOUNT FOR THE CEO THE EXECUTIVE COMMITTEE OF THE BOARD REVIEWS THE DATA FOR THE CEO ANNUALLY TO DETERMINE THE AMOUNT OF HIS COMPENSATION AND ANY CHANGES IN COMPENSATION ARE MAINTAINED IN THE PERSONNEL FILE THE CEO REVIEWS THE DATA FOR THE CFO AND COO ANNUALLY TO DETERMINE THE AMOUNT OF COMPENSATION AND ANY CHANGES ARE MAINTAINED I N THE PERSONNEL FILE
FORM 990, PART VI, SECTION C, LINE 19	VERNON MEMORIAL HEALTHCARE, INC MAKES ITS FINANCIAL STATEMENTS AND GOVERNING DOCUMENTS AV AILABLE TO THE PUBLIC ON A PER REQUEST BASIS THE FORM 990 IS ALSO AVAILABLE TO THE PUBLIC ON A THIRD PARTY WEBSITE CALLED GUIDESTAR
FORM 990, PART XI, LINE 9	NET ASSETS RELEASED FROM RESTRICTION FOR OPERATIONS -29,400
FORM 990, PART XI, LINE 2C	OVERSIGHT OF AUDIT VERNON MEMORIAL HEALTHCARE, INC DOES NOT HAVE A SPECIFIC COMMITTEE WH ICH ASSUMES THE RESPONSIBILITY FOR OVERSIGHT OF THE AUDIT THE ENTIRE BOARD OF DIRECTORS I S RESPONSIBLE FOR SELECTION OF THE INDEPENDENT ACCOUNTANT NO CHANGES HAVE BEEN MADE IN TH E PAST YEAR REGARDING THIS OVERSIGHT FUNCTION OF THE GOVERNING BODY

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
VERNON MEMORIAL HEALTHCARE INC

Employer identification number
39-0806404

Part I Identification of Disregarded Entities

Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) VERNON MEMORIAL HEALTHCARE FOUNDATION INC 507 SOUTH MAIN STREET VIROQUA, WI 54665 39-1515716	FUNDRAISING	WI	501(C)3	11 C - III - FI	N/A		No

Part III

Identification of Related Organizations Taxable as a Partnership

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

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

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V

Transactions With Related Organizations

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

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

No

No

Yes

No

No

No

No

No

No

No

No

Yes

Yes

Yes

No

No

No

No

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved

Schedule R (Form 990) 2013

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

[illegible]

Part VII

Supplemental Information

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

Return Reference	Explanation
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Vernon Memorial Healthcare, Inc.

Viroqua, Wisconsin

Financial Statements

Years Ended September 30, 2014 and 2013

Vernon Memorial Healthcare, Inc.

Financial Statements

Years Ended September 30, 2014 and 2013

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Independent Auditor's Report

Board of Directors
Vernon Memorial Healthcare, Inc.
Viroqua, Wisconsin

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vernon Memorial Healthcare, Inc. at September 30, 2014 and 2013, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", "l", and "i" being particularly prominent and connected.

Wipfli LLP

January 22, 2015
Eau Claire, Wisconsin

Vernon Memorial Healthcare, Inc.

Balance Sheets

September 30, 2014 and 2013

<i>Assets</i>	2014	2013
Current assets		
Cash and cash equivalents	\$ 15,665,948	\$ 17,814,363
Assets limited as to use	90,856	92,154
Accounts receivable - Net	7,072,138	6,910,634
Inventories	2,349,866	2,253,123
Prepaid expenses	551,271	288,325
Other receivables	314,478	630,507
Amounts receivable from third-party reimbursement programs	975,000	777,700
Current portion of receivable from Foundation	733,617	515,264
Total current assets	27,753,174	29,282,070
Assets limited as to use.		
Board-designated investments - For capital improvements	24,064,476	22,591,842
Set aside to fund donor-restricted contributions	94,423	86,423
Under bond indenture agreement - Held by trustee	2,141,348	2,133,896
Deferred compensation plan	1,460,898	1,530,809
Total assets limited as to use	27,761,145	26,342,970
Less - Assets required for current liabilities	90,856	92,154
Noncurrent assets limited as to use	27,670,289	26,250,816
Property and equipment - Net	38,965,244	36,047,407
Other assets		
Unamortized bond issue costs	459,065	550,840
Receivable from Foundation - Less current portion	50,518	125,660
Other	12,180	12,180
Total other assets	521,763	688,680
TOTAL ASSETS	\$ 94,910,470	\$ 92,268,973

<i>Liabilities and Net Assets</i>	2014	2013
Current liabilities		
Current portion of long-term debt and capital lease obligations	\$ 552,307	\$ 808,678
Accounts payable	2,078,818	1,772,902
Accrued payroll and payroll taxes	800,107	694,994
Accrued bonuses	409,979	873,567
Accrued leave time	910,840	880,915
Accrued interest payable	90,856	92,154
Medical claims payable	750,000	750,000
Other accrued liabilities	804,798	1,651,282
Total current liabilities	6,397,705	7,524,492
Long-term liabilities		
Long-term debt and capital lease obligations - Less current portion	20,822,267	21,358,128
Deferred compensation plan	1,460,898	1,530,809
Other long-term liabilities	-	103,871
Total long-term liabilities	22,283,165	22,992,808
Total liabilities	28,680,870	30,517,300
Net assets:		
Unrestricted	65,351,043	61,024,325
Temporarily restricted	878,557	727,348
Total net assets	66,229,600	61,751,673
TOTAL LIABILITIES AND NET ASSETS	\$ 94,910,470	\$ 92,268,973

Vernon Memorial Healthcare, Inc.

Statements of Operations

Years Ended September 30, 2014 and 2013

	2014	2013
Revenue		
Patient service revenue - Net of contractual adjustments and discounts	\$ 65,525,755	\$ 66,718,421
Provision for bad debts	(2,254,208)	(1,939,382)
Net patient service revenue	63,271,547	64,779,039
Other operating revenue	758,980	956,574
Total revenue	64,030,527	65,735,613
Expenses		
Nursing services	13,504,514	14,714,509
Other professional services	27,264,550	25,836,726
General services	2,045,407	2,027,577
Administrative services	6,230,515	5,942,237
Employee benefits	8,503,094	8,490,299
Depreciation and amortization	2,798,398	2,716,430
Interest	1,023,124	1,142,868
Total expenses	61,369,602	60,870,646
Income from operations	2,660,925	4,864,967
Other income (loss)		
Investment income	625,124	636,933
Realized gains on sale of investments	58,496	120,853
Contributions	137,506	76,194
Gain (loss) on disposal of property and equipment	1,509	(245,226)
Total other income (loss) - Net	822,635	588,754
Revenue in excess of expenses	3,483,560	5,453,721
Other changes in unrestricted net assets		
Net change in unrealized gains on investments, other than trading securities	843,158	970,527
Net assets released from restriction for capital	-	700,000
Increase in unrestricted net assets	\$ 4,326,718	\$ 7,124,248

See accompanying notes to financial statements.

