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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
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
WATERTOWN REGIONAL MEDICAL CENTER INC

Doing Business As

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

City or town, state or province, country, and ZIP or foreign postal code
WATERTOWN, WI 53098

D Employer identification number
39-1030310

E Telephone number
(920) 261-4210

G Gross receipts $ 103,898,914

F Name and address of principal officer
JOHN GRAF
125 HOSPITAL DRIVE
WATERTOWN, WI 53098

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW UWHPWATERTOWN COM

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

L Year of formation 1965

M State of legal domicile WI

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO PROVIDE THE BEST IN HEALTHCARE TO OUR PATIENTS WITH STATE OF THE ART TECHNOLOGY, ADVANCED EXPERTISE, AND PERSONALIZED COMPASSIONATE CARE IN A HEALING ENVIRONMENT THAT IS CONVENIENT TO HOME AND WORK

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	11
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	900
6	Total number of volunteers (estimate if necessary)	**6**	100
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	109,415	88,718
	9 Program service revenue (Part VIII, line 2g)	96,010,551	93,662,493
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	2,932,011	7,788,152
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-578,537	1,997,432
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	98,473,440	103,536,795
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	13,962	10,556
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	51,397,953	51,570,708
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	39,808,156	45,343,731
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	91,220,071	96,924,995
	19 Revenue less expenses Subtract line 18 from line 12	7,253,369	6,611,800

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	161,013,891	162,549,616
	21 Total liabilities (Part X, line 26)	67,143,998	66,246,616
	22 Net assets or fund balances Subtract line 21 from line 20	93,869,893	96,303,000

Part II Signature Block

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

Sign Here

****** | 2015-05-20
Signature of officer | Date

JOHN GRAF SENIOR VICE PRESIDENT
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
TERRI REXRODE CPA MST		2015-05-20		P00096513

Firm's name ▶ WIPFLI LLP | Firm's EIN ▶ 39-0758449

Firm's address ▶ PO BOX 12237
GREEN BAY, WI 543072237 | Phone no (920) 662-0016

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

TO PROVIDE THE BEST IN HEALTHCARE TO OUR PATIENTS THE HOSPITAL OPERATES A COMMUNITY HOSPITAL WITH 95 APPROVED BEDS PROVIDING A FULL RANGE OF ACUTE CARE IN WATERTOWN, WISCONSIN AND SURROUNDING COMMUNITIES THE HOSPITAL ALSO OWNS AND OPERATES PHYSICIAN PRACTICE CLINICS AND SENIOR HOUSING CAMPUSES THE HOSPITAL HAS A COMMITMENT TO PROVIDE SERVICES TO ALL, INCLUDING THE UNDERSERVED AND THOSE AFFECTED BY POVERTY THE HOSPITAL PROVIDES A WIDE RANGE OF COMMUNITY OUTREACH SERVICES SUCH AS IMMUNIZATION CLINICS, HEALTH EDUCATION PROGRAMS, HEALTH SCREENINGS, AND VARIOUS HEALTHCARE SUPPORT GROUPS

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 $ 62,655,185 including grants of $ 10,556) (Revenue $ 78,609,619)

OPERATIONS OF AN ACUTE CARE HOSPITAL FACILITY INCLUDING INPATIENT, EMERGENCY ROOM, SURGERY AND OUTPATIENT WITH A FULL ARRAY OF ANCILLARY SERVICES

4b (Code) (Expenses $ 19,407,700 including grants of $) (Revenue $ 15,198,537)

OPERATIONS OF CLINICS IN WATERTOWN AND SURROUNDING COMMUNITIES

4c (Code) (Expenses $ 1,648,701 including grants of $) (Revenue $ 1,718,895)

OPERATIONS OF SENIOR LIVING FACILITIES

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ 83,711,586

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
22	Did the organization report more than $5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a*	**24a**	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? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? *If so, complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**		No
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**		No
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**		
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	111		
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c			
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	900		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a			No
b	If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O* . . .	3b			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a**	12		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b	Enter the number of voting members included in line 1a, above, who are independent	**1b**	11		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**			No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**			No
6	Did the organization have members or stockholders?	**6**			No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**			No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**			No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	**8a**		Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		Yes	

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

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

Section C. Disclosure

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

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

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

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

▶ JIM BIRD 125 HOSPITAL DRIVE
WATERTOWN, WI 53098 (920) 262-4230

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) JEFF BAUM BOARD CHAIRMAN	2 00	X		X				0	0	0
(2) TIM SCHULER BOARD VICE-CHAIR	2 00	X		X				0	0	0
(3) DIANE HEATLEY MD BOARD VICE-CHAIR	2 00	X		X				0	0	0
(4) T MARK ROMAN DO BOARD MEMBER - PHYSICIAN	40 00	X						546,073	0	21,490
(5) JOHN BAUER BOARD MEMBER	2 00	X						0	0	0
(6) FRED ALBERTZ BOARD MEMBER	2 00	X						0	0	0
(7) MICHAEL DALLMAN BOARD MEMBER	2 00	X						0	0	0
(8) MIKE SULLIVAN MD BOARD MEMBER	2 00	X						0	0	0
(9) FRED GREMMELS DO BOARD MEMBER	2 00	X						0	0	0
(10) MARCY TESSMAN BOARD MEMBER	2 00	X						0	0	0
(11) TRICIA VOIGT BOARD MEMBER	2 00	X						0	0	0
(12) CAROL QUEST BOARD MEMBER	2 00	X						0	0	0
(13) RANDY PHELPS BOARD MEMBER	2 00	X						0	0	0
(14) JOHN KOSANOVICH PRESIDENT, BOARD MEMBER	40 00	X		X				385,310	0	269,375
(15) JOHN GRAF SENIOR VICE PRESIDENT	40 00			X				199,243	0	32,094
(16) JENNIFER LAUGHLIN VP AND CHIEF INFORMATION OFFICER	40 00			X				129,160	0	19,367
(17) DUANE FLOYD VP OF HUMAN RESOURCES	40 00			X				140,520	0	25,050

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) MARY KAY DIDERRICH VP OF PATIENT SERVICES	40 00			X				142,610	0	7,664
(19) TINA CRAVE CHIEF EXPERIENCE OFFICER	40 00			X				118,235	0	27,051
(20) RON SOKOVICH MD PHYSICIAN UROLOGY (FORMER BOARD MEMBER)	40 00					X		344,375	0	28,219
(21) STEVEN RHODES MD PHYSICIAN	40 00					X		479,476	0	33,098
(22) STEVEN PALS MD PHYSICIAN	40 00					X		416,358	0	31,467
(23) EDWARD FOSTER MD PHYSICIAN	40 00					X		395,954	0	33,455
(24) JEFFREY SMITH MD PHYSICIAN	40 00					X		391,560	0	30,387
(25) JEFF MEADE MD CHIEF MEDICAL OFFICER (FORMER)	24 00						X	109,042	0	7,503
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								3,797,916	0	566,220

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶49

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**3**	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? *If "Yes," complete Schedule J for such individual*	**4**	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	**5**		No

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
MAAS BROTHERS CONSTRUCTION CO INC 410 WATER TOWN COURT WATERTOWN WI 53094	CONSTRUCTION	8,924,971
METROPOLITAN WATERTOWN LLC 225 S EXECUTIVE DR BROOKFIELD WI 53005	ANESTHESIA SERVICES	2,199,650
UNIVERSITY OF WI HOSPITAL AND CLINICS LA PO BOX 3006 MILWAUKEE WI 53201	LABORATORY SERVICES	844,011
TMI CLIMATE SOLUTIONS INC 200 QUALITY WAY HOLLY MI 48442	HVAC & HYDRONIC SYSTEMS	599,475
UNIVERSITY MEDICAL FOUNDATION PO BOX 620993 MIDDLETON WI 53562	HEART & VASCULAR PHYSICIANS	469,422

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 ▶25

Part VIII Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a Federated campaigns	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations	1d				
	e Government grants (contributions)	1e				
	f All other contributions, gifts, grants, and similar amounts not included above	1f 88,718				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f		88,718			
Program Service Revenue		Business Code				
	2a HOSPITAL	621110	76,933,589	76,933,589		
	b WATERTOWN AREA CLINICS	621300	15,029,164	15,029,164		
	c SENIOR LIVING FACILITIES	621300	1,699,740	1,699,740		
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f		93,662,493			
	3 Investment income (including dividends, interest, and other similar amounts)		2,344,718			2,344,718
	4 Income from investment of tax-exempt bond proceeds					
	5 Royalties					
		(i) Real / (ii) Personal				
	6a Gross rents	369,341				
	b Less rental expenses	244,585				
	c Rental income or (loss)	124,756				
	d Net rental income or (loss)		124,756			124,756
		(i) Securities / (ii) Other				
	7a Gross amount from sales of assets other than inventory	5,559,818				
	b Less cost or other basis and sales expenses	85,913 / 30,471				
	c Gain or (loss)	5,473,905 / -30,471				
	d Net gain or (loss)		5,443,434			5,443,434
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a 9,268				
	b Less direct expenses	b 1,150				
	c Net income or (loss) from fundraising events		8,118			8,118
	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 EHR INCENTIVE	900099	800,000	800,000		
	b CAFETERIA REVENUE	900099	323,674	323,674		
	c MEALMOBILE	624210	33,981	33,981		
	d All other revenue		706,903	706,903		
	e **Total.** Add lines 11a–11d		1,864,558			
	12 **Total revenue.** See Instructions		103,536,795	95,527,051	0	7,921,026

