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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](http://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>B</b> Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization WALTER KNOX MEMORIAL HOSPITAL  Doing Business As  Number and street (or P.O. box if mail is not delivered to street address) Room/suite 1202 EAST LOCUST STREET  City or town, state or province, country, and ZIP or foreign postal code EMMETT, ID 83617	<b>D</b> Employer identification number 82-6000422  <b>E</b> Telephone number (208) 365-3561  <b>G</b> Gross receipts \$ 9,987,666
<b>F</b> Name and address of principal officer WADE JOHNSON CEO 1202 E LOCUST STREET EMMETT, ID 83617		<b>H(a)</b> Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)  <b>H(c)</b> Group exemption number ▶
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		
<b>J</b> Website: ▶ WWW WKM H ORG		
<b>K</b> Form of organization <input type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input checked="" type="checkbox"/> Other ▶ GOVERNMENT		<b>L</b> Year of formation 1963 <b>M</b> State of legal domicile ID

**Part I Summary**

<b>1</b>	Briefly describe the organization's mission or most significant activities PROVIDING EXCELLENT HEALTHCARE AND PROMOTING QUALITY OF LIFE IN OUR COMMUNITY		
<b>2</b>	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
<b>3</b>	Number of voting members of the governing body (Part VI, line 1a)	<b>3</b>	10
<b>4</b>	Number of independent voting members of the governing body (Part VI, line 1b)	<b>4</b>	9
<b>5</b>	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	<b>5</b>	142
<b>6</b>	Total number of volunteers (estimate if necessary)	<b>6</b>	150
<b>7a</b>	Total unrelated business revenue from Part VIII, column (C), line 12	<b>7a</b>	0
<b>b</b>	Net unrelated business taxable income from Form 990-T, line 34	<b>7b</b>	
<b>Revenue</b>	<b>8</b> Contributions and grants (Part VIII, line 1h)	<b>Prior Year</b>	<b>Current Year</b>
	<b>9</b> Program service revenue (Part VIII, line 2g)	388,008	443,722
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d)	9,805,953	9,101,854
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-262,586	207,622
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	76,267	84,508
		10,007,642	9,837,706
<b>Expenses</b>	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3)		0
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4)		0
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	5,630,208	4,990,091
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e)		0
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) ▶ <sup>0</sup>		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	4,771,710	5,146,155
<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	10,401,918	10,136,246	
<b>19</b> Revenue less expenses Subtract line 18 from line 12	-394,276	-298,540	
<b>Net Assets or Fund Balances</b>		<b>Beginning of Current Year</b>	<b>End of Year</b>
	<b>20</b> Total assets (Part X, line 16)	14,286,725	13,678,933
	<b>21</b> Total liabilities (Part X, line 26)	2,827,908	2,518,656
<b>22</b> Net assets or fund balances Subtract line 21 from line 20	11,458,817	11,160,277	

**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.

<b>Sign Here</b>	***** Signature of officer	2015-05-05 Date	
	WADE JOHNSON CEO Type or print name and title		
<b>Paid Preparer Use Only</b>	Print/Type preparer's name THOMAS DINGUS	Preparer's signature	Date 2015-05-05
	Firm's name ▶ DINGUS ZARECOR & ASSOCIATES PLLC	Check <input type="checkbox"/> if self-employed PTIN P00951009	
	Firm's address ▶ 12015 E MAIN AVE SPOKANE VALLEY, WA 992066130	Firm's EIN ▶ 20-0079326 Phone no (509) 242-0874	

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  
PROVIDING EXCELLENT HEALTHCARE AND PROMOTING QUALITY OF LIFE IN OUR COMMUNITY