Vernon Memorial Healthcare, Inc.

Statements of Changes in Net Assets

Years Ended September 30, 2014 and 2013

	2014	2013
Unrestricted net assets		
Revenue in excess of expenses	\$ 3,483,560	\$ 5,453,721
Net change in unrealized gains on investments, other than trading securities	843,158	970,527
Net assets released from restriction for capital	-	700,000
Increase in unrestricted net assets	4,326,718	7,124,248
Temporarily restricted net assets		
Contributions	180,609	135,754
Net assets released from restriction for operations and capital	(29,400)	(765,261)
Increase (decrease) in temporarily restricted net assets	151,209	(629,507)
Change in net assets	4,477,927	6,494,741
Net assets - Beginning of year	61,751,673	55,256,932
Net assets - End of year	\$ 66,229,600	\$ 61,751,673

Vernon Memorial Healthcare, Inc.

Statements of Cash Flows

Years Ended September 30, 2014 and 2013

	2014	2013
Increase in cash and cash equivalents		
Cash flows from operating activities.		
Cash received from patients and third-party payors	\$ 63,987,752	\$ 65,468,362
Cash paid for employee compensation and fringe benefits	(34,633,735)	(33,287,889)
Cash paid to suppliers	(24,444,362)	(24,229,195)
Investment income received	625,124	636,933
Interest paid	(1,024,422)	(1,148,514)
Contributions	137,506	76,194
Net cash provided by operating activities	4,647,863	7,515,891
Cash flows from investing activities		
Proceeds from sale of property and equipment	15,050	24,088
Property and equipment additions	(5,466,531)	(3,617,718)
Increase in assets limited as to use	(586,432)	(597,587)
Net cash used in investing activities	(6,037,913)	(4,191,217)
Cash flows from financing activities		
(Increase) decrease in receivable from Foundation	(143,211)	628,020
Payments on long-term debt and capital lease obligations	(795,763)	(788,091)
Restricted contributions	180,609	135,754
Net cash used in financing activities	(758,365)	(24,317)
Increase (decrease) in cash and cash equivalents	(2,148,415)	3,300,357
Cash and cash equivalents at beginning	17,814,363	14,514,006
Cash and cash equivalents at end	\$ 15,665,948	\$ 17,814,363

Vernon Memorial Healthcare, Inc.

Statements of Cash Flows (Continued)

Years Ended September 30, 2014 and 2013

	2014	2013
Reconciliation of change in net assets to net cash provided by operating activities.		
Change in net assets	\$ 4,477,927	\$ 6,494,741
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Provision for bad debts	2,254,208	1,939,382
Depreciation and amortization	2,798,398	2,716,430
(Gain) loss on disposal of property and equipment	(1,509)	245,226
Change in officer deferred leave time	-	6,094
Net change in realized and unrealized gains on investments, other than trading securities	(901,654)	(1,091,380)
Restricted contributions	(180,609)	(135,754)
Changes in operating assets and liabilities		
Accounts receivable	(2,415,712)	(1,865,905)
Inventories	(96,743)	(145,076)
Prepaid expenses	(262,946)	(79,772)
Other receivables	316,029	(302,946)
Amounts receivable from third-party reimbursement programs	(197,300)	(41,441)
Accounts payable	137,977	(319,019)
Accrued payroll and payroll taxes	105,113	86,206
Accrued bonuses	(463,588)	18,709
Accrued leave time	29,925	15,767
Accrued interest payable	(1,298)	(5,646)
Other liabilities	(950,355)	(19,725)
Total adjustments	169,936	1,021,150
Net cash provided by operating activities	\$ 4,647,863	\$ 7,515,891

Supplemental cash flow information:

Property and equipment additions of \$510,296 and \$342,357 were included in accounts payable at September 30, 2014 and 2013, respectively.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies**

The Entity

Vernon Memorial Healthcare, Inc. (the "Organization") provides health care services to communities in Vernon County, Wisconsin, and the surrounding area. The Organization is a nonprofit, nonstock corporation that operates a 25-bed critical access hospital (CAH), four rural health clinics, and three retail pharmacies. The Organization provides comprehensive inpatient, outpatient, home health, hospice, and clinical health care services.

Financial Statement Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) to be applied to nongovernmental entities in the preparation of financial statements in conformity with GAAP.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that directly 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 revenue and expenses during the reporting period. Actual results may differ from these estimates.

Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents, excluding amounts limited as to use or restricted.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Accounts Receivables and Credit Policy

Accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Organization bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary payor is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Organization does not have a policy to charge interest on past due accounts.

Accounts receivable are recorded in the accompanying balance sheets net of contractual adjustments and an allowance for doubtful accounts, which reflect management's estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross patient service revenue and a credit to accounts receivable. In addition, management provides for probable uncollectible amounts, primarily from uninsured patients and amounts patients are personally responsible for, through a charge to operations and a credit to an allowance for doubtful accounts based on its assessment of historical collection likelihood and the current status of individual accounts.

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

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Inventories

Inventories are valued at the lower of cost, determined on the first-in, first-out (FIFO) method, or market.

Assets Limited as to Use and Investment Income

Assets limited as to use include funds designated by the Board of Directors for necessary capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, amounts set aside to fund donor-restricted contributions, assets set aside under terms of a bond trust indenture agreement, and deferred compensation plan assets. Amounts required to meet current liabilities of the Organization have been classified as current assets.

Investment income (including interest and dividends) and realized gains on sale of investments are reported as other income and are included in the revenue in excess of expenses unless the income is restricted by donor or law. Unrealized gains and losses on investments are excluded from revenue in excess of expenses unless the investments are trading securities. Realized gains or losses are determined by specific identification.