Part IX Statement of Functional Expenses

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21				
2 Grants and other assistance to individuals in the United States See Part IV, line 22	10,556	10,556		
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	1,256,120		1,256,120	
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	39,362,373	34,442,076	4,920,297	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	1,581,909	1,384,170	197,739	
9 Other employee benefits	6,723,879	5,883,394	840,485	
10 Payroll taxes	2,646,427	2,315,624	330,803	
11 Fees for services (non-employees)				
a Management	5,513,298	4,824,136	689,162	
b Legal	272,474	238,415	34,059	
c Accounting	33,400	29,225	4,175	
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)	5,859,875	5,127,391	732,484	
12 Advertising and promotion	113,352	99,183	14,169	
13 Office expenses				
14 Information technology				
15 Royalties . .				
16 Occupancy	3,695,996	3,233,996	462,000	
17 Travel	275,616	241,164	34,452	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	2,044,458	1,788,901	255,557	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	6,004,913	5,254,299	750,614	
23 Insurance				
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a MEDICAL SUPPLIES	9,651,610	8,445,159	1,206,451	
b PURCHASED SERVICES	5,341,694	4,673,982	667,712	
c BAD DEBT EXPENSE	3,887,819	3,401,842	485,977	
d				
e All other expenses	2,649,226	2,318,073	331,153	
25 **Total functional expenses.** Add lines 1 through 24e	96,924,995	83,711,586	13,213,409	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash–non-interest-bearing		6,354,010	1	5,149,741
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		12,010,623	4	12,452,072
	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	1,781,564
	8	Inventories for sale or use		1,980,838	8	1,982,765
	9	Prepaid expenses and deferred charges		3,029,360	9	2,389,709
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 139,027,793			
	b	Less accumulated depreciation	10b 71,826,025	65,053,170	10c	67,201,768
	11	Investments—publicly traded securities		70,738,285	11	69,942,335
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		805,698	13	831,727
	14	Intangible assets		41,907	14	17,935
	15	Other assets See Part IV, line 11		1,000,000	15	800,000
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		161,013,891	16	162,549,616
Liabilities	17	Accounts payable and accrued expenses		14,122,307	17	14,110,827
	18	Grants payable			18	
	19	Deferred revenue		1,690,964	19	2,000,719
	20	Tax-exempt bond liabilities		46,236,212	20	45,003,417
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		5,094,515	25	5,131,653
	26	**Total liabilities.** Add lines 17 through 25		67,143,998	26	66,246,616
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		93,846,335	27	96,303,000
	28	Temporarily restricted net assets		23,558	28	0
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		93,869,893	33	96,303,000
	34	Total liabilities and net assets/fund balances		161,013,891	34	162,549,616

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	103,536,795
2	Total expenses (must equal Part IX, column (A), line 25)	2	96,924,995
3	Revenue less expenses Subtract line 2 from line 1	3	6,611,800
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	93,869,893
5	Net unrealized gains (losses) on investments	5	-4,184,795
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	6,102
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	96,303,000

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
WATERTOWN REGIONAL MEDICAL CENTER INC

Employer identification number
39-1030310

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? — **11g(i)**		
(ii) A family member of a person described in (i) above? — **11g(ii)**		
(iii) A 35% controlled entity of a person described in (i) or (ii) above? — **11g(iii)**		

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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

Facts And Circumstances Test		
Return Reference	Explanation	

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SCHEDULE 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
WATERTOWN REGIONAL MEDICAL CENTER INC

Employer identification number
39-1030310

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

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

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

	(a) Current year	(b) Prior year	(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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,230,407		1,230,407
b Buildings		68,795,981	35,364,585	33,431,396
c Leasehold improvements		3,992,681	3,061,564	931,117
d Equipment		64,973,966	33,399,876	31,574,090
e Other		34,758		34,758
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				67,201,768

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

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

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

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

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

(a) Description	(b) Book value
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
SECURITY DEPOSITS PAYABLE	5,131,653
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	5,131,653

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

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

1	Total revenue, gains, and other support per audited financial statements			1	99,352,000
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-4,184,795		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d			
e	Add lines **2a** through **2d**			2e	-4,184,795
3	Subtract line **2e** from line **1**			3	103,536,795
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII)	4b			
c	Add lines **4a** and **4b**			4c	0
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	103,536,795

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	93,030,591
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIII)	2d	-3,887,819		
e	Add lines **2a** through **2d**			2e	-3,887,819
3	Subtract line **2e** from line **1**			3	96,918,410
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	6,585		
c	Add lines **4a** and **4b**			4c	6,585
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	96,924,995

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, THE HOSPITAL DETERMINES 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 THE TAX POSITION IS NOT RECOGNIZED IN THE FINANCIAL STATEMENTS THE HOSPITAL HAS NOT RECORDED ANY ASSETS OR LIABILTIES RELATED TO UNCERTAIN TAX POSITIONS OR UNRECOGNIZED TAX BENEFITS AS OF SEPTEMBER 30, 2014 OR 2013 FEDERAL RETURNS FOR THE YEARS ENDED SEPTEMBER 30, 2011, AND BEYOND REMAIN SUBJECT TO EXAMINATION BY THE INTERNAL REVENUE SERVICE
PART XII, LINE 2D - OTHER ADJUSTMENTS	PROVISION FOR BAD DEBTS -3,887,819
PART XII, LINE 4B - OTHER ADJUSTMENTS	OTHER EXPENSES INCLUDED ON FORM 990 6,585

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
WATERTOWN REGIONAL MEDICAL CENTER INC

Employer identification number
39-1030310

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care ☐ 100% ☐ 150% ☐ 200% ☑ Other 12500 0000000000 %	3a	Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b	Yes	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			987,000		987,000	1 020 %
b Medicaid (from Worksheet 3, column a)			6,762,427		6,762,427	6 980 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			7,749,427		7,749,427	8 000 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			415,928	5,025	410,903	0 420 %
f Health professions education (from Worksheet 5)			66,234		66,234	0 070 %
g Subsidized health services (from Worksheet 6)			348,904		348,904	0 360 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			256,517		256,517	0 260 %
j **Total.** Other Benefits			1,087,583	5,025	1,082,558	1 110 %
k **Total.** Add lines 7d and 7j			8,837,010	5,025	8,831,985	9 110 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development			2,012		2,012	0 %
3 Community support			12,074		12,074	0 010 %
4 Environmental improvements			820		820	0 %
5 Leadership development and training for community members			8,635		8,635	0 010 %
6 Coalition building			15,093		15,093	0 020 %
7 Community health improvement advocacy			33,644		33,644	0 030 %
8 Workforce development						
9 Other						
10 **Total**			72,278		72,278	0 070 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2 3,830,984		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3 354,000		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements			

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5 11,256,582		
6	Enter Medicare allowable costs of care relating to payments on line 5	6 16,321,240		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7 -5,064,658		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used			

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

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

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

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

Part V Facility Information

Section A. Hospital Facilities

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

	Name, address, primary website address, and state license number	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	See Additional Data Table										

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group UWHP WATERTOWN REGIONAL MEDICAL CENTER

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

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 125 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☑ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Residency			
i ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			

Part V Facility Information *(continued)*

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

- **a** ☐ Notified individuals of the financial assistance policy on admission
- **b** ☐ Notified individuals of the financial assistance policy prior to discharge
- **c** ☐ Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- **d** ☐ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

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

Form and Line Reference	Explanation
See Additional Data Table	

Part V Facility Information *(continued)*

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

How many non-hospital health care facilities did the organization operate during the tax year? **19**

	Name and address	Type of Facility (describe)
1	See Additional Data Table	
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Form and Line Reference	Explanation
PART II, COMMUNITY BUILDING ACTIVITIES	WRMC HAS AN OPEN MEDICAL STAFF AND A GENEROUS CHARITY CARE PROGRAM ANNUALLY, WE DONATE A PERCENTAGE OF NET OPERATING INCOME, IF ANY, TO A COMMUNITY HEALTH FUND WHICH IS USED TO SUPPORT LOCAL NON-PROFITS WITH HEALTH, WELLNESS AND SAFETY RELATED MISSIONS A COMMUNITY BENEFIT SUB-COMMITTEE OF THE BOARD OVERSEES THE COMMUNITY HEALTH FUND AND WRMC'S CHARITABLE ACTIVITIES WRMC IS ACTIVE IN COMMUNITY HEALTH IMPROVEMENT IN THE REGION AN ACTIVE MEMBER OF THE DODGE JEFFERSON HEALTHY COMMUNITY PARTNERSHIP, WE WORK IN PARTNERSHIP WITH LOCAL HEALTH DEPARTMENTS TO DEVELOP COMMUNITY HEALTH IMPROVEMENT PLANS WE PROVIDE ONGOING SUPPORT (IN THE FORM OF FINANCIAL FUNDING AND DONATED DIAGNOSTIC AND LAB TESTING SERVICES) TO OUR LOCAL FREE CLINIC, THE WATERTOWN AREA CARES CLINIC (WACC) WRMC DEVELOPS ACTIVE PARTNERSHIPS WITH COMMUNITY PROVIDERS TO ENSURE QUALITY CARE ACROSS THE CONTINUUM SUPPORT OF OUR LOCAL HOSPICE PROVIDER, RAINBOW HOSPICE, HAS BEEN A SIGNIFICANT PRIORITY TWO WRMC LEADERS SERVE ON THE RAINBOW HOSPICE BOARD ONE WRMC PHYSICIAN PROVIDES MEDICAL DIRECTION FOR HOSPICE, AND WRMC HAS MADE SIZABLE FINANCIAL DONATIONS TO ENHANCE THE HOSPICE SERVICES AVAILABLE LOCALLY IN ADDITION TO RAINBOW HOSPICE, WE HAVE LEADERSHIP TEAM MEMBERS SERVING ON THE BOARD OF OUR YMCA, COMMUNITY DENTAL CLINIC, CHAMBER OF COMMERCE AND ECONOMIC DEVELOPMENT ORGANIZATION OBESITY IS A KEY HEALTH CONCERN FOR OUR REGION, AND WRMC IS ACTIVE IN PROMOTING LIFESTYLE CHANGE LEADERSHIP COORDINATION OF OUR LOCAL RUN/WALK SERIES IS AN EXAMPLE OF OUR OBESITY PREVENTION EFFORTS OVER THE PAST 18 MONTHS WE TRANSFORMED OUR HOSPITAL FOOD SERVICE TO FORM HARVEST MARKET HARVEST WAS DESIGNED TO SERVE AS AN EXAMPLE OF HEALTHY EATING, MAKING IT EASY FOR EMPLOYEES, PATIENTS AND GUESTS TO "CHOOSE HEALTH" WITH AFFORDABLE, FRESH AND SCRATCH MEALS MADE WITH NUTRITIOUS LOCAL INGREDIENTS OUR OPERATIONAL THEME IS "FOOD IS MEDICINE" AND WE INVEST IN COMMUNITY EDUCATION WE OFFER AN ON-GOING FREE CLASS THAT TEACHES THE BASICS OF HEART HEALTHY EATING, AND WE HAVE DEVELOPED A COMMUNITY KITCHEN THAT OFFERS HEALTHY COOKING CLASSES AT A SIGNIFICANTLY DISCOUNTED RATE OVER THE PAST YEAR WE HAVE HOSTED MULTIPLE SCHOOL GROUPS TO TEACH CHILDREN HEALTHY EATING HABITS