**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 \$ 8,319,680 including grants of \$ ) (Revenue \$ 9,101,854 )  
WALTER KNOX MEMORIAL HOSPITAL IS A 16-BED CRITICAL ACCESS HOSPITAL THAT OFFERS ACUTE CARE, EMERGENCY CARE, GENERAL SURGERY, LABORATORY, DIAGNOSTIC IMAGING, OBSTETRICS, ONCOLOGY, PHYSICAL, OCCUPATIONAL, AND SPEECH THERAPY, VISITING SPECIALTY PROVIDER CLINICS, AND A VARIETY OF OUTPATIENT SERVICES EMERGENCY SERVICES ARE OFFERED REGARDLESS OF THE PATIENT'S ABILITY TO PAY THE FACILITY PROVIDED 840 DAYS OF PATIENT SERVICES WHICH INCLUDES 101 NURSERY DAYS THE FACILITY ALSO PROVIDED 4,447 EMERGENCY ROOM VISITS THE HOSPITAL PROVIDES CARE TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS AT BELOW COST AND TO INDIVIDUALS WHO ARE UNABLE TO PAY THE UNREIMBURSED VALUE OF PROVIDING CARE TO THESE PATIENTS WAS 408,518 FOR CHARITY CARE, 2,876,243 FOR MEDICARE, 1,660,617 FOR MEDICAID AND 2,888,027 FOR OTHER THIRD-PARTY PAYORS FOR THE YEAR ENDED SEPTEMBER 30, 2014

**4b** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

**4c** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

**4d** Other program services (Describe in Schedule O )  
(Expenses \$ including grants of \$ ) (Revenue \$ )

**4e Total program service expenses** 8,319,680

**Part IV Checklist of Required Schedules**

	Yes	No
<b>1</b> Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>	Yes	
<b>2</b> Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?		No
<b>3</b> Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		No
<b>4 Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>	Yes	
<b>5</b> 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? <i>If "Yes," complete Schedule C, Part III</i>		No
<b>6</b> 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? <i>If "Yes," complete Schedule D, Part I</i>		No
<b>7</b> Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>		No
<b>8</b> Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>		No
<b>9</b> 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? <i>If "Yes," complete Schedule D, Part IV</i>		No
<b>10</b> Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>		No
<b>11</b> 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		
<b>a</b> Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	Yes	
<b>b</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? <i>If "Yes," complete Schedule D, Part VII</i>		No
<b>c</b> 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? <i>If "Yes," complete Schedule D, Part VIII</i>		No
<b>d</b> 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? <i>If "Yes," complete Schedule D, Part IX</i>	Yes	
<b>e</b> Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	Yes	
<b>f</b> 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)? <i>If "Yes," complete Schedule D, Part X</i>		No
<b>12a</b> Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>	Yes	
<b>b</b> Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>		No
<b>13</b> Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		No
<b>14a</b> Did the organization maintain an office, employees, or agents outside of the United States?		No
<b>b</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? <i>If "Yes," complete Schedule F, Parts I and IV</i>		No
<b>15</b> 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? <i>If "Yes," complete Schedule F, Parts II and IV</i>		No
<b>16</b> 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? <i>If "Yes," complete Schedule F, Parts III and IV</i>		No
<b>17</b> 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? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>		No
<b>18</b> Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>		No
<b>19</b> Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		No
<b>20a</b> Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	Yes	
<b>b</b> If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	Yes	