Investments are measured at fair value in the accompanying financial statements. The Organization monitors the difference between the cost and the fair value of its investments. If the investments experience a decline in value that the Organization determines is other than temporary, the Organization records a realized loss in investment income.

Fair Value Measurements

The Organization measures fair value of its financial instruments using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows

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

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Fair Value Measurements (Continued)

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs, other than quoted prices, that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Receivable From Foundation

ASC Topic 958, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, establishes standards of financial accounting and reporting for transactions in which an entity makes contributions to another entity or an entity that accepts contributions from a donor and agrees to use those assets on behalf of or transfer those assets and the return on those assets to another entity. Even though the Organization and Vernon Memorial Healthcare Foundation, Inc. (the "Foundation") are related parties, it has been determined they are not financially interrelated organizations and, accordingly, the Organization recognizes a receivable from the Foundation for donations the Foundation has raised and is holding for the benefit of the Organization.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Property, Equipment, and Depreciation

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives range from three to fifteen years for major movable equipment and from ten to fifty years for land improvements, buildings, and fixed equipment. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included with depreciation expense in the accompanying financial statements.

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

Impairment of Long-Lived Assets

The Organization periodically evaluates the recoverability of its long-lived assets, which consist primarily of property and equipment with finite useful lives, whenever events or changes in circumstance indicate that the carrying value may not be recoverable. If the recoverability of these assets is unlikely because of the existence of factors indicating impairment, an impairment analysis is performed using a projected undiscounted cash flow method. Management must make assumptions regarding estimated future cash flows and other factors to determine the fair value of these respective assets. If the carrying amounts of the assets exceed their respective fair values, the carrying value of the underlying assets would be adjusted to fair value and an impairment loss would be recognized. The Organization did not recognize an impairment loss in 2014 and recognized an impairment loss of approximately \$230,000 in 2013.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Asset Retirement Obligation

The Organization accounts for the fair value of legal obligations associated with long-lived asset retirement in accordance with the asset retirement and environmental obligations accounting guidance. Management has considered this accounting guidance, specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. Management of the Organization believes that any potential liability related to asset retirement obligations would not be significant. As a result, no liability related to these retirement activities has been recognized as of September 30, 2014 and 2013.

Unamortized Bond Issue Costs and Discount

Costs related to issuance of long-term debt and unamortized bond discount are being amortized over the life of the related indebtedness.

Deferred Revenue

Grants and fees are recognized in revenue in the year the related expenditures are incurred. Funds received prior to providing the service are recorded as deferred revenue.

Net Assets

Unrestricted net assets consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Organization and include those expendable resources designated for special use by the Organization's Board of Directors. Temporarily restricted net assets are those whose use by the Organization 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 Organization in perpetuity.

For 2014 and 2013, the Organization had no permanently restricted net assets.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Revenue in Excess of Expenses

The accompanying statements of operations and statements of changes in net assets include the classification revenue in excess of expenses, which is considered the operating indicator. Changes in unrestricted net assets that are excluded from the operating indicator include net change in unrealized gains on investments other than trading securities and contributions of long-lived assets including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets.

Patient Service Revenue – Net of Contractual Adjustments and Discounts

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. Certain third-party payor reimbursement agreements are subject to audit and retrospective adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

For uninsured patients who do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy).

Charity Care

The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Eligible patients are identified based on analysis of financial information obtained from the patient. The Organization maintains records to identify the amount of charges foregone for services and supplies furnished under the charity care policy. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue in the accompanying statements of operations.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Electronic Health Record Incentive Funding

The American Recovery and Reinvestment Act of 2009 ("ARRA") provides for incentive payments under the Medicare and Medicaid programs for certain hospitals and physician practices that demonstrate meaningful use of certified electronic health record ("EHR") technology. These provisions of ARRA, collectively referred to as the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), are intended to promote the adoption and meaningful use of health information technology and qualified EHR technology.

The Organization recognizes revenue for EHR incentive payments when there is reasonable assurance that the Organization will meet the conditions of the program, primarily demonstrating meaningful use of certified EHR technology for the applicable period. The demonstration of meaningful use is based on meeting a series of objectives. Meeting the series of objectives in order to demonstrate meaningful use becomes progressively more stringent as its implementation is phased in through stages as outlined by the Centers for Medicare and Medicaid Services (CMS).

Amounts recognized under the EHR incentive programs are based on management's best estimates, which are based in part on cost report data that is subject to contractor audit, accordingly, amounts recognized are subject to change. In addition, the Organization's attestation of its compliance with the meaningful use criteria is subject to audit by the federal government or its designee.

Contributions and Donor-Restricted Gifts

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

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Unemployment Compensation

The Organization has elected reimbursement financing under provisions of the Wisconsin unemployment compensation laws. Unemployment claims are paid to the State of Wisconsin as incurred. The Organization has obtained a letter of credit to meet state funding requirements.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal taxes on related income pursuant to Section 501(a) of the Code. The Organization is also exempt from state income taxes on related income pursuant to similar State of Wisconsin tax laws. The Organization is also engaged, to a limited extent, in certain activities subject to taxation as unrelated business income (UBI). UBI is not significant.

In order to account for any uncertain tax positions, the Organization assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the accompanying financial statements. The Organization has not recorded any assets or liabilities related to uncertain tax positions or unrecognized tax benefits as of September 30, 2014 and 2013.

Federal tax returns for tax years ended September 30, 2011, and beyond remain subject to examination by the Internal Revenue Service.

Real Estate Taxes

The majority of real estate owned by the Organization is exempt from real estate taxes by the State of Wisconsin and its political subdivisions. The Organization is responsible for paying a portion of the real estate taxes on the medical office building attached to the hospital.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Subsequent Event

Subsequent events have been evaluated through January 22, 2015, which is the date the financial statements were issued. See Note 19 for subsequent event disclosure.

Note 2 **Reimbursement Arrangements With Third-Party Payors**

The Organization has agreements with third-party payors that provide for reimbursement at amounts that vary from the Organization's established rates. A summary of the basis of reimbursement with major third-party payors follows.

Hospital Services

Medicare – The Organization is designated as a critical access hospital (CAH) with reimbursement based upon cost for inpatient and outpatient services with the exception of certain lab and radiology services, which are reimbursed based on fee schedules. Professional services provided by physicians and other clinicians are reimbursed based upon prospectively determined fee schedules.