Form and Line Reference	Explanation
PART III, LINE 8	100% OF THE MEDICARE SHORTFALL SHOULD BE TREATED AS COMMUNITY BENEFIT WATERTOWN REGIONAL MEDICAL CENTER IS COMMITTED TO SERVING ALL PATIENTS, REGARDLESS OF ABILITY TO PAY OR IF THE PAYMENTS TO BE RECEIVED WILL BE LESS THAN THE COST TO PROVIDE THE SERVICE, WHICH IS THE CASE FOR MEDICARE AND MEDICAID PATIENTS THE FIGURES ON LINE 6 OF PART III COME FROM THE 9/30/14 MEDICARE COST REPORT

Form and Line Reference	Explanation
PART VI, LINE 2	IN 2013 AND 2014, UW HEALTH PARTNERS WATERTOWN REGIONAL MEDICAL CENTER (WRMC) PERFORMED A COMMUNITY HEALTH ASSESSMENT IN PARTNERSHIP WITH THE CITY OF WATERTOWN, DODGE COUNTY AND JEFFERSON COUNTY HEALTH DEPARTMENTS AS WELL AS FORT HEALTH CARE AND BEAVER DAM HOSPITAL PUBLIC HEALTH DATA WAS USED TO IDENTIFY THE REGION'S TOP HEALTH AND SAFETY NEEDS INPUT FROM A WIDE VARIETY OF COMMUNITY STAKEHOLDERS WAS INCORPORATED A COMMUNITY FORUM WAS HELD PRIORITIES WERE IDENTIFIED IN COLLABORATION WITH OUR PUBLIC HEALTH PARTNERS, COMMUNITY LEADERS, OTHER HEALTH PROVIDERS AND COMMUNITY MEMBERS REPRESENTING DIVERSE NEEDS OF THE COMMUNITY RESULTS OF THE NEEDS ASSESSMENT WERE MADE PUBLICALLY AVAILABLE THROUGH A COMMUNITY FORUM, PRESENTATIONS TO OUR HEALTHCARE COMMUNITY AND OUR WEBSITE THE FOLLOWING HAVE BEEN IDENTIFIED AS OUR REGION'S GREATEST HEALTH NEEDS A HEALTHY DIET B PHYSICAL ACTIVITY C MENTAL HEALTH D ALCOHOL/SUBSTANCE ABUSE

Form and Line Reference	Explanation
PART VI, LINE 3	WRMC USES MULTIPLE METHODS TO EDUCATE PATIENTS ABOUT ELIGIBILITY FOR FINANCIAL ASSISTANCE LOCAL REFERRING PROVIDERS ARE FAMILIAR WITH WRMC'S CHARITY CARE POLICIES AND OFTEN GET PATIENTS IN CONTACT WITH WRMC FINANCIAL COUNSELORS AS THE CARE PROCESS IS INITIATED OUR FRONT OFFICE/RECEPTION STAFF AT EACH POINT OF ENTRY IS EDUCATED ON BILLING AND ASSISTANCE PROCEDURES AND CAN SERVE AS AN IMMEDIATE RESOURCE FOR PATIENTS, REFERRING PATIENTS TO FINANCIAL COUNSELORS TO PROVIDE PERSONALIZED COUNSELING WHEN NECESSARY OUR FINANCIAL ASSISTANCE POLICIES ARE AVAILABLE ON OUR WEBSITE, AND THE NUMBERS FOR OUR FINANCIAL COUNSELORS ARE READILY PUBLICIZED IN PHONE BOOKS AND OTHER DIRECTORIES IN ADDITION, OUR PATIENT FINANCIAL COUNSELORS SEND LETTERS TO PATIENTS WITH SELF-PAY ACCOUNTS DESCRIBING PAYMENT OPTIONS THESE COUNSELORS ALSO ATTEMPT TO CALL ALL SELF-PAY PATIENTS WITH BALANCES OVER $500 ONCE ADMITTED TO THE MEDICAL CENTER, EACH PATIENT RECEIVES A PATIENT HANDBOOK, WHICH OUTLINES BILLING PROCEDURES AND FINANCIAL ASSISTANCE RESOURCES THESE POLICIES AND RESOURCES ARE ALSO AVAILABLE 24/7 ON OUR WEBSITE AT UWHPWATERTOWN COM

Form and Line Reference	Explanation
PART VI, LINE 4	WRMC SERVES THE RESIDENTS OF DODGE AND JEFFERSON COUNTIES IN A SERVICE AREA OF ROUGHLY 120,000 LIVES BASIC COUNTY DEMOGRAPHIC INFORMATION IS AS FOLLOWS DODGE COUNTY JEFFERSON COUNTY% RESIDENTS BELOW POVERTY 8 1% 7 6% % WITH HS DIPLOMA 82 3% 84 7%% SPEAK LANGUAGE OTHER THAN ENGLISH 4 6% 6 1%% RESIDENTS OVER AGE 65 13 6% 12 5%% RESIDENTS UNINSURED 7 4% 3 0%

Form and Line Reference	Explanation
PART VI, LINE 6	WRMC IS GOVERNED BY A COMMUNITY BOARD OF DIRECTORS WHO REPRESENT THE DIVERSE NEEDS OF THE WATERTOWN REGION WE HAVE A BOARD OF DIRECTORS SUB-COMMITTEE WHICH OVERSEES OUR COMMUNITY BENEFIT PLAN AND ACTIVITIES THIS COMMITTEE ALSO OVERSEES OUR COMMUNITY HEALTH FUND THIS COMMITTEE IS MADE UP OF COMMUNITY MEMBERS WHO REPRESENT UNDERSERVED POPULATIONS, SUCH AS THE ELDERLY, LOW-INCOME, SPANISH SPEAKING POPULATION AND YOUTH EACH FISCAL YEAR, OUR BOARD ALLOCATES A PERCENTAGE OF NET REVENUE TO A COMMUNITY HEALTH FUND COMMUNITY NON-PROFITS WITH HEALTH AND SAFETY RELATED MISSIONS APPLY FOR AND RECEIVE GRANT FUNDS TO FURTHER THEIR MISSIONS OF ENHANCING THE HEALTH OF THE COMMUNITY

Additional Data

Software ID:
Software Version:
EIN: 39-1030310
Name: WATERTOWN REGIONAL MEDICAL CENTER 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
UWHP WATERTOWN REGIONAL MEDICAL CENTER	
UWHP WATERTOWN REGIONAL MEDICAL CENTER	PART V, SECTION B, LINE 4 HOSPITALS THAT PARTICIPATED ARE WATERTOWN REGIONAL MEDICAL CENT ER, BEAVERDAM COMMUNITY HOSPITAL, FORT HEALTHCARE
UWHP WATERTOWN REGIONAL MEDICAL CENTER	PART V, SECTION B, LINE 20D CHARGE ALL PATIENTS THE SAME SELFPAY ("SP") PATIENTS ARE THE N GIVEN AN AUTOMATIC 10% "SP" DISCOUNT THEN AN ADDITIONAL 15% PROMPT PAY DISCOUNT IF PAID WITHIN 30 DAYS
FORM 990, SCH H, PART V, SECTION B, LINE 5A	UW HEALTH PARTNERS WATERTOWN REGIONAL MEDICAL CENTER (WRMC) PERFORMED A COMMUNITY HEALTH N EEDS ASSESSMENT IN PARTNERSHIP WITH THE CITY OF WATERTOWN, DODGE COUNTY AND JEFFERSON COUN TY HEALTH DEPARTMENTS AS WELL AS FORT HEALTH CARE AND BEAVER DAM HOSPITAL PUBLIC HEALTH D ATA WAS USED TO IDENTIFY THE REGION'S TOP HEALTH AND SAFETY NEEDS INPUT FROM A WIDE VARIE TY OF COMMUNITY STAKEHOLDERS WAS INCORPORATED PRIORITIES ARE IDENTIFIED IN COLLABORATION WITH OUR PUBLIC HEALTH PARTNERS, COMMUNITY LEADERS, OTHER HEALTH PROVIDERS AND COMMUNITY M EMBERS REPRESENTING DIVERSE NEEDS OF THE COMMUNITY RESULTS OF THE HEEDS ASSESSMENT ARE MAD E PUBLICALLY AVAILABLE THROUGH A COMMUNITY FORUM, PRESENTATION TO OUR HEALTHCARE COMMUNITY , AND OUR WEBSITE HTTP //WWW UWHPWATERTOWN COM/MAIN/COMMUNITYBENEFIT ASPX

Form 990 Schedule H, Part V Section D. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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

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

Name and address	Type of Facility (describe)
ORTHOPEDICS AND SPORTS MEDICINE CLINIC 123 HOSPITAL DRIVE SUITE 1008 WATERTOWN,WI 53098	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
OBGYN PHYSICIAN PRACTICE 128 HOSPITAL DRIVE WATERTOWN,WI 53098	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
EYE PHYSICIAN PRACTICE 123 HOSPITAL DRIVE SUITE 1002 WATERTOWN,WI 53098	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
REHAB SERVICES 1684 S CHURCH ST WATERTOWN,WI 53094	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
PHYSICIAN PRACTICE 1025 MULBERRY STREET LAKE MILLS,WI 53551	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
PHYSICIAN PRACTICE 1507 DOCTORS COURT WATERTOWN,WI 53094	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
PHYSICIAN PRACTICE 102 VILLAGE WALK LANE JOHNSON CREEK,WI 53038	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
AODAMENTAL COUNSELING 129 HOSPITAL DRIVE WATERTOWN,WI 53098	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
INTERNAL MEDICINE CLINIC 123 HOSPITAL DRIVE SUITE 2009 WATERTOWN,WI 53098	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
UROLOGY CLINIC 123 HOSPITAL DRIVE SUITE 2006 WATERTOWN,WI 53098	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
PHYSICIAN PRACTICE 111 ANNA STREET WATERLOO,WI 53594	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
ASSISTED LIVING 125A HOSPITAL DRIVE WATERTOWN,WI 53098	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
ASSISTED LIVING 161 GOEHL ROAD WATERLOO,WI 53594	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
PHYSICIAN PRACTICE 334 S WESTERN AVE JUNEAU,WI 53039	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
PLASTIC SURGERY AND MEDISPA 123 HOSPITAL DRIVE SUITE 2003 WATERTOWN,WI 53098	ORTHOPEDICS AND SPORTS MEDICINE CLINIC