**Part IV Checklist of Required Schedules** *(continued)*

<b>21</b>	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II . . . . .</i>	<b>21</b>		No
<b>22</b>	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III . . . . .</i>	<b>22</b>		No
<b>23</b>	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J . . . . .</i>	<b>23</b>	Yes	
<b>24a</b>	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a . . . . .</i>	<b>24a</b>		No
<b>b</b>	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . . .	<b>24b</b>		
<b>c</b>	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	<b>24c</b>		
<b>d</b>	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . . .	<b>24d</b>		
<b>25a</b>	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I . . . . .</i>	<b>25a</b>		No
<b>b</b>	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I . . . . .</i>	<b>25b</b>		No
<b>26</b>	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II . . . . .</i>	<b>26</b>		No
<b>27</b>	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III . . . . .</i>	<b>27</b>		No
<b>28</b>	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)			
<b>a</b>	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV . . . . .</i>	<b>28a</b>		No
<b>b</b>	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV . . . . .</i>	<b>28b</b>		No
<b>c</b>	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV . . . . .</i>	<b>28c</b>		No
<b>29</b>	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M . . . . .</i>	<b>29</b>		No
<b>30</b>	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M . . . . .</i>	<b>30</b>		No
<b>31</b>	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I . . . . .</i>	<b>31</b>		No
<b>32</b>	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II . . . . .</i>	<b>32</b>		No
<b>33</b>	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I . . . . .</i>	<b>33</b>		No
<b>34</b>	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1 . . . . .</i>	<b>34</b>		No
<b>35a</b>	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	<b>35a</b>		No
<b>b</b>	If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2 . . . . .</i>	<b>35b</b>		
<b>36</b>	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2 . . . . .</i>	<b>36</b>		No
<b>37</b>	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI . . . . .</i>	<b>37</b>		No
<b>38</b>	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	<b>38</b>	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
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.		
<b>1b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.		
<b>1c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	Yes	
<b>2a</b>	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.		
<b>2b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?		No
<b>3b</b>	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.		
<b>4a</b>	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)?		No
<b>b</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.		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
<b>5b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
<b>5c</b>	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
<b>6a</b>	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?		No
<b>6b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
<b>a</b>	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?		No
<b>7b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
<b>7c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
<b>7d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.		
<b>7e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
<b>7f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
<b>7g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
<b>7h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>		
<b>9a</b>	Did the organization make any taxable distributions under section 4966?		
<b>9b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?		
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter		
<b>10a</b>	Initiation fees and capital contributions included on Part VIII, line 12.		
<b>10b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter		
<b>11a</b>	Gross income from members or shareholders.		
<b>11b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?		
<b>12b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
<b>13a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.		
<b>13b</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.		
<b>13c</b>	Enter the amount of reserves on hand.		
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?		No
<b>14b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

**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
<b>1a</b>	Enter the number of voting members of the governing body at the end of the tax year . . . . .		
	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>1b</b>	Enter the number of voting members included in line 1a, above, who are independent . . . . .		
<b>2</b>	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? . . . . .	Yes	
<b>3</b>	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? . . . . .		No
<b>4</b>	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .		No
<b>5</b>	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .		No
<b>6</b>	Did the organization have members or stockholders? . . . . .		No
<b>7a</b>	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? . . . . .		No
<b>7b</b>	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .	Yes	
<b>8</b>	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
<b>8a</b>	The governing body? . . . . .	Yes	
<b>8b</b>	Each committee with authority to act on behalf of the governing body? . . . . .	Yes	
<b>9</b>	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 . . . . .		No

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

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

**Section C. Disclosure**

- 17** List the States with which a copy of this Form 990 is required to be filed
- 18** Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.  
 Own website  Another's website  Upon request  Other (explain in Schedule O)
- 19** Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
- 20** State the name, physical address, and telephone number of the person who possesses the books and records of the organization  
 THE ORGANIZATION 1202 EAST LOCUST STREET  
 EMMETT, ID 83617 (208) 365-3561

**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) WADE JOHNSON CEO	40 00	X		X				159,212	0	972
(2) DAVE SHAW CHAIR	1 00	X		X				0	0	0
(3) ANITA TAYLOR MEMBER	1 00	X						0	0	0
(4) LAN SMITH MEMBER	1 00	X						0	0	0
(5) EARL DEFUR VICE CHAIR	1 00	X		X				0	0	0
(6) STAN STURTZ MEMBER	1 00	X						0	0	0
(7) JUDY BARBERA MEMBER	1 00	X						0	0	0
(8) SHANE ROE MEMBER	1 00	X						0	0	0
(9) DAN CHADWICK MEMBER	1 00	X						0	0	0
(10) DAVE OBERMEYER MEMBER	1 00	X						0	0	0
(11) LISA WOOD INTERIM CFO	40 00			X				86,663	0	0
(12) NATHAN COBURN CFO	40 00			X				36,980	0	625
(13) MARY LOU TATE PAST CFO	40 00			X				0	0	0
(14) PHIL HARROP PAST CEO	40 00			X				0	0	0