Medicaid – The Organization's reimbursement is based on a form of cost, determined prospectively based on prior filed cost reports, for inpatient and outpatient services with the exception of certain lab and therapy services, which are reimbursed based on fee schedules. Professional services provided by physicians and other clinicians are reimbursed based upon prospectively determined fee schedules.

Others – The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and State of Wisconsin county agencies. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 2 Reimbursement Arrangements With Third-Party Payors (Continued)

Clinic Services

Certain physician and professional services rendered to Medicare and Medicaid beneficiaries qualify for reimbursement as Medicare-approved rural health clinic services. Qualifying services are reimbursed based on a cost reimbursement methodology. All other physician and professional services rendered to Medicare and Medicaid beneficiaries are paid based on prospectively determined fee schedules.

Accounting for Contractual Arrangements

The Organization is reimbursed for certain cost reimbursable items at an interim rate, with final settlements determined after audit of the related annual cost reports by the respective Medicare and Medicaid fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the contractors are included in the accompanying financial statements. The Organization's Medicare cost reports have been audited by the Medicare intermediary through September 30, 2011. The Organization's Medicaid hospital cost reports have been audited by the Medicaid intermediary through September 30, 2008. The Organization's Medicaid rural health clinic cost reports have been audited by the Medicaid intermediary through September 30, 2012.

Medicaid Reimbursable Costs

Through June 30, 2010, the Organization's hospital services were reimbursed for cost-based Medicaid services at tentative rates received during the year. The final settlement of reimbursable amounts was retrospectively determined by the State of Wisconsin (the "State") using cost reports that are filed annually and subsequently audited by the Medicare program (in conjunction with audits of both Medicare and Medicaid reimbursable amounts). No settlement notices were received from the State in 2013 or 2014.

Differences between the Organization's estimates and subsequent final settlements by the State will be included in future statements of operations and disclosed, if material, in those future years in which the financial settlements occur.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 2 **Reimbursement Arrangements With Third-Party Payors** (Continued)

Wisconsin Hospital Assessments

Under legislation enacted by the State, eligible CAHs, including the Organization, are required to pay the State an annual assessment. The assessment period is the State's fiscal year, which runs from July to June. The assessment is based on each hospital's gross inpatient revenue, as defined. The revenue generated from the assessment is to be used, in part, to increase overall reimbursement under the Wisconsin Medicaid program through the development of an access payment system. Under the CAH payment system, the Wisconsin Medicaid program pays a hospital-specific amount per discharge for inpatient and outpatient services, determined based on prior hospital cost reports, plus an additional access payment. In exchange for receiving these access payments, the State eliminated retrospective cost report settlements to CAHs effective July 1, 2010.

Medicaid and Medicare Electronic Health Record Incentive Funding

The Organization attested to criteria for Medicare meaningful use during 2013. Accordingly, the Organization received approximately \$663,000 in EHR incentive payments from the Medicare program in 2014. The Organization recognized approximately \$172,800 and \$57,600 of the Medicare EHR incentive payments as other operating revenue in the accompanying statements of operations in 2014 and 2013, respectively, and recorded deferred revenue for the remaining amounts in other accrued liabilities on the accompanying balance sheets. The deferred revenue will be amortized and recognized as revenue over approximately the same future periods as depreciation expense is recognized on the related capital assets which were purchased to meet the required qualifications of the Medicare EHR incentive program.

During 2013, the Organization applied for and received funding from the Wisconsin Department of Health Services under the EHR Incentive Program. The funding period for the Medicaid EHR Incentive Program is based on eligible hospitals submitting applications to the Medicaid program prior to each federal fiscal year ending on September 30. It was determined by the Wisconsin Department of Health Services that the Organization was entitled to approximately \$264,000 in funding in 2013 and has recognized this amount in other operating revenue in the accompanying financial statements in the year when the attestation occurred. The Organization anticipates that additional funding will be available from the Medicaid EHR Incentive Program in subsequent years and will record amounts when future applications are filed and funding can reasonably be determined.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 3 Accounts Receivable

Accounts receivable is comprised of the following at September 30

	2014	2013
Patient accounts receivable	\$ 14,159,888	\$ 13,872,134
Less - Contractual adjustments	4,675,000	4,425,000
Less - Allowance for doubtful accounts	2,412,750	2,536,500
Accounts receivable - Net	\$ 7,072,138	\$ 6,910,634

The Organization's allowance for doubtful accounts increased from approximately 79% of self-pay accounts receivable as of September 30, 2013, to approximately 96% of self-pay accounts receivable as of September 30, 2014. The Organization's write-offs of patient accounts receivable net of recoveries decreased from approximately \$4,301,000 for the year ended September 30, 2013, to approximately \$4,139,000 for the year ended September 30, 2014. As of September 30, 2014, the Organization reported a significant decrease in self-pay accounts receivable, however, the Organization has continued to experience a trend of patients with high deductible and copay health insurance plans who are often unable to meet the higher obligations.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 4 Patient Service Revenue – Net of Contractual Adjustments and Discounts

Patient service revenue – net of contractual adjustments and discounts consisted of the following for the years ended September 30

	2014	2013
Gross patient service revenue		
Hospital inpatient services	\$ 28,093,725	\$ 31,552,452
Hospital outpatient services	55,758,758	55,317,198
Home health services	306,849	248,818
Hospice inpatient services	308,749	47,053
Hospice outpatient services	506,845	395,924
Clinic services	14,793,644	14,635,947
Retail pharmacy	6,179,273	5,815,071
Total	105,947,843	108,012,463
Less - Contractual adjustments and discounts	40,422,088	41,294,042
Patient service revenue - Net of contractual adjustments and discounts	\$ 65,525,755	\$ 66,718,421

The following table reflects the approximate portion of gross patient service revenue for services provided to patients whose bills were paid in full or in part by the following programs or third-party payors, which are considered to be the significant sources of revenue for the Organization for the years ended September 30

	2014	2013
Medicare and Medicare Advantage plans	46%	47%
Medicaid and Medicaid Health Maintenance		
Organization (HMO) plans	12%	11%
Other third-party payors	37%	37%
Private pay	5%	5%
Totals	100%	100%

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 4 Patient Service Revenue – Net of Contractual Adjustments and Discounts (Continued)

Patient service revenue - net of contractual adjustments and discounts, prior to the provision for bad debts, recognized in the years ended September 30 from major payor sources, is as follows

	2014	2013
Medicare, Medicaid, Medicaid HMO Plans, and other third-party payors	\$ 62,631,142	\$ 63,647,950
Uninsured patients	2,894,613	3,070,471
Patient service revenue - Net of contractual adjustments and discounts	\$ 65,525,755	\$ 66,718,421

Note 5 Charity Care

The Organization provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community including the health of low-income patients. Consistent with the mission of the Organization, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources or are underinsured.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care without charge or at a reduced rate, determined based on qualifying criteria as defined in the Organization's charity care policy and from applications completed by patients and their families.