Form 990 Schedule H, Part V Section D. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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

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

Name and address	Type of Facility (describe)
PHYSICIAN PRACTICE W1046 MARIETTA SUITE 230 IXONIA,WI 53036	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
REHAB SERVICES 621 W RACINE ST JEFFERSON,WI 53549	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
OCCUPATIONAL HEALTH 123 HOSPITAL DRIVE SUITE 2004 WATERTOWN,WI 53098	ORTHOPEDICS AND SPORTS MEDICINE CLINIC
PHYSICIAN PRACTICE W359 N5002 BROWN ST SUITE 208 OCONOMOWOC,WI 53066	ORTHOPEDICS AND SPORTS MEDICINE CLINIC

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990**

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
WATERTOWN REGIONAL MEDICAL CENTER INC

Employer identification number
39-1030310

Part I General Information on Grants and Assistance

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

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

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

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

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

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

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

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

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
(1) SCHOLARSHIP AWARDS	20	10,556			

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	ANNUALLY, A TEAM DEVELOPS AND SUBMITS A GRANT REQUEST TO GRANTING ORGANIZATIONS TO REQUEST FUNDING FOR INITIATIVES WHICH MEET IDENTIFIED HEALTH NEEDS THE TEAM DEVELOPS A PROPOSAL WITH OBJECTIVES, TACTICS, AND BUDGET OUTLINED THE TEAM MONITORS PROGRESS TOWARD STATED OBJECTIVES AND BUDGET AND SENDS QUARTERLY UPDATES TO THE GRANTING ORGANIZATION IN ADDITION, THE GRANT OUTCOMES ARE REVIEWED ANNUALLY WITH COMMUNITY BENEFIT COMMITTEE MEMBERS

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 23.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**
▶ **Information about Schedule J (Form 990) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
WATERTOWN REGIONAL MEDICAL CENTER INC

Employer identification number
39-1030310

Part I Questions Regarding Compensation

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

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

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

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

(A) Name and Title	**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Retirement and other deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported as deferred in prior Form 990
	(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table							

Part III Supplemental Information

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

Return Reference	Explanation
PART I, LINE 1A	THE ORGANIZATION PROVIDED SOCIAL CLUB DUES TO TWO DIRECTORS AS A NON-TAX BENEFIT BENEFITS ARE INCLUDED ON FORM 990

Additional Data

Software ID:
Software Version:
EIN: 39-1030310
Name: WATERTOWN REGIONAL MEDICAL CENTER INC

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
T MARK ROMAN DO BOARD MEMBER - PHYSICIAN	(I) (II)	528,551 0	0 0	17,522 0	2,827 0	18,663 0	567,563 0	0 0
JOHN KOSANOVICH PRESIDENT, BOARD MEMBER	(I) (II)	280,058 0	81,930 0	23,322 0	246,071 0	23,304 0	654,685 0	0 0
JOHN GRAF SENIOR VICE PRESIDENT	(I) (II)	151,783 0	6,805 0	40,655 0	6,822 0	25,272 0	231,337 0	0 0
DUANE FLOYD VP OF HUMAN RESOURCES	(I) (II)	103,378 0	13,143 0	23,999 0	5,426 0	19,624 0	165,570 0	0 0
MARY KAY DIDERRICH VP OF PATIENT SERVICES	(I) (II)	120,025 0	10,652 0	11,933 0	5,552 0	2,112 0	150,274 0	0 0
RON SOKOVICH MD PHYSICIAN UROLOGY (FORMER BOARD MEMB	(I) (II)	303,185 0	640 0	40,550 0	7,135 0	21,084 0	372,594 0	0 0
STEVEN RHODES MD PHYSICIAN	(I) (II)	344,531 0	94,735 0	40,210 0	11,935 0	21,163 0	512,574 0	0 0
STEVEN PALS MD PHYSICIAN	(I) (II)	375,125 0	640 0	40,593 0	12,091 0	19,376 0	447,825 0	0 0
EDWARD FOSTER MD PHYSICIAN	(I) (II)	355,404 0	0 0	40,550 0	12,292 0	21,163 0	429,409 0	0 0
JEFFREY SMITH MD PHYSICIAN	(I) (II)	356,327 0	200 0	35,033 0	9,224 0	21,163 0	421,947 0	0 0
JEFF MEADE MD CHIEF MEDICAL OFFICER (FORMER)	(I) (II)	91,309 0	10,853 0	6,880 0	1,329 0	6,174 0	116,545 0	0 0

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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
WATERTOWN REGIONAL MEDICAL CENTER INC

Employer identification number
39-1030310

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 & EDUCATIONAL FACILITIES AUTHORITY	39-1337855	97710B2V3	08-23-2012	28,760,000	HOSPITAL EXPANSION, RENOVATION, AND REFUNDING PAST BONDS		X		X		X
B	WISCONSIN HEALTH & EDUCATIONAL FACILITIES AUTHORITY	39-1337855		11-18-2010	2,250,000	PURCHASE CLINIC BUILDINGS AND REFUNDING PAST BONDS		X		X		X
C	WISCONSIN HEALTH & EDUCATIONAL FACILITIES AUTHORITY	39-1337855	97710VP36	10-26-2006	15,000,000	HOSPITAL EXPANSION AND RENOVATION		X		X		X
D	WISCONSIN HEALTH & EDUCATIONAL FACILITIES AUTHORITY	39-1337855	97710VQW1	12-11-2003	4,400,000	HOSPITAL REMODELING, EQUIPMENT, AND CLINIC EXPANSION		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	555,000	90,000		220,000
2	Amount of bonds legally defeased				
3	Total proceeds of issue	28,710,881	2,250,000	15,000,000	4,400,000
4	Gross proceeds in reserve funds	18,982,225		1,258,570	
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows	9,419,259	707,005		
7	Issuance costs from proceeds	309,397	25,995	924,944	110,779
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	14,278,262	1,517,000	12,816,486	4,289,221
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2014	2010	2008	2004

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X		X			X		X
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		X
16	Has the final allocation of proceeds been made?		X	X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X		X		X
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		X
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 %		0 %		0 %		0 %	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 %		0 %		0 %		0 %	
6	Total of lines 4 and 5	0 %		0 %		0 %		0 %	
7	Does the bond issue meet the private security or payment test?		X		X		X		X
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		X
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?		X		X		X		X

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		X
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X		X		X
b	Exception to rebate?		X		X		X		X
c	No rebate due?		X		X		X		X
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X	X		X		X	
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X	X			X
b	Name of provider					JP MORGAN CHASE			
c	Term of hedge					28 000000000000			
d	Was the hedge superintegrated?						X		
e	Was the hedge terminated?						X		

Part IV Arbitrage *(Continued)*

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

Part V Procedures To Undertake Corrective Action

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

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

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.
▶ Information about Schedule L (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
WATERTOWN REGIONAL MEDICAL CENTER INC

Employer identification number
39-1030310

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1 (a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected? Yes	No

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 . . . . . ▶ $

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ $

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? Yes	No
Total ▶ $												

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) MEADE MEDICAL CLINIC	PAST OFFICER IS OWNER	239,700	PROVIDED RENTAL PROPERTY TO WRMC		No
(2) NADINE KOSANOVICH	DAUGHTER OF PRESIDENT	22,640	EMPLOYED BY WRMC		No
(3) CYNTHIA SCHULER	SPOUSE OF BOARD MEMBER	42,352	EMPLOYED BY WRMC		No
(4) ROBERTA GRAF	SPOUSE OF TREASURER	53,490	EMPLOYED BY WRMC		No
(5) SCOTT QUEST	SPOUSE OF BOARD MEMBER	49,325	EMPLOYED BY WRMC		No

Part V Supplemental Information

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

Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
WATERTOWN REGIONAL MEDICAL CENTER INC

Employer identification number
39-1030310

990 Schedule O, Supplemental Information

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11	THE FINANCE COMMITTEE REVIEWS THE 990 IN DETAIL AND A COPY OF THE 990 IS MADE AVAILABLE TO ALL BOARD MEMBERS BEFORE IT IS FILED
FORM 990, PART VI, SECTION B, LINE 12C	EACH YEAR THE HOSPITAL'S CONFLICT OF INTEREST POLICY, ALONG WITH THE CONFLICT OF INTEREST FORM, IS SENT TO EACH BOARD MEMBER BOARD MEMBERS ARE ASKED TO REVIEW THE POLICY, COMPLETE THE FORM, AND RETURN THEM TO ADMINISTRATION WHERE THEY ARE REVIEWED AND KEPT ON FILE IF ADMINISTRATION DETERMINES AN ACTUAL CONFLICT OF INTEREST EXISTS WITH A BOARD MEMBER, THE B OARD MEMBER WOULD NEED TO ABSTAIN FROM DELIBERATING OR VOTING
FORM 990, PART VI, SECTION B, LINE 15	TO DETERMINE THE COMPENSATION OF EACH OFFICER OF THE CORPORATION, A COMPENSATION COMMITTEE AND EXTERNAL DATA ARE USED TO DETERMINE A FAIR AND REASONABLE SALARY THE COMPENSATION CO MMITTEE IS MADE UP OF INDEPENDENT BOARD MEMBERS OUTSIDE SOURCES INCLUDE THE OPINION AND C OMPARATIVE DATA OF AN INDEPENDENT COMPENSATION CONSULTANT, USE OF A COMPENSATION SURVEY, A ND THE WRITTEN EMPLOYMENT CONTRACT FOR EACH OFFICER, IF APPLICABLE THE SALARY MUST BE APP ROVED EACH YEAR BY THE COMPENSATION COMMITTEE CONTEMPORANEOUS NOTES OF THE COMPENSATION C OMMITTEE ARE KEPT BY THE BOARD CHAIRMAN
FORM 990, PART VI, SECTION C, LINE 19	AUDITED FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC THROUGH THE EMMA WEBSITE HTTP// EMMA MSRB ORG/ THE GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICIES, AND AUDITED FINANC IAL STATEMENTS ARE MADE AVAILABLE FOR PUBLIC INSPECTION UPON REQUEST
FORM 990, PART XI, LINE 9	AMORTIZATION OF ACCUMULATED EFFECTIVE PORTION 23,838 CHANGE IN NET UNREALIZED GAINS/LOSSES -17,736
FORM 990, PART XII, LINE 2C	THE AUDIT AND FINANCE COMMITTEE IS MADE UP OF CURRENT AND PAST BOARD MEMBERS THE COMMITTE E IS RESPONSIBLE FOR THE SELECTION OF AN INDEPENDENT AUDITOR, RESPONDING TO THE PRELIMINAR Y AUDIT PLAN, AND RECEIVING THE RESULTS OF THE ANNUAL FINANCIAL STATEMENT AUDIT THIS HAS NOT CHANGED FROM THE PRIOR YEAR
FORM 990, PART VI, LINE 9	GOVERNING BODY AND MANAGEMENT JEFF BAUM (BOARD CHAIRMAN) WISCONSIN AVIATION, INC 1741 RIV ER DRIVE WATERTOWN, WI 53094 TIM SCHULER N452 BEVERLY DRIVE WATERTOWN, WI 53098 MIKE SULLI VAN, MD WATERTOWN FAMILY PRACTICE ASSOCIATES, SC 127 HOSPITAL DRIVE WATERTOWN, WI 53098 FR ED ALBERTZ 508 HIGHLAND BLVD JOHNSON CREEK, WI 53038 MARCY TESSMANN UW HOSPITAL AND CLINIC S 600 HIGHLAND AVENUE H4/837 WATERTOWN, WI 53792-8310 DIANE HEATLEY, MD (BOARD VICE CHAIRM AN) UW HOSPITAL AND CLINICS 600 HIGHLAND AVENUE K4/765 WATERTOWN, WI 53792-7375 MICHAEL DA LLMAN UNIVERSITY HEALTH CARE INC 301 S WESTFIELD ROAD SUITE 320 MADISON, WI 53717 JOHN B AUER BETHESDA LUTHERAN COMMUNITIES 600 HOFFMAN DRIVE WATERTOWN, WI 53094 FRED GREMMELS, DO 1517 COUNTRY CLUB LANE WATERTOWN, WI 53098 TRICIA VOIGT 206 EAST SPAULDING WATERTOWN, WI 53098 CAROL QUEST 1220 ALLERMANN DRIVE WATERTOWN, WI 53098 RANDY PHELPS 119 SOUTH CHURCH S T WATERTOWN, WI 53094