**Part VIII Statement of Revenue**

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

		(A)	(B)	(C)	(D)	
		Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512-514	
<b>Contributions, Gifts, Grants and Other Similar Amounts</b>	<b>1a</b> Federated campaigns . . . . . <b>1a</b>					
	<b>b</b> Membership dues . . . . . <b>1b</b>					
	<b>c</b> Fundraising events . . . . . <b>1c</b>					
	<b>d</b> Related organizations . . . . . <b>1d</b>					
	<b>e</b> Government grants (contributions) <b>1e</b>	403,009				
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above <b>1f</b>	40,713				
	<b>g</b> Noncash contributions included in lines 1a-1f \$					
	<b>h Total.</b> Add lines 1a-1f . . . . .	443,722				
<b>Program Service Revenue</b>	<b>2a</b> NET PATIENT SERVICE REVENUE	Business Code 624100	9,088,816	9,088,816		
	<b>b</b> RENTAL INCOME	621110	13,038	13,038		
	<b>c</b>					
	<b>d</b>					
	<b>e</b>					
	<b>f</b> All other program service revenue					
	<b>g Total.</b> Add lines 2a-2f . . . . .		9,101,854			
	<b>Other Revenue</b>	<b>3</b> Investment income (including dividends, interest, and other similar amounts) . . . . .		89,693		89,693
<b>4</b> Income from investment of tax-exempt bond proceeds . . . . .						
<b>5</b> Royalties . . . . .						
<b>6a</b> Gross rents		(i) Real				
		(ii) Personal				
		<b>b</b> Less rental expenses				
		<b>c</b> Rental income or (loss)				
<b>d</b> Net rental income or (loss) . . . . .						
<b>7a</b> Gross amount from sales of assets other than inventory		(i) Securities	267,889			
		(ii) Other				
		<b>b</b> Less cost or other basis and sales expenses	149,960			
		<b>c</b> Gain or (loss)	117,929			
<b>d</b> Net gain or (loss) . . . . .			117,929		117,929	
<b>8a</b> Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .		<b>a</b>				
		<b>b</b> Less direct expenses . . . . . <b>b</b>				
	<b>c</b> Net income or (loss) from fundraising events . . . . .					
<b>9a</b> Gross income from gaming activities See Part IV, line 19 . . . . .	<b>a</b>					
	<b>b</b> Less direct expenses . . . . . <b>b</b>					
	<b>c</b> Net income or (loss) from gaming activities . . . . .					
<b>10a</b> Gross sales of inventory, less returns and allowances . . . . .	<b>a</b>					
	<b>b</b> Less cost of goods sold . . . . . <b>b</b>					
	<b>c</b> Net income or (loss) from sales of inventory . . . . .					
Miscellaneous Revenue	Business Code					
<b>11a</b> CAFETERIA REVENUE	722514	48,307		48,307		
<b>b</b> AR FINANCE CHARGES	900099	31,842		31,842		
<b>c</b> OTHER	900099	4,359		4,359		
<b>d</b> All other revenue . . . . .						
<b>e Total.</b> Add lines 11a-11d . . . . .		84,508				
<b>12 Total revenue.</b> See Instructions . . . . .		9,837,706	9,101,854		292,130	