The estimated cost of providing care to patients under the Organization's charity care policy was approximately \$1,140,000 and \$942,000 in 2014 and 2013, respectively. The cost was calculated by multiplying the ratio of cost to gross charges for the Organization times the gross uncompensated charges associated with providing the charity care.

Other benefits for the community also include health screenings, community education through seminars and classes, and other health-related services.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 6 Assets Limited as to Use

The composition of assets limited as to use at September 30 is set forth in the following table. Investments are stated at fair value.

	2014	2013
By board for capital improvements.		
Cash and money market funds	\$ 271,833	\$ 661,993
Fixed income securities	2,983,653	2,814,371
Equity securities	10,490,392	9,624,545
U.S. treasury bonds	1,093,104	845,764
Corporate bonds	3,805,199	3,163,160
Mortgage-backed securities	2,045,852	2,120,958
Certificates of deposit	3,311,887	3,296,631
Accrued interest receivable	62,556	64,420
Total by board for capital improvements	24,064,476	22,591,842
Set aside to fund donor-restricted contributions.		
Cash and money market funds	94,423	86,423
Under bond indenture agreement - Held by trustee		
Cash and money market funds	2,141,348	2,133,896
Deferred compensation plan assets		
Cash and money market funds	1,297	57,806
Equity securities	1,267,580	1,386,291
Fixed income mutual funds	192,021	86,712
Total deferred compensation plan assets	1,460,898	1,530,809
Total assets limited as to use	27,761,145	26,342,970
Less - Assets limited as to use that are required for current liabilities	90,856	92,154
Noncurrent assets limited as to use	\$ 27,670,289	\$ 26,250,816

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 6 **Assets Limited as to Use** (Continued)

Management assesses individual investment securities as to whether declines in market value are temporary or other than temporary. In assessing an issuer's financial condition, management evaluates various financial indicators (examples the financial position and near term prospects of the issuer, conditions in the issuer's industry, liquidity of the investment, industry analysts' reports, and any recent downgrades of the issuer by a rating agency). The length of time and extent to which the fair value of the investment is less than cost and the Organization's ability and intent to retain the investment to allow for any anticipated recovery of the investment's fair value are key components as to whether management deems declines in fair value as temporary or other than temporary. If declines are determined to be other than temporary, the Organization records a realized loss in investment income. Management reviewed the investment portfolio at September 30, 2014 and 2013, and determined that all securities with a decline in value were not deemed other than temporary declines in value and, as such, there were no impairment losses recognized in the investments held at September 30, 2014 and 2013.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Note 7 **Fair Value Measurement**

Following is a description of the valuation methodology used for assets measured at fair value.

Money market funds are valued using a net asset value (NAV) of \$1.00. Mutual funds invested in equity or fixed income securities are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded. Fixed income and debt securities are primarily invested in corporate bonds and mortgaged-backed securities and are valued using quotes from pricing vendors for identical or similar assets based on recent trading activity and other observable market data.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 7 Fair Value Measurement (Continued)

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis at September 30

	2014			
	Fair Value Measurements Using			Total Assets at
	Level 1	Level 2	Level 3	Fair Value
Money market funds	\$ -	\$ 2,170,132	\$ -	\$ 2,170,132
Fixed income and debt securities				
Mortgage-backed securities	-	2,045,852	-	2,045,852
U S treasury bonds	-	1,093,104	-	1,093,104
Municipal bonds	-	20,811	-	20,811
Corporate bonds	-	3,864,447	-	3,864,447
Total fixed income and debt securities	-	7,024,214	-	7,024,214
Mutual funds - Equity securities				
Blend funds	4,615,926	-	-	4,615,926
Growth funds	1,802,878	-	-	1,802,878
Value funds	3,404,389	-	-	3,404,389
Emerging markets funds	828,971	-	-	828,971
Real estate funds	1,053,875	-	-	1,053,875
Other funds	51,933	-	-	51,933
Total mutual funds - Equity securities	11,757,972	-	-	11,757,972
Mutual funds - Fixed income securities - Bond funds	-	3,154,864	-	3,154,864
Total assets	\$ 11,757,972	\$ 12,349,210	\$ -	\$ 24,107,182

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 7 Fair Value Measurement (Continued)

	2013			
	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ -	\$ 2,219,236	\$ -	\$ 2,219,236
Marketable equity securities	31,300	-	-	31,300
Fixed income and debt securities				
Mortgage-backed securities	-	2,120,958	-	2,120,958
U S treasury bonds	-	845,764	-	845,764
Municipal bonds	-	18,856	-	18,856
Corporate bonds	-	3,223,923	-	3,223,923
Total fixed income and debt securities	-	6,209,501	-	6,209,501
Mutual funds - Equity securities				
Blend funds	4,383,910	-	-	4,383,910
Growth funds	1,706,480	-	-	1,706,480
Value funds	3,077,464	-	-	3,077,464
Emerging markets funds	799,498	-	-	799,498
Real estate funds	1,011,577	-	-	1,011,577
Other funds	606	-	-	606
Total mutual funds - Equity securities	10,979,535	-	-	10,979,535
Mutual funds - Fixed income securities - Bond funds	-	2,882,228	-	2,882,228
Total assets	\$ 11,010,835	\$ 11,310,965	\$ -	\$ 22,321,800

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 7 Fair Value Measurement (Continued)

The carrying values of current assets and current liabilities are reasonable estimates of their fair value due to the short-term nature of these financial instruments.

The estimated fair value of long-term debt based on quoted market prices for the same or similar issues of revenue bonds approximates the carrying value on the balance sheet as of September 30, 2014.