Watertown Regional Medical Center, Inc.

Watertown, Wisconsin

Financial Statements

Years Ended September 30, 2014 and 2013

Watertown Regional Medical Center, Inc.

Financial Statements

Years Ended September 30, 2014 and 2013

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WIPFLi LLP

Independent Auditor's Report

Board of Directors
Watertown Regional Medical Center, Inc.
Watertown, Wisconsin

We have audited the accompanying financial statements of Watertown Regional Medical Center, Inc., which comprise the balance sheet as of September 30, 2014, and the related statements of operations and changes in net assets and cash flows for the year 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 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 audit. We conducted our audit 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the 2014 financial statements referred to above present fairly, in all material respects, the financial position of Watertown Regional Medical Center, Inc. as of September 30, 2014, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matter

The September 30, 2013, financial statements were audited by other auditors, whose report dated January 8, 2014, expressed an unmodified opinion on those statements.

Wipfli LLP

Wipfli LLP

December 12, 2014
Milwaukee, Wisconsin

Watertown Regional Medical Center, Inc.

Balance Sheets

September 30, 2014 and 2013

Assets	(In Thousands) 2014	2013
Current assets		
Cash and cash equivalents	$ 5,150	$ 6,354
Patient accounts receivable - Net	12,452	12,011
Guarantee of patient loans	1,782	-
Inventories	1,983	1,981
Prepaid expenses and other current assets	1,224	1,815
Electronic health record incentive receivable	800	1,000
Total current assets	23,391	23,161
Assets limited as to use	69,942	70,738
Property and equipment - Net	67,202	65,053
Other assets		
Deferred financing costs - Net	1,165	1,214
Investment in affiliates	850	848
Total other assets	2,015	2,062
TOTAL ASSETS	$ 162,550	$ 161,014

Liabilities and Net Assets	(In Thousands) 2014	2013
Current liabilities		
Current maturities of long-term debt	$ 1,593	$ 1,231
Accounts payable		
Trade	2,854	3,373
Construction	249	2,410
Accrued salaries, wages, and benefits	3,522	3,350
Amounts due to third-party payors	100	335
Guarantee of patient loans	1,782	-
Other accrued liabilities	587	590
Total current liabilities	10,687	11,289
Long-term liabilities		
Resident deposits payable	5,132	5,095
Deferred compensation	2,001	1,691
Long-term debt, less current maturities	45,003	46,236
Other long-term liabilities	3,424	2,833
Total long-term liabilities	55,560	55,855
Total liabilities	66,247	67,144
Net assets.		
Unrestricted	96,303	93,846
Temporarily restricted	-	24
Total net assets	96,303	93,870
TOTAL LIABILITIES AND NET ASSETS	$ 162,550	$ 161,014

See accompanying notes to financial statements.

Watertown Regional Medical Center, Inc.

Statements of Operations and Changes in Net Assets

Years Ended September 30, 2014 and 2013

	(In Thousands)	
	2014	2013
Revenue		
Patient service revenue - Net of contractual allowances and discounts	$ 93,015	$ 92,965
Provision for bad debts	3,888	3,079
Net patient service revenue, less provision for bad debts	89,127	89,886
Other revenue	2,760	2,514
Total revenue	91,887	92,400
Operating expenses		
Salaries, wages, and benefits	51,573	51,398
Medical supplies and drugs	9,653	9,334
Purchased services	13,342	12,077
Depreciation and amortization	5,591	5,080
Interest	2,044	(415)
Other	10,834	10,252
Total expenses	93,037	87,726
Income (loss) from operations	(1,150)	4,674
Nonoperating gains (losses).		
Investment income	3,634	3,238
Contributions, grants, and other - Net	(57)	72
Total nonoperating gains	3,577	3,310
Excess of revenue over expenses	2,427	7,984

Watertown Regional Medical Center, Inc.

Statements of Operations and Changes in Net Assets (Continued)

Years Ended September 30, 2014 and 2013

	(In Thousands)	
	2014	2013
Excess of revenue over expenses (carried forward)	$ 2,427	$ 7,984
Other changes in unrestricted net assets		
Amortization of accumulated effective portion of derivative losses for ineffective interest rate swaps	23	23
Net assets released from restrictions	7	35
Total other changes in unrestricted net assets	30	58
Increase in unrestricted net assets	2,457	8,042
Temporarily restricted net assets		
Change in net unrealized gains and losses on restricted net assets	(17)	34
Net assets released from restrictions	(7)	(35)
Decrease in temporarily restricted net assets	(24)	(1)
Increase in net assets	2,433	8,041
Net assets at beginning	93,870	85,829
Net assets at end	$ 96,303	$ 93,870

See accompanying notes to financial statements.

Watertown Regional Medical Center, Inc.

Statements of Cash Flows

Years Ended September 30, 2014 and 2013

	(In Thousands)	
	2014	2013
Increase (decrease) in cash and cash equivalents		
Increase in net assets	$ 2,433	$ 8,041
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization (including $720 and $712 of depreciation in 2014 and 2013, respectively, included in nonoperating gains and losses)	6,310	5,792
Amortization of deferred financing costs and discount on long-term debt	51	-
Provision for bad debts	3,888	3,079
Net realized gains on investments	(5,474)	(953)
Change in net unrealized gains and losses on investments	4,202	(696)
(Gain) loss on disposal of fixed assets	30	(9)
Change in fair value of interest rate swap	569	(1,145)
Amortization of accommodation fee	(97)	(141)
Amortization of accumulated effective portion of derivative losses for ineffective interest rate swaps	23	23
Changes in operating assets and liabilities		
Patient accounts receivable	(4,329)	(2,461)
Inventories	(2)	23
Prepaid expenses and other current assets	791	(1,384)
Accounts payable	(519)	485
Amounts due to third-party payors	(235)	(366)
Accrued liabilities	169	(66)
Change in other assets and liabilities	375	1,899
Total adjustments	5,752	4,080
Net cash provided by operating activities	8,185	12,121

Watertown Regional Medical Center, Inc.

Statements of Cash Flows (Continued)

Years Ended September 30, 2014 and 2013

	(In Thousands)	
	2014	2013
Cash flows from investing activities		
Purchase of property and equipment	$ (10,710)	$ (19,009)
Proceeds from sale of property and equipment	89	9
Purchase of assets limited as to use	(59,662)	(70,921)
Proceeds from sales and maturities of assets limited as to use	61,730	78,232
Net cash used in investing activities	(8,553)	(11,689)
Cash flows from financing activities		
Repayments of long-term debt	(873)	(1,190)
Proceeds from resident deposits	591	-
Refunds on resident deposits	(554)	160
Net cash used in financing activities	(836)	(1,030)
Net decrease in cash and cash equivalents	(1,204)	(598)
Cash and cash equivalents at beginning	6,354	6,952
Cash and cash equivalents at end	$ 5,150	$ 6,354
Supplemental cash flow information:		
Cash paid during the year for interest, net of amount capitalized of $283 and $538 in 2014 and 2013, respectively	$ 1,318	$ 641
Noncash investing and financing activities:		
Property and equipment purchases in accounts payable	$ 249	$ 2,410

See accompanying notes to financial statements.

Note 1 Summary of Significant Accounting Policies

The Entity

Watertown Regional Medical Center, Inc. (the "Hospital"), a not-for-profit hospital, operates a community hospital with 95 approved beds, providing a full range of acute care in Watertown, Wisconsin, and surrounding communities. The Hospital also owns and operates physician practice clinics and senior housing campuses.

In 2008, the Hospital signed an affiliation agreement with University Health Care, Inc. (UHC), a not-for-profit organization sponsored by University of Wisconsin Hospital and Clinics Authority, University of Wisconsin Medical Foundation, and University of Wisconsin School of Medicine and Public Health. As part of the agreement, UHC was assigned two seats on the Hospital's Board of Directors. The affiliation did not result in UHC obtaining control or an economic interest in the Hospital. The purpose of the affiliation is to enhance local capabilities and further program development to better address the health care needs of residents in the Hospital's service area. The affiliation agreement was extended through December 31, 2017, and will automatically renew for successive five-year terms, unless otherwise terminated by either party.

Financial Statement Presentation

The Hospital follows accounting standards contained in 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.

Note 1 Summary of Significant Accounting Policies (Continued)

Cash Equivalents

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

Patient Accounts Receivable and Credit Policy

Patient 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 Hospital 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 patient accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Hospital does not have a policy to charge interest on past due accounts.