**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
<b>1</b>	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21				
<b>2</b>	Grants and other assistance to individuals in the United States. See Part IV, line 22				
<b>3</b>	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16				
<b>4</b>	Benefits paid to or for members				
<b>5</b>	Compensation of current officers, directors, trustees, and key employees . . . . .	271,029		271,029	
<b>6</b>	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .				
<b>7</b>	Other salaries and wages	3,694,790	2,953,949	740,841	
<b>8</b>	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions) . . . . .	172,523	132,389	40,134	
<b>9</b>	Other employee benefits . . . . .	492,083	368,119	123,964	
<b>10</b>	Payroll taxes . . . . .	359,666	277,468	82,198	
<b>11</b>	Fees for services (non-employees)				
<b>a</b>	Management . . . . .				
<b>b</b>	Legal . . . . .	31,129		31,129	
<b>c</b>	Accounting . . . . .	39,569		39,569	
<b>d</b>	Lobbying . . . . .				
<b>e</b>	Professional fundraising services. See Part IV, line 17				
<b>f</b>	Investment management fees . . . . .				
<b>g</b>	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O) . . . . .	1,797,434	1,489,343	308,091	
<b>12</b>	Advertising and promotion . . . . .	47,944		47,944	
<b>13</b>	Office expenses . . . . .	462,184	335,218	126,966	
<b>14</b>	Information technology . . . . .	313,156	251,436	61,720	
<b>15</b>	Royalties . . . . .				
<b>16</b>	Occupancy . . . . .	152,375	121,915	30,460	
<b>17</b>	Travel . . . . .	32,173	7,089	25,084	
<b>18</b>	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
<b>19</b>	Conferences, conventions, and meetings . . . . .	14,131	9,486	4,645	
<b>20</b>	Interest . . . . .	5,363	5,363		
<b>21</b>	Payments to affiliates . . . . .				
<b>22</b>	Depreciation, depletion, and amortization . . . . .	828,210	737,238	90,972	
<b>23</b>	Insurance . . . . .	46,917	38,377	8,540	
<b>24</b>	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) . . . . .				
<b>a</b>	MEDICAL SUPPLIES	1,247,864	1,247,864		
<b>b</b>	OTHER EXPENSE	127,706	70,181	57,525	
<b>c</b>	INDIRECT COST ALLOCATION		274,245	-274,245	
<b>d</b>					
<b>e</b>	All other expenses				
<b>25</b>	<b>Total functional expenses.</b> Add lines 1 through 24e	10,136,246	8,319,680	1,816,566	0
<b>26</b>	<b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)				

**Part X Balance Sheet**

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

		(A)		(B)
		Beginning of year		End of year
<b>Assets</b>	<b>1</b> Cash-non-interest-bearing . . . . .	45,119	<b>1</b>	17,094
	<b>2</b> Savings and temporary cash investments . . . . .	1,409,035	<b>2</b>	527,192
	<b>3</b> Pledges and grants receivable, net . . . . .		<b>3</b>	
	<b>4</b> Accounts receivable, net . . . . .	1,573,143	<b>4</b>	1,607,698
	<b>5</b> Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . .		<b>5</b>	
	<b>6</b> 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 . . . . .		<b>6</b>	
	<b>7</b> Notes and loans receivable, net . . . . .		<b>7</b>	
	<b>8</b> Inventories for sale or use . . . . .	343,229	<b>8</b>	296,862
	<b>9</b> Prepaid expenses and deferred charges . . . . .	96,260	<b>9</b>	66,680
	<b>10a</b> Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D . . . . .	<b>10a</b> 14,007,386		
	<b>b</b> Less accumulated depreciation . . . . .	<b>10b</b> 8,296,589	5,844,823	<b>10c</b> 5,710,797
	<b>11</b> Investments—publicly traded securities . . . . .	4,293,019	<b>11</b>	4,446,726
	<b>12</b> Investments—other securities See Part IV, line 11 . . . . .		<b>12</b>	
	<b>13</b> Investments—program-related See Part IV, line 11 . . . . .		<b>13</b>	
	<b>14</b> Intangible assets . . . . .		<b>14</b>	
	<b>15</b> Other assets See Part IV, line 11 . . . . .	682,097	<b>15</b>	1,005,884
<b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	14,286,725	<b>16</b>	13,678,933	
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses . . . . .	570,867	<b>17</b>	1,136,249
	<b>18</b> Grants payable . . . . .		<b>18</b>	
	<b>19</b> Deferred revenue . . . . .		<b>19</b>	
	<b>20</b> Tax-exempt bond liabilities . . . . .	1,847,041	<b>20</b>	
	<b>21</b> Escrow or custodial account liability Complete Part IV of Schedule D . . . . .		<b>21</b>	
	<b>22</b> 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 . . . . .		<b>22</b>	
	<b>23</b> Secured mortgages and notes payable to unrelated third parties . . . . .		<b>23</b>	1,281,128
	<b>24</b> Unsecured notes and loans payable to unrelated third parties . . . . .		<b>24</b>	
	<b>25</b> 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 . . . . .	410,000	<b>25</b>	101,279
	<b>26 Total liabilities.</b> Add lines 17 through 25 . . . . .	2,827,908	<b>26</b>	2,518,656
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>			
	<b>27</b> Unrestricted net assets . . . . .	11,458,817	<b>27</b>	11,160,277
	<b>28</b> Temporarily restricted net assets . . . . .		<b>28</b>	
	<b>29</b> Permanently restricted net assets . . . . .		<b>29</b>	
	<b>Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.</b>			
	<b>30</b> Capital stock or trust principal, or current funds . . . . .		<b>30</b>	
	<b>31</b> Paid-in or capital surplus, or land, building or equipment fund . . . . .		<b>31</b>	
	<b>32</b> Retained earnings, endowment, accumulated income, or other funds . . . . .		<b>32</b>	
<b>33</b> Total net assets or fund balances . . . . .	11,458,817	<b>33</b>	11,160,277	
<b>34</b> Total liabilities and net assets/fund balances . . . . .	14,286,725	<b>34</b>	13,678,933	