Note 8 Property and Equipment

A summary of property and equipment by major categories at September 30 is as follows

	2014	2013
Land	\$ 1,686,208	\$ 1,446,916
Land improvements	685,889	685,889
Buildings	49,182,653	46,500,316
Fixed equipment	324,722	579,766
Major movable equipment	12,126,112	12,423,405
Total property and equipment	64,005,584	61,636,292
Less - Accumulated depreciation	27,451,790	26,555,926
Net depreciated value	36,553,794	35,080,366
Construction in progress	2,411,450	967,041
Property and equipment - Net	\$ 38,965,244	\$ 36,047,407

Depreciation expense totaled \$2,703,092 in 2014 and \$2,680,094 in 2013.

The cost of equipment under capital lease obligations, which is included in major movable equipment, was \$122,260 at September 30, 2014 and 2013, and the related accumulated amortization was \$94,840 and \$76,560 as of September 30, 2014 and 2013, respectively.

The construction in progress at September 30, 2014, consists of various projects related to building remodeling and electronic medical records implementation. The Organization has estimated additional costs to complete these projects of approximately \$9,750,000 to be funded from operations.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 9 Long-Term Debt and Capital Lease Obligations

Long-term debt and capital lease obligations at September 30 consisted of the following

	2014	2013
City of Viroqua, Wisconsin Revenue Bonds, Series 2000 (Vernon Memorial Hospital, Inc. Project) dated October 31, 2000, and bearing interest at 4.50%, due 2016. The bonds are payable in monthly installments in the amount of \$16,422, including interest. The bonds are collateralized by a mortgage on the hospital facilities and a security interest in certain equipment.	\$ 391,207	\$ 566,374
Wisconsin Health and Educational Facilities Authority, WHA Capital access designated pool program variable rate demand revenue bonds, Series 2002B (Vernon Memorial Hospital, Inc.) paid in full in 2014.	-	280,000
Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2005 (Vernon Memorial Healthcare, Inc. Project) dated May 1, 2005, and bearing interest ranging from 4.65% to 5.25%, due 2035. The bonds are payable in annual installments ranging from \$350,000 to \$1,750,000, plus interest. The bonds are collateralized by a mortgage on the hospital facilities.	20,995,000	21,330,000
Capital lease obligations with interest at 7.0%, collateralized by leased equipment payable in monthly installments due in 2017.	60,449	66,045
Totals	21,446,656	22,242,419
Less - Current portion	552,307	808,678
Less - Unamortized discount	72,082	75,613
Long-term portion	\$ 20,822,267	\$ 21,358,128

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 9 Long-Term Debt and Capital Lease Obligations (Continued)

The variable rate (Series 2002B) bonds were remarketed daily through U.S. Bank as the initial remarketing agent under a remarketing agreement. For the fiscal year ended September 30, 2014, interest rates ranged from .03% to .08%. For the fiscal year ended September 30, 2013, interest rates ranged from .06% to .37%. A charge of .10% was assessed for the remarketing of these bonds. The Series 2002B bonds were secured by an irrevocable standby letter of credit from U.S. Bank National Association. Annual fees approximating 1.5% were assessed for the use of this letter of credit. The aggregate rate of interest and fees, based on the charge noted above, of the Series 2002B bonds ranged from 1.63% to 1.68% during 2014 and 1.66% to 1.97% during 2013.

Scheduled payments on long-term debt and capital lease obligations at September 30, 2014, including current maturities, are summarized as follows

	Long-Term Debt	Capital Lease Obligations
2015	\$ 533,214	\$ 22,595
2016	556,630	43,178
2017	396,363	-
2018	600,000	-
2019	640,000	-
Thereafter	18,660,000	-
	<u>\$ 21,386,207</u>	65,773
Less - Amounts representing interest on capital lease obligations		<u>5,324</u>
		<u>\$ 60,449</u>

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 10 Operating Leases

The Organization has entered into various lease agreements for equipment with unrelated parties.

Minimum future rent payments by year under these noncancellable lease agreements consisted of the following at September 30, 2014.

2015	\$	814,630
2016		729,521
2017		550,801
2018		468,205
2019		195,530
		<hr/>
Total minimum payments required	\$	2,758,687

Total rental expense was \$1,286,530 and \$1,031,266 in 2014 and 2013, respectively.

Note 11 Temporarily Restricted Net Assets

Temporarily restricted net assets include assets set aside in accordance with donor restrictions as to time or use. Temporarily restricted net assets were available for the following purposes at September 30.

	2014	2013
Hospice program	\$ 852,413	\$ 709,203
Cardiac rehab program	5,111	5,111
Other miscellaneous programs	21,033	13,034
		<hr/>
Total temporarily restricted net assets	\$ 878,557	\$ 727,348

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 12 Malpractice Insurance

The Organization's professional liability insurance for claim losses of less than \$1,000,000 per claim and \$3,000,000 per year covers professional liability claims incurred during a policy year, regardless of when the claim is filed ("occurrence-based" coverage). The Organization is insured against losses in excess of these amounts through its mandatory participation in the Patients' Compensation Fund of the State of Wisconsin. The professional liability insurance policy is renewable annually by the insurance carrier for the annual period extending to July 1, 2015.

Note 13 Deferred Compensation

The Organization has a deferred compensation plan under Section 457 of the Internal Revenue Code. The plan is intended primarily for certain members of management to defer compensation until retirement. Investments, primarily in mutual funds, designated for deferred compensation under this plan are recorded as other assets and the accrued liabilities are recorded in other long-term liabilities.

Note 14 Retirement Plan

The Organization has a defined contribution 401(k) savings plan covering substantially all employees. The Organization matches employee contributions up to 6% of covered earnings. The retirement expense for the years ended September 30, 2014 and 2013, totaled \$1,021,842 and \$1,068,779, respectively.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 15 Concentration of Credit Risk

Financial instruments that potentially subject the Organization to possible credit risk consist principally of accounts receivable and cash deposits in excess of insured limits.

Accounts receivable consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medicaid) for health care provided to the patients. The majority of the Organization's patients are from Viroqua, Wisconsin, and the surrounding area.

The mix of receivables from patients and third-party payors was as follows at September 30.