Patient accounts receivable are recorded in the accompanying balance sheets net of contractual adjustments and an allowance for uncollectible accounts, which reflect management's best estimate of the amounts that won't be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable.

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

Note 1 Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy (Continued)

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

Inventory

Inventory of supplies is valued at the lower of cost, determined on the first-in, first-out method, or market.

Investments and Investment Income

Investments, including investments designated as assets limited as to use, are recorded at fair value in the accompanying balance sheets. The Hospital has designated its investments as trading securities.

All investment income (including realized and unrealized gains and losses, interest, and dividends) is reported as nonoperating gains (losses) in the accompanying statements of operations and changes in net assets, unless the income is restricted by donor or law. Realized gains or losses are determined by specific identification.

Assets Limited as to Use

Assets limited as to use represents investments designated by the Board of Trustees for future capital improvements, assets held by trustees under various bond indenture agreements, funds held in trust for executive compensation agreements, and assets held to fund donor-restricted purposes. The funds designated by the Board of Directors and assets held to fund donor-restricted purposes remain under the control of the Board of Directors and may, at their discretion, be subsequently used for other purposes.

Note 1 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The Hospital measures fair value of its financial instruments using a three-tier hierarchy that 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 Hospital has the ability to access.

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 maximize the use of observable inputs and minimize the use of unobservable inputs.

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. Equipment under capital lease obligations is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Estimated useful lives range from 10 to 15 years for land improvements, 25 to 50 years for buildings, and 5 to 20 years for fixed and moveable equipment.

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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.

The Hospital periodically evaluates whether events and circumstances have occurred that may affect the carrying value of the property and equipment. If such events or circumstances indicate the carrying values may not be recoverable, impairment is determined by comparing the carrying value with the estimated future net discounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less than the carrying value, the Hospital would recognize an impairment loss. No impairment loss was recognized in 2014 or 2013.

Note 1 Summary of Significant Accounting Policies (Continued)

Investment in Affiliates

Investments in affiliates are accounted for using the equity or cost method, whichever is applicable.

Deferred Financing Costs

Costs incurred related to the issuance of fixed rate bonds are deferred and amortized using the straight-line method over the term of the bonds. Costs incurred related to the issuance of variable rate bonds are deferred and amortized using the straight-line method over the term of the underlying credit enhancement agreement.

Interest Rate Swap Agreement

The Hospital accounts for its interest rate swap agreement in accordance with FASB ASC Topic 815, *Derivatives and Hedging,* which requires entities to recognize all derivative instruments as either assets or liabilities in the balance sheets at their respective fair values.

The Hospital entered into an interest rate swap agreement to manage its exposure on variable rate debt. The interest rate swap agreement hedges the variability of cash flows to be paid related to a recognized liability, and it is designated as a cash flow hedge. At the interest rate swap agreement's inception, the Hospital formally documented the hedging relationship and its risk management objective and strategy for undertaking the interest rate swap, the interest rate swap agreement, the nature of the risk being hedged, how the interest rate swap agreement's effectiveness in offsetting the hedge risk will be assessed, and a description of the method of measuring ineffectiveness.

The Hospital assesses, on an ongoing basis, whether the interest rate swap is highly effective in offsetting changes in the cash flow. The effective portion of change in fair value of the interest rate swap is recorded in other changes in unrestricted net assets. The ineffective portion is reported within interest expense.

Note 1 Summary of Significant Accounting Policies (Continued)

Interest Rate Swap Agreement (Continued)

The Hospital discontinues hedge accounting prospectively when management determines that designation of the interest rate swap agreement as a hedging instrument is no longer appropriate. When hedge accounting is discontinued, the Hospital would continue to carry the interest rate swap agreement at its fair value on the balance sheets and report the change in fair value within interest expense in the statements of operations and changes in net assets. The accumulated portion of the change in fair value of the interest rate swap agreement that was recorded as a change in unrestricted net assets from the inception of the agreement through the time that hedge accounting was discontinued would be amortized into interest expense over the remaining term of the agreement.

Net Assets

Unrestricted net assets consist of net assets that are no subject to donor-imposed stipulations and include those expendable resources which have been designated for special use by the Board of Directors. Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose.

Excess of Revenue Over Expenses

The accompanying statements of operations and changes in net assets include the classification excess of revenue over expenses, which is considered the operating indicator. Changes in unrestricted net assets, which are excluded from the operating indicator, include amortization of accumulated changes in fair value for the ineffective interest rate swap agreement 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.

Note 1 Summary of Significant Accounting Policies (Continued)

Patient Service Revenue - Net of Contractual Allowances and Discounts

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

For uninsured patients who do not qualify for charity care, the Hospital 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). Based on historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period services are provided. This provision is offset by recoveries of amounts that had previously been deemed uncollectible.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Hospital maintains records to identify the amount of charges forgone for services and supplies furnished under the community care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue – net of contractual allowances and discounts in the accompanying statements of operations and changes in net assets.

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 are intended to promote the adoption and meaningful use of health information technology and qualified EHR technology.

The Hospital recognizes revenue for EHR incentive payments when there is reasonable assurance that the Hospital will meet the conditions of the program, primarily demonstrating meaningful use of certified EHR technology for the applicable period and incurring qualifying costs. 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 Medicare and Medicaid EHR incentive programs are based on management's best estimates. Management uses EHR incentive program guidelines to calculate estimates that may include cost report data which is subject to audit by fiscal intermediaries. Accordingly, amounts recognized are subject to change. In addition, the Hospital's attestation of its compliance with the meaningful use criteria are subject to audit by the federal government or its designee.

The Hospital incurs both capital expenditures and operating expenses in connection with the implementation of its EHR initiative. The amount and timing of these expenditures does not directly correlate with the timing of the Hospital's receipt or recognition of the EHR incentive payments.

Note 1 Summary of Significant Accounting Policies (Continued)

Donor-Restricted Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Unconditional promises to give cash and other assets 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 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 changes in net assets as net assets released from restrictions.

Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Advertising Costs

Advertising costs are expensed as incurred.

Unemployment Compensation

The Hospital has elected reimbursement financing under provisions of the Wisconsin unemployment compensation laws. The Hospital has obtained a letter of credit of $430,774, which expires December 31, 2017, to meet state funding requirements as of September 30, 2014.

Note 1 Summary of Significant Accounting Policies (Continued)

Income Taxes

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

In order to account for any uncertain tax positions, the Hospital determines 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 the tax position is not recognized in the financial statements. The Hospital has not recorded any assets or liabilities related to uncertain tax positions or unrecognized tax benefits as of September 30, 2014 or 2013.

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

Subsequent Events

Subsequent events have been evaluated through December 12, 2014, which is the date the financial statements were issued. See Note 21 for a specific subsequent event.

Note 2 Reimbursement Arrangements With Third-Party Payors

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

- *Medicare* - Inpatient acute care services are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and outpatient services, including physician clinics, related to Medicare beneficiaries are paid based on either established fee screens or prevailing rates.

- *Medicaid* - Inpatient services are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors similar to the Medicare system. Outpatient services are paid based on a prospectively determined rate per occasion of service.

- *Other* - The Hospital has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge and discounts from established charges.

Accounting for Contractual Arrangements

The Hospital is reimbursed for certain cost-reimbursable items at an interim rate, and final settlements are 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 intermediaries are included in the accompanying financial statements. The Medicare and Medicaid cost reports have been audited by the respective fiscal intermediaries through September 30, 2012 and 2007, respectively.

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

Electronic Health Record Incentive Payments

During 2014 and 2013, the Hospital recognized $800,000 and $959,000, respectively, in electronic health record (EHR) incentive payments from the Medicare and Medicaid programs. These payments are included in other revenue in the accompanying statements of operations and changes in net assets.

Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, particularly those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Violations of these laws and regulations could result in the imposition of fines and penalties, as well as repayments of previously billed and collected revenue from patients' services. Management believes the Hospital is in substantial compliance with current laws and regulations.

CMS uses recovery audit contractors (RACs) as part of its efforts to ensure accurate payments. RACs 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 the RAC identifies a claim it believes is inaccurate, CMS makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment.

Note 3 Patient Accounts Receivable

Patient accounts receivable consisted of the following at September 30

	(In Thousands)	
	2014	2013
Patient accounts receivable	$ 25,607	$ 24,449
Less		
Contractual adjustments and discounts	10,776	10,143
Allowance for uncollectible accounts	2,379	2,295
Patient accounts receivable - Net	$ 12,452	$ 12,011

The Hospital's allowance for uncollectible accounts for self-pay patients, which includes uninsured patients and residual copayments and deductibles, increased to 55.6% of self-pay accounts receivable at September 30, 2014, from 53.4% at September 30, 2013. In addition, the Hospital's self-pay write-offs increased to $4,980,000 for 2014 from $4,880,000 for 2013. The Hospital has not changed its charity care or uninsured discount policies during fiscal years 2014 or 2013. The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors in 2014 or 2013.

Note 4 Guaranteed Patient Loan Receivables

The Hospital maintains an arrangement with a credit union to guarantee loans made to patients to pay Hospital accounts receivable balances. The Hospital guarantees payment on demand of the principal and interest of these loans made by the credit union. As of September 30, 2014 and 2013, the Hospital has guaranteed 544 and 448 patient loans, respectively, with original terms up to 36 months and outstanding loan balances of $1,782,000 and $1,627,000, respectively. The Hospital has recorded an asset and a related liability in the accompanying balance sheets for the guaranteed amounts as of September 30, 2014. Amounts as of September 30, 2013, were not significant.

Note 5 Assets Limited as to Use and Investment Income

Assets Limited as to Use

Assets limited as to use consisted of the following at September 30.

	(In Thousands)	
	2014	2013
Cash and cash equivalents, including accrued interest	$ 2,135	$ 6,763
U.S. Treasury notes	9,114	11,381
U.S. government agency obligations	6,288	7,431
Corporate bonds	24,835	23,243
Equity mutual funds	27,570	21,920
Total assets limited as to use	$ 69,942	$ 70,738

Assets limited as to use were classified as follows at September 30

	(In Thousands)	
	2014	2013
Limited by trustee under bond indenture agreements	$ 1,334	$ 5,969
Designated by the Board for future plant expansion and replacement	66,607	63,054
Restricted for executive compensation agreements	2,001	1,691
Temporarily restricted by donors	-	24
Total assets limited as to use	$ 69,942	$ 70,738

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 5 Assets Limited as to Use and Investment Income (Continued)

Investment Income

Investment returns, including net gains and losses on cash and cash equivalents and assets limited as to use, are included in the accompanying statements of operations and changes in net assets for the years ended September 30

	(In Thousands)	
	2014	2013
Investment income		
Interest and dividend income	$ 2,345	$ 1,555
Realized gains and losses, net	5,474	953
Change in net unrealized gains (losses) on investments	(4,185)	730
Total investment income	3,634	3,238
Change in net unrealized gains and losses on restricted net assets	(17)	34
Total investment return	$ 3,617	$ 3,272

Note 6 Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value.