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	9,837,706
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	10,136,246
<b>3</b>	Revenue less expenses Subtract line 2 from line 1	<b>3</b>	-298,540
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	11,458,817
<b>5</b>	Net unrealized gains (losses) on investments	<b>5</b>	
<b>6</b>	Donated services and use of facilities	<b>6</b>	
<b>7</b>	Investment expenses	<b>7</b>	
<b>8</b>	Prior period adjustments	<b>8</b>	
<b>9</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>9</b>	
<b>10</b>	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	<b>10</b>	11,160,277

**Part XII Financial Statements and Reporting**

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

	Yes	No
<b>1</b> Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
<b>2a</b> Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		No
<b>2b</b> Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both <input checked="" type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	Yes	
<b>2c</b> If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
<b>3a</b> As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
<b>3b</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		

**SCHEDULE A**  
(Form 990 or 990EZ)

**Public Charity Status and Public Support**

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

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

**2013**

**Open to Public Inspection**

Department of the Treasury  
Internal Revenue Service

**Name of the organization**  
WALTER KNOX MEMORIAL HOSPITAL

**Employer identification number**  
82-6000422

**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?  
**(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?

	Yes	No
<b>11g(i)</b>		
<b>11g(ii)</b>		
<b>11g(iii)</b>		

**(ii)** A family member of a person described in (i) above?  
**(iii)** A 35% controlled entity of a person described in (i) or (ii) above?  
**h** Provide the following information about the supported organization(s)

(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	
<b>Total</b>									

**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
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>4 Total.</b> Add lines 1 through 3						
<b>5</b> 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)						
<b>6 Public support.</b> 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
<b>7</b> Amounts from line 4						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on						
<b>10</b> Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
<b>11 Total support</b> (Add lines 7 through 10)						
<b>12</b> Gross receipts from related activities, etc (see instructions)					<b>12</b>	
<b>13 First five years.</b> 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 <b>stop here</b> . . . . . <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

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

**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
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> 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						
<b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513						
<b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>6 Total.</b> Add lines 1 through 5						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons						
<b>b</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						
<b>c</b> Add lines 7a and 7b						
<b>8 Public support</b> (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
<b>9</b> Amounts from line 6						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
<b>c</b> Add lines 10a and 10b						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
<b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
<b>13 Total support.</b> (Add lines 9, 10c, 11, and 12.)						
<b>14 First five years.</b> 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 <b>stop here</b> <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

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

**Section D. Computation of Investment Income Percentage**

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

- 19a 33 1/3% support tests—2013.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization
- b 33 1/3% support tests—2012.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization
- 20 Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions

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

**Facts And Circumstances Test**

Return Reference

Explanation

SCHEDULE C (Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury Internal Revenue Service

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

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

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

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

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

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

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

Table with 2 columns: Name of the organization (WALTER KNOX MEMORIAL HOSPITAL) and Employer identification number (82-6000422)