	2014	2013
Medicare and Medicare Advantage plans	40%	34%
Medicaid and Medicaid HMO plans	11%	11%
Other third-party payors	30%	31%
Private pay	19%	24%
Totals	100%	100%

The Organization maintains depository relationships with area financial institutions that are Federal Depository Insurance Corporation (FDIC) insured institutions. Depository accounts at these institutions are insured by the FDIC up to \$250,000. Operating cash needs often require that amounts on deposit exceed FDIC limits. At September 30, 2014, the amount of the Organization's bank balances in excess of FDIC limits was approximately \$18,500,000. In order to limit its credit risk with respect to these deposits, the Organization has executed repurchase agreements with the bank collateralized by U.S. Treasury securities with a market value at September 30, 2014, of approximately \$1,584,000.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 16 Self-Funded Health Insurance

The Organization sponsors a self-funded health insurance plan for substantially all employees. The Organization's liability is limited through its arrangement with a commercial insurance carrier to indemnify it against losses in excess of prescribed specific and aggregate limits (stop-loss coverage). Losses from claims incurred are accrued based on estimates incorporating the Organization's past experience, as well as other considerations including the nature of each claim and relevant trend factors. Self-funded health care expense for the years ended September 30, 2014 and 2013, was approximately \$5,529,000 and \$5,606,000, respectively.

A liability of \$750,000 for claims outstanding has been recorded at September 30, 2014 and 2013. Management believes this liability is sufficient to cover estimated claims, including claims incurred but not yet reported.

Note 17 Laws and Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and billing regulations. Government activity with respect to investigations and allegations concerning possible violations of such regulations by health care providers has increased. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with applicable government laws and regulations. While no significant regulatory inquiries have been made of the Organization, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

CMS uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The provider has the ability to appeal these adjustments. As of September 30, 2014, the Organization has not been notified by the RAC of any potential significant reimbursement adjustments.

Vernon Memorial Healthcare, Inc.

Notes to Financial Statements

Note 18 Reclassifications

Certain reclassifications were made to the 2013 financial statements to conform with the classifications used in 2014.

Note 19 Subsequent Event

In November 2014, the Organization refinanced the outstanding obligations of the Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2005. The refinancing was accomplished by the issuance of the Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2014 in the amount of \$18,615,000. This refinancing included establishing an escrow account for the defeasance of the Series 2005 bonds plus all accrued interest through the date of the defeasance. It is expected that the Series 2005 Bonds will be refunded and retired on or about March 2, 2015. The Organization was able to use the current debt service reserve fund held under the Series 2005 bond indenture agreement to pay down a portion of the principal on the outstanding debt as part of the refinancing.

The Series 2014 Bonds are payable in annual installments ranging from \$200,000 to \$1,465,000 with the final payment due on March 1, 2034, bearing interest at rates ranging from 4.00% to 5.00%.

With the issuance of the Series 2014 Bonds, the Organization is subject to updated principal and interest payments from those previously disclosed in Note 9. Principal and interest payments under the terms of the outstanding bonds, the capital lease obligations, and the bonds issued subsequent to the year ended September 30, 2014, are as follows.

	Long-Term Debt	Capital Lease Obligations
2015	\$ 533,214	\$ 22,595
2016	391,630	43,178
2017	416,363	-
2018	720,000	-
2019	745,000	-
Thereafter	16,550,000	-
	<u>\$ 19,356,207</u>	65,773
Less - Amounts representing interest on capital lease obligations		<u>5,324</u>
		<u>\$ 60,449</u>

Vernon Memorial Healthcare Community Health Needs Implementation Plan

In order to address needs identified in the Community Health Needs Assessment (CHNA), Vernon Memorial Healthcare (VMH) will engage key community partners in implementing evidence-based strategies across our service area. Acknowledging the many organizations and resources in place to address the health needs of our communities, VMH has strategically reviewed both internal and external resources. This portion of the CHNA, the Implementation Plan, will explain how VMH will address health needs identified in the CHNA by continuing existing programs and services and by implementing new strategies. It will also explain why VMH cannot address all of the needs identified in the CHNA, and if applicable, how VMH will support other organizations in doing so.

The 2012 Compass Now report is an assessment of needs in the five county Great Rivers Region. Vernon Memorial Healthcare partnered with other area health care organizations, county health departments and United Way in the gathering of information via random household surveys, focus group discussions and an analysis of key socio-economic indicators. More than 1,900 people contributed to the results of the report. The implementation plan outlines the problems, strategies, activities, and outcomes for each of the four priority health needs identified in the CHNA.

Many of the strategies and activities outlined address risk factors associated with multiple health problems. For example, strategies to promote healthy eating and physical activity will affect obesity as well as heart disease. These strategies also might have a positive impact on mental health, as will strategies to reduce substance abuse.

The strategies and activities outlined here will be implemented in coordination with county health departments, local school districts and other local agencies and organizations.

Key Health Issues

1. Alcohol Use
2. Health Care Access and Cost
3. Mental Health
4. Obesity
5. Dental Care Access and Cost
6. Illegal Drug Use

Health Issue #1 – Alcohol Use

There is a high rate of binge and excessive drinking by adults and youth. Twenty to twenty-seven percent of high school age students and adults surveyed in the community health needs assessment reported partaking in binge/excessive drinking.

Implementation Activities:

Vernon Memorial Healthcare (VMH) will partner with area school districts, the Vernon County Partnership Council, Vernon County Sheriff's Department, public health and other local

agencies who already provide intervention programming in local schools. This programming may include a binge drinking lecture with speakers including an Alcoholics Anonymous attendee, emergency room health care provider, emergency services personnel, the coroner, and parents.

VMH Health Educators in 2014 will begin to see all hospital-admitted alcohol and drug detox patients. Alcoholism referrals will be recommended to those individuals seeking treatment. VMH provides meeting space for the local AA chapter. In addition to alcohol addiction information, these patients will be provided literature on four other areas of risk: STD/STI, Tobacco, HIV/Aids, Hepatitis B and C. Tobacco counseling will also be provided if the patient uses tobacco.

Health Issue #2 – Health Care Access and Cost

Rising health care costs, specifically high deductibles and reduced health benefits result in people avoiding health care.

Implementation Activities:

In an effort to address rising health care costs, VMH provides various levels of financial assistance to those unable to pay for health care services. We offer a Community Care Program and Sliding Fee Scale to individuals who do not have the ability to pay their full obligation as determined by our qualification criteria. The amount of the aid takes into account each individual's ability to contribute to the cost of his or her care.

The rural health clinics and pharmacies that are a big part of Vernon Memorial Healthcare strive to meet the health care needs of our patients and families who live and work in the communities we serve. By combining our resources, we are able to offer a network of primary care clinics in our local service area. This network provides access to more than 75 providers and primary and specialty care physicians. Three retail pharmacies and a home health/hospice agency also exist within this network. In addition, an Urgent Care Clinic and hospital emergency services offer access to patients outside of normal clinic hours.