- Cash equivalents are based on observable market quotation prices provided by investment managers and the custodian bank at the reporting date.
- U.S. Treasury notes, U.S. government agency obligations, and corporate bonds are valued using quotes from pricing vendors based on recent trading activity and other observable market data.

Note 6 Fair Value Measurements (Continued)

- Equity mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.
- The interest rate swap agreement is recorded based on estimates by a third-party valuation service, which uses discounted cash flow analysis using observable market-based inputs, including forward interest rate curves.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the 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 Hospital's assets and liabilities measured at fair value on a recurring basis as of September 30.

	2014			
	(In Thousands)			Total Assets/ Liabilities at
	Level 1	Level 2	Level 3	Fair Value
Assets				
Cash equivalents	$ 7,285	$ -	$ -	$ 7,285
U S Treasury notes	-	9,114	-	9,114
U S government agency obligations	-	6,288	-	6,288
Corporate bonds	-	24,835	-	24,835
Equity mutual funds	-	27,570	-	27,570
Totals	$ 7,285	$ 67,807	$ -	$ 75,092
Liability - Interest rate swap agreement	$ 2,992	$ -	$ -	$ 2,992

Note 6 Fair Value Measurements (Continued)

	2013			
	(In Thousands)			Total Assets/ Liabilities at
	Level 1	Level 2	Level 3	Fair Value
Assets				
Cash equivalents	$ 13,117	$ -	$ -	$ 13,117
U S Treasury notes	-	11,381	-	11,381
U S government agency obligations	-	7,431	-	7,431
Corporate bonds	-	23,243	-	23,243
Equity mutual funds	-	21,920	-	21,920
Total	$ 13,117	$ 63,975	$ -	$ 77,092
Liability - Interest rate swap agreement	$ 2,423	$ -	$ -	$ 2,423

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.

Note 7 Property and Equipment

Property and equipment by major categories consisted of the following at September 30

	2014	2013
Land	$ 1,230	$ 1,230
Land improvements	3,993	3,819
Buildings and fixed equipment	94,907	72,550
Movable equipment	38,863	36,814
Total property and equipment	138,993	114,413
Less - Accumulated depreciation	71,826	68,181
Net depreciated value	67,167	46,232
Construction in progress	35	18,821
Property and equipment - Net	$ 67,202	$ 65,053

Note 8 Long-Term Debt

Long-term debt consisted of the following at September 30

	(In Thousands) 2014	2013
Wisconsin Health and Educational Facilities Authority (WHEFA) Revenue Bonds, Series 2012A, maturing in varying amounts through September 2042	$ 15,625	$ 16,180
WHEFA Revenue Bonds, Series 2012B, maturing in varying amounts through September 2042	11,730	11,730
WHEFA Revenue Bonds, Series 2010, with JPMorgan Chase Bank, N A , maturing in varying amounts through October 2035	1,935	2,025
WHEFA Revenue Bonds, Series 2006, with JPMorgan Chase Bank, N A , maturing in varying amounts from September 2018 through October 2036	15,000	15,000
WHEFA Revenue Bonds, Series 2003, principal payments due annually through December 2023	2,200	2,420
Equipment capital lease	-	9
Total long-term debt	46,490	47,364
Less		
Current maturities	1,593	1,231
Unamortized discount	(106)	(103)
Long-term portion	$ 45,003	$ 46,236

The Series 2012A bonds were issued on August 23, 2012. Principal payments are due annually in September through 2042. Interest is payable semiannually at annual fixed rates ranging from 1.15% to 5.00%, depending on the date of maturity. The bonds are collateralized by a mortgage on substantially all of the Hospital's property and equipment and a security interest in substantially all of the Hospital's revenue.

Note 8 Long-Term Debt (Continued)

The Series 2012B bonds were issued on August 23, 2012, and are adjustable rate revenue bonds directly placed with BMO Harris Bank N.A. Principal payments are due annually in September through 2037. Interest is payable monthly at 2.715% through September 1, 2022. From September 2, 2022, to maturity, these bonds are subject to a reset rate. The bonds are collateralized by a mortgage on substantially all of the Hospital's property and equipment and a security interest in substantially all of the Hospital's revenue.

The Series 2010 bonds were issued on November 18, 2010, and are adjustable rate revenue bonds directly placed with JPMorgan Chase Bank, N.A. ("JPMorgan"). Principal payments are due semiannually in March and October through 2035. The bonds bear interest at 2.95% through November 17, 2017. From November 18, 2017, to maturity, these bonds are subject to a reset rate. The bonds are collateralized by a mortgage on substantially all of the Hospital's property, plant, and equipment and a security interest in substantially all of the Hospital's revenue.

The Series 2006 bonds were issued on October 26, 2006, and are adjustable rate, put option insured revenue bonds. Principal payments are due annually in September through 2036. Interest is payable monthly at a variable rate reset weekly by a remarketing agent (0.05% at September 30, 2014 and 2013). The bonds are collateralized by a mortgage on substantially all of the Hospital's property, plant, and equipment and a security interest in substantially all of the Hospital's revenue. The bonds are backed by a letter of credit provided by JPMorgan, which expires on October 1, 2016. In the event the bond remarketing agent is unable to remarket the revenue bonds, the bonds would remain outstanding and be owned by JPMorgan. However, such bonds would be repayable in accordance with terms specified in the letter of credit and reimbursement agreement with JPMorgan.

Note 8 Long-Term Debt (Continued)

In the event the letter of credit is drawn upon, the Hospital would reimburse JPMorgan in equal quarterly installments of $750,000, commencing on the first quarterly date to occur at least 367 days after the letter of credit is drawn upon. The WHEFA Revenue Bonds, Series 2006 are insured through Radian Asset Assurance, Inc. The effective annual interest rate on the bonds after giving effect to the effects of the related interest rate swap agreement was 4.44% and 1.34% for the years ended September 30, 2014 and 2013, respectively.

The Series 2003 bonds are adjustable rate, put option insured revenue bonds. Principal payments are due annually in December through 2023. Interest is payable monthly at a variable rate reset weekly by a remarketing agent (.10% and 0.07% at September 30, 2014 and 2013, respectively). The bonds are collateralized by a mortgage on substantially all of the Hospital's property, plant, and equipment and a security interest in substantially all of the Hospital's revenue. JPMorgan issued an irrevocable direct-pay letter of credit, which will expire on October 31, 2018, pursuant to the terms of a reimbursement agreement between the Hospital and JPMorgan to pay the principal and interest on the Series 2003 bonds. In the event the bond remarketing agent is unable to remarket the bonds, the bonds would remain outstanding and be owned by JPMorgan.

In the event the letter of credit is drawn upon, the Hospital would continue to pay JPMorgan under the scheduled payment terms of the bonds plus interest on the unpaid principal amount outstanding at a rate per annum equal to the prime rate in effect. The effective annual interest rate of the Series 2003 bonds was 1.07% and 1.37% for the years ended September 30, 2014 and 2013, respectively.

The borrowing agreements contain various covenants and restrictions, including provisions limiting the amount of additional indebtedness that may be incurred, requiring maintenance of a debt service coverage ratio and specified days of cash on hand. The borrowing agreements also require the establishment and maintenance of certain funds under the control of a trustee, reflected as assets limited as to use by the trustee under bond indenture agreement (see Note 6).

Note 8 Long-Term Debt (Continued)

Scheduled Principal Payments

Scheduled payments of principal on bonds payable at September 30, 2014, including current maturities, are summarized as follows (in thousands)

2015	$	1,593
2016		1,260
2017		1,370
2018		1,415
2019		1,435
Thereafter		39,417
Total	$	46,490

If the letters of credit on the variable rate debt were fully drawn upon at September 30, 2014, the annual principal payments in each of the next five years and in the aggregate thereafter would be as follows (in thousands)

2015	$	1,593
2016		3,510
2017		4,370
2018		4,355
2019		4,365
Thereafter		28,297
Total	$	46,490

The bond discount is amortized over the life of the related obligation, using a method that approximates the effective-interest method.

Fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Hospital for debt of the same remaining maturities and is considered to be a Level 2 liability in the fair value hierarchy. The estimated fair value of the Hospital's debt at September 30, 2014, is approximately $43,897,000.

Note 8 Long-Term Debt (Continued)

Cancer Center Joint Venture Loan Guarantee

The Hospital is party to a joint venture agreement with two other health care organizations for a one-third ownership interest in a cancer treatment center. The joint venture company, UW Cancer Center Johnson Creek, LLC, has a building note and an equipment note with a bank. At September 30, 2014 and 2013, the total balance of the loans was $2,669,000 and $2,854,000, respectively. The Hospital has guaranteed one-sixth of the total loan balance, which includes principal, interest, and any penalties. No amount of the joint venture's loan balance is included in the accompanying financial statements, nor have any amounts been accrued by the Hospital pursuant to this guarantee.

Note 9 Interest Rate Swap Agreement

The Series 2006 Bonds expose the Hospital to variability in interest payments caused by changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into an interest rate swap agreement to manage fluctuations in cash flows resulting from interest rate risk.

The interest rate swap agreement changes the variable rate cash flow exposure on the debt obligations to fixed cash flows. Effective November 1, 2006, the Hospital entered into an interest rate swap agreement for $11,250,000 of the Series 2006 debt. On December 16, 2011, the interest rate swap agreement was amended to include all $15,000,000 of the Series 2006 debt, and payments on the interest rate swap agreement were suspended until November 1, 2013. Under the terms of the interest rate swap agreement, the Hospital receives variable interest rate payments equal to 67% of the 30-day LIBOR and makes fixed interest rate payments of 3.56% annually to the counterparty, thereby creating the equivalent of fixed rate debt. Payments under the interest rate swap agreement are based on a notional amount of $15,000,000 (previously $11,250,000), which amortizes in accordance with scheduled principal payments on the Series 2006 debt. The net difference between the amounts received from and paid to the counterparty is recorded within interest expense.