VMH will continue to offer a variety of programs and services to assist patients who may have difficulty accessing our health care system for varied reasons. Some of these programs and services include:

- An on-site birthing center at our medical clinic in La Farge which provides Amish patients with easier access to obstetrics and safe birthing. The birthing center helps pregnant Amish women who normally give birth at home achieve positive outcomes and less complications during childbirth.
- VMH family practice providers who make house calls to rural Amish patients who do not have transportation available to them.
- Partnerships with local rural school districts to offer "Sports Physical Nights" to students participating in high school athletics. These physicals are offered at a lower cost than the customary clinic visit.
- Low cost athletic training services and injury prevention programs are provided to high school athletic teams by VMH.
- VMH's Corporate and Community Wellness Program offers various programs and screenings at worksite locations throughout our service area.

- Discounted Wellness Center memberships for senior citizens are available at our public Wellness Center.
- VMH has partnered with local businesses, local units of government and the Wisconsin Department of Transportation in providing funding for the Scenic Mississippi Regional Transit commuter bus. The focus of this regional bus transit service is for commuters, elderly and disabled residents, and the general public. The bus routes include stops at Vernon Memorial Healthcare.
- A new health care access initiative being implemented in 2013-2014 is the implementation of a text messaging system that reminds patients of their scheduled medical appointments. This initiative targets all age groups, education and income levels who carry a cell phone. The main target audience is the younger and middle age population who is more familiar with this technology but is the main target group that misses appointments. This initiative will increase efficacy of clinic operations by decreasing the number of missed appointments.

Health Issue #3 – Mental Health

Mental illness is the leading cause of disability for people ages 15-44. Spending for mental health care continues to escalate as does the suicide rate.

Implementation Activities:

Vernon Memorial Healthcare will provide funding for collaborative mental health initiatives to improve access to mental health services. The Vernon County Department of Human Services, Center Point Counseling Services and Family and Children's Center will be key partners in this effort. VMH will participate in community-based collaborative efforts to improve access to mental health services as opportunities arise.

Health Issue #4 - Obesity

The adult and childhood obesity rate in the VMH service area is on the rise. Nearly 30 percent of adults in the region are obese and about 35% are overweight. Adult obesity is associated with serious health conditions including heart disease, diabetes and some cancers.

Implementation Activities:

Vernon Memorial Healthcare will continue to offer a variety of programs and wellness services highlighting ways to be active, eat well and prevent obesity. Programming is targeted to reach and educate children, adolescents and adults of all ages and socioeconomic levels. Current programming and services include:

- Healthy Habits workshops for 3rd, 5th and 7th grade students. These day long workshops offered several times each year include programming related to food and proper nutrition, hygiene, exercise, and the importance of avoiding tobacco use.
- Vernon Memorial Healthcare operates a full service exercise and fitness facility which is open to the public. Personal training services, group exercise classes and aquatics programming is available to the public.

- The VMH Food and Nutrition Department offers nutrition therapy/counseling services.
- Diabetic educators work with diabetes patients to set and achieve diabetes self management goals.
- Fresh Start and Cardiac Risk Reduction programs are offered by the Cardiopulmonary Diagnostics and Rehab Department for individuals with an obesity diagnosis or who are at risk of developing heart disease.
- VMH has worked to enhance access to healthy, fresh food choices in the community by sponsoring a yearly Community Supported Agriculture (CSA) Vendor Fair.
- VMH is partnering with the North Crawford School District and North Crawford Fitness Force to provide opportunities and education that facilitates and supports overall health improvement. The school district secured federal grant monies to ensure that students become more physically active and make healthy nutrition choices. VMH athletic trainers, personal trainers and dietitians have worked with teenage athletes on strength training and proper nutrition and hydration. VMH assisted the school with organizing a Wellness Fair. VMH provided free health checks including: body composition analysis, blood pressures, shoe checks and healthy back screenings. VMH began offering a fitness class for the community-at-large.
- VMH will partner with Gundersen Health System-Viroqua Clinic in providing Wellness Center access to teenagers enrolled in "Winning Weighs for Teens." The program is designed to help teens establish a healthy relationship with food, manage weight-related health conditions and lose weight.

Health Issue #5 – Dental Care Access and Cost

Vernon and surrounding counties have a shortage of dentists who provide services to Medicaid patients. Only a quarter of patients receiving Medicaid receive dental services from local dentists.

Implementation Activities:

VMH will continue to work to support efforts to improve the oral health of underserved populations.

VMH in 2013 began providing operating room space for John Shea, DDS to perform procedures on Medicaid pediatric and adolescent patients at below cost reimbursement.

VMH will partner with Scenic Bluffs Community Health Center, a National Health Service Corps approved site, to establish a dental safety net clinic in the Viroqua Area Medical Office Building. Dentists employed by Scenic Bluffs will attend to Medicare, Badger Care and uninsured patients needing preventive, restorative or urgent dental services. Patients will be seen in Outpatient Specialty Care where orthodontic services are currently offered. The objective of this clinic will be to increase the percentage of medical assistance/Badger Care patients in Vernon County with at least one dental visit per year to at least 50% by 2016. Community fundraising and grants will be needed to offset potential financial instability of payer mix.

Health Issue #6 –Illegal Drug Use

Illegal drug use is a concern among 67% of community health needs survey respondents. An increase in the availability of marijuana, crack, heroin and cocaine was noted by focus group participants along with increased rates of youth inhalant use, ecstasy use and use of prescription drugs without a prescription with the intent to get high.

Implementation Activities:

VMH will continue to partner with the Vernon County Partnership Council in implementing activities aimed at educating youth about the consequences of illegal drug use and reducing youth access. The Vernon County Partnership Council, exists to develop and support programming which addresses drug, alcohol and tobacco concerns related to youth risk behaviors. VMH will support school districts in targeted programs to prevent and reduce substance abuse among youth.

As previously mentioned in health issue #1....VMH Health Educators in 2014 will begin to see all hospital-admitted alcohol and drug detox patients. Drug Abuse referrals will be recommended to those individuals seeking treatment. In addition to drug abuse information, these patients will be provided literature on four other areas of risk: STD/STI, Tobacco, HIV/Aids, Hepatitis B and C. Tobacco counseling will also be provided if the patient uses tobacco.