Note 9 Interest Rate Swap Agreement (Continued)

During 2014 and 2013, the net settlement payments to the counterparty were approximately $433,000 and $0, respectively. The interest rate swap agreement expires on September 1, 2036. As of September 30, 2014 and 2013, the estimated fair value of the interest rate swap agreement is a liability of approximately $2,992,000 and $2,423,000, respectively, and is recorded in other long-term liabilities in the accompanying balance sheets.

Changes in the fair value of the effective portion of the interest rate swap agreement are reported directly to unrestricted net assets. Hedge ineffectiveness is measured as the excess, if any, of the change in value of the actual hedge instrument over the change in value of a hypothetical hedge instrument. Any ineffective portion of the change in fair value of a derivative instrument is reported within interest expense. In 2008, the hedge was determined to be ineffective for a portion of the year and remains ineffective at September 30, 2014. Therefore, the change in fair value of the interest rate swap agreement of $569,000 in 2014 and $(1,138,000) in 2013 was charged (credited) directly to interest expense.

The Hospital amortizes the cumulative effective portion of the swap included as an increase of unrestricted net assets to interest expense through the maturity date of the swap agreement. The effective portion of the swap is being amortized using the bonds outstanding method. The unamortized effective portion of the change in fair value of the swap was $475,000 and $499,000 as of September 30, 2014 and 2013, respectively.

By using the interest rate swap agreement to hedge exposures to changes in interest rates, the Hospital is exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Hospital, which creates credit risk for the Hospital. When the fair value of a derivative contract is negative, the Hospital owes the counterparty, and therefore it does not possess credit risk. The Hospital minimized the credit risk in derivative instruments by entering into a transaction with a high-quality counterparty. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with the interest rate contract is managed by limiting the types and degree of market risk that may be undertaken.

Note 10 Leases

The Hospital entered into noncancelable operating leases, primarily for clinic buildings, diagnostic equipment, and medical equipment that expire over the next 10 years. These leases generally contain renewal options for periods ranging from one to five years and require the Hospital to pay all executory costs such as maintenance and insurance. Rental payments include minimum rentals.

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease, including any periods of free rent. Total rental expense for noncancelable operating leases for the years ended September 30, 3014 and 2013, was approximately $536,000 and $515,000, respectively.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of September 30, 2014, are as follows (in thousands)

2015	$	433
2016		181
2017		116
2018		20
Total	$	750

Note 11 Patient Service Revenue - Net of Contractual Allowances and Discounts

The following table sets forth the detail of patient service revenue – net of contractual allowances and discounts prior to the provision for bad debts for the years ended September 30.

	In Thousands	
	2014	2013
Gross patient service revenue		
Medicare	$ 82,128	$ 75,214
Medicaid	23,064	22,325
Managed care and contracted payor	79,662	76,583
Commercial insurance	5,193	5,669
Private pay and other	14,366	15,013
Totals	204,413	194,804
Less - Contractual adjustments and discounts		
Medicare	59,078	52,263
Medicaid	17,768	16,730
Managed care and contracted payor	27,439	25,118
Commercial insurance	1,678	1,645
Other	5,435	6,083
Totals	111,398	101,839
Patient service revenue - Net of contractual adjustments and discounts	$ 93,015	$ 92,965

Note 11 Patient Service Revenue - Net of Contractual Allowances and Discounts (Continued)

Patient service revenue - net of contractual allowances and discounts (but prior to the provision for bad debts) recognized in the years ended September 30, from these major payor sources was as follows

	(In Thousands)	
	2014	2013
Medicare	$ 23,050	$ 22,951
Medicaid	5,297	5,595
Managed care and contracted payor	52,223	51,465
Commercial	3,515	4,024
Self-pay and other	8,930	8,930
Patient service revenue - Net of contractual allowances and discounts	$ 93,015	$ 92,965

Rental revenue of approximately $1,690,000 and $1,666,000 for the years ended September 30, 2014 and 2013, respectively, included in patient service revenue – net of contractual allowances and discounts is from the community-based residential facilities that provide health care-related services to its residents. Rental revenue is recorded in the period in which services are provided at established rates.

The state has an assessment tax on all hospitals. The state used these funds plus additional funds received from the federal government to increase the reimbursement under its Medicaid program. The Hospital received additional reimbursement of approximately $3,065,000 included in patient service revenue – net of contractual allowances and discounts and paid a tax of $1,926,000 included in other expenses for a net increase to income from operations of $1,139,000 for the year ended September 30, 2014. The Hospital received additional reimbursement of approximately $3,230,000 included in patient service revenue – net of contractual allowances and discounts and paid a tax of $1,971,000 included in other expenses for a net increase to income from operations of $1,259,000 for the year ended September 30, 2013.

Note 12 Charity Care

The Hospital 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 Hospital, 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 to those who are underinsured.

The Hospital has a charity care policy that is generally based on federal poverty guidelines, and applications can be completed by patients and/or their families. Patients who meet the criteria for charity care are provided care without charge or at a reduced rate.

The estimated cost of providing care to patients under the Hospital's charity care policy aggregated approximately $987,000 and $1,105,000 in 2014 and 2013, respectively. The cost was calculated by multiplying the ratio of cost to gross charges for the Hospital times the gross uncompensated charges associated with providing charity care.

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

Note 13 Malpractice Insurance

The Hospital'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 reported during a policy year ("claims made" coverage). The Hospital is covered 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 and has been renewed by the insurance carrier for the annual period extending to October 1, 2015.

Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with the Hospital. The Hospital does not believe potential claims are significant, and accordingly, has not provided a reserve for potential claims from services provide to patients through September 30, 2014, which have not yet been asserted.

Note 14 Self-Funded Insurance

The Hospital has a self-insured dental plan that covers substantially all liability for costs associated with claims for employees up to certain limits under a commercial stop-loss agreement. Included in other accrued liabilities is $50,000 at September 30, 2014 and 2013, for dental insurance claims, including a provision for the ultimate cost of incurred but not reported claims. Benefit payments and administrative costs related to this plan were approximately $217,000 and $212,000 for the years ended September 30, 2014 and 2013, respectively.

Note 15 Retirement Plans

The Hospital sponsored a noncontributory defined contribution plan that covered substantially all full-time employees who met the length-of-service requirements. The Hospital contributed 5% of a participant's compensation to the plan until it was terminated in July 2013. Expense under this plan amounted to approximately $367,000 for the year ended September 30, 2013. Participants were given the option to rollover their balance to another qualified plan or take a cash distribution. Most participants chose to rollover their balance into the 403(b) tax-deferred savings plan.

The Hospital sponsors a Section 403(b) tax-deferred savings plan covering substantially all of its employees. Eligible employees may begin contributing to the plan on the first day of employment. As defined in the plan document, employees qualify for a matching contribution after completing one year of service and working 1,000 hours. Prior to October 1, 2013, the Hospital made matching contributions of 50% up to 6% of the employees' compensation, subject to the limitations of the Internal Revenue Code. Effective October 1, 2013, the Hospital matches 100% of the first 2% of employee contributions and 50% of additional employee contributions up to 10% for a maximum employer match equal to 6% of employee compensation. The Hospital's expense related to the 403(b) tax-deferred savings plan approximated $1,510,000 and $781,000 for the years ended September 30, 2014 and 2013, respectively.

Note 16 Deferred Compensation Plan

The Hospital sponsors a deferred compensation plan whereby highly compensated employees can defer a portion of their salary until the date of termination or retirement. The Hospital does not contribute to this plan. In addition, the Hospital sponsors a nonqualified deferred compensation plan for certain Hospital executives to which the Hospital made contributions of $225,000 in fiscal 2013. There were no contributions in fiscal 2014. The amount of assets and liabilities for these plans is $2,001,000 and $1,691,000 at September 30, 2014 and 2013, respectively, and is included in assets limited as to use and deferred compensation in the accompanying balance sheets.

Note 17 Functional Expenses

The Hospital primarily provides general health care services to patients within its geographic location. Expenses related to providing these services consisted of the following for the years ended September 30

	(In Thousands)	
	2014	2013
Health care	$ 73,582	$ 71,182
General administration	19,455	16,544
Total functional expenses	$ 93,037	$ 87,726

Note 18 Medical Office Building

The Hospital owns and operates two medical office buildings located on its campus and leases office space in these buildings primarily to physicians. The Hospital is responsible for the insurance, maintenance, and upkeep of the facilities. For the years ended September 30, 2014 and 2013, the Hospital recorded $512,000 and $511,000, respectively, of rental income included in nonoperating gains (losses) in the accompanying statements of operations and changes in net assets. These operating lease agreements provide for monthly rental payments, which approximate the costs of operating and owning the facilities. The future minimum rental payments to be received under these agreements are approximately $48,000 for both 2015 and 2016.

Note 19 Resident Deposits Payable

Residents of Highland Village Apartments in Watertown and Waterloo, Wisconsin, are required to pay an accommodation free to the Hospital for the cost of the apartment due upon signing a contract. The Hospital records approximately 80% of the accommodation fee as resident deposits payable and the remaining 20% nonrefundable portion as deferred revenue, which is amortized over a 10-year period. The refundable portion of the deposit is payable to the resident upon termination of the contract. The Hospital recorded approximately $97,000 and $141,000 of accommodation fee revenue in 2014 and 2013, respectively, which is included in nonoperating gain (losses) in the accompanying statements of operations and changes in net assets.

Note 20 Concentration of Risk

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

The mix of the Hospital's receivables from patients and third-party payors was as follows at September 30

	2014	2013
Medicare	33%	35%
HMO/PPO	33%	28%
Commercial insurance	4%	6%
Other third-party payors	13%	13%
Uninsured	17%	18%
Totals	100%	100%

The Hospital maintains depository relationships with area financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC). Depository accounts at these institutions are insured by the FDIC up to $250,000. At September 30, 2014, the Hospital's deposits with financial institutions exceeded FDIC insured limits by approximately $5,328,000.

Note 21 Subsequent Event

On November 20, 2014, the Hospital signed a letter of intent with LifePoint Hospitals, Inc. (LifePoint) to form a joint venture partnership. LifePoint will be the majority owner of the partnership, but the Hospital will retain significant control. LifePoint intends to investment $100 million into the hospital, which will include major capital investments and a creation of a foundation that will be focused on community health needs. The Hospital and LifePoint expect to finalize the partnership early in 2015.

Note 22 Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 classifications.