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

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

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

- 1 Enter the amount of any excise tax incurred by the organization under section 4955
2 Enter the amount of any excise tax incurred by organization managers under section 4955
3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year?
4a Was a correction made?
b If "Yes," describe in Part IV

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

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities
2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities
3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b
4 Did the filing organization file Form 1120-POL for this year?
5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments

Table with 5 columns: (a) Name, (b) Address, (c) EIN, (d) Amount paid from filing organization's funds, (e) Amount of political contributions received and promptly and directly delivered to a separate political organization

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

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

<b>Limits on Lobbying Expenditures</b> (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals												
<b>1a</b> Total lobbying expenditures to influence public opinion (grass roots lobbying)														
<b>b</b> Total lobbying expenditures to influence a legislative body (direct lobbying)														
<b>c</b> Total lobbying expenditures (add lines 1a and 1b)														
<b>d</b> Other exempt purpose expenditures														
<b>e</b> Total exempt purpose expenditures (add lines 1c and 1d)														
<b>f</b> Lobbying nontaxable amount Enter the amount from the following table in both columns														
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width: 65%;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </tbody> </table>	If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:													
Not over \$500,000	20% of the amount on line 1e													
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000													
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000													
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000													
Over \$17,000,000	\$1,000,000													
<b>g</b> Grassroots nontaxable amount (enter 25% of line 1f)														
<b>h</b> Subtract line 1g from line 1a If zero or less, enter -0-														
<b>i</b> Subtract line 1f from line 1c If zero or less, enter -0-														
<b>j</b> If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No												

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

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

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
<b>1</b>	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
<b>a</b>	Volunteers?		No	
<b>b</b>	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
<b>c</b>	Media advertisements?		No	
<b>d</b>	Mailings to members, legislators, or the public?		No	
<b>e</b>	Publications, or published or broadcast statements?		No	
<b>f</b>	Grants to other organizations for lobbying purposes?		No	
<b>g</b>	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
<b>h</b>	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?	Yes		342
<b>i</b>	Other activities?		No	
<b>j</b>	Total. Add lines 1c through 1i.			342
<b>2a</b>	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
<b>b</b>	If "Yes," enter the amount of any tax incurred under section 4912			
<b>c</b>	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
<b>d</b>	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

**Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).**

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

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

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

**Part IV Supplemental Information**

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

Return Reference	Explanation
SCHEDULE C, PART II-B, LINE 1	THE HOSPITAL DOES NOT DIRECTLY PERFORM ANY LOBBYING ACTIVITIES THE HOSPITAL PAYS MEMBERSHIP DUES TO A STATE HOSPITAL ASSOCIATION THE ASSOCIATION USES A PORTION OF SUCH DUES TO CARRY OUT LOBBYING ACTIVITIES



SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2013

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization WALTER KNOX MEMORIAL HOSPITAL

Employer identification number 82-6000422

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.

Table with 3 columns: Line number, (a) Donor advised funds, (b) Funds and other accounts. Includes rows for total number at end of year, aggregate contributions, aggregate grants, aggregate value, and questions about donor advisement.

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

Form for Part II Conservation Easements. Includes checkboxes for preservation purposes, a table for held at the end of the year (2a-2d), and various questions about monitoring and expenses.

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.

Form for Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Includes questions about reporting works of art and historical treasures, and a table for revenues and assets.

**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
<b>1c</b> Beginning balance	
<b>1d</b> Additions during the year	
<b>1e</b> Distributions during the year	
<b>1f</b> Ending balance	

**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
<b>1a</b> Beginning of year balance . . . . .					
<b>b</b> Contributions . . . . .					
<b>c</b> Net investment earnings, gains, and losses					
<b>d</b> Grants or scholarships . . . . .					
<b>e</b> Other expenditures for facilities and programs . . . . .					
<b>f</b> Administrative expenses . . . . .					
<b>g</b> 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
<b>(i)</b> unrelated organizations . . . . .	<b>3a(i)</b>	
<b>(ii)</b> related organizations . . . . .	<b>3a(ii)</b>	
<b>b</b> If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R? . . . . .	<b>3b</b>	

**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
<b>1a</b> Land . . . . .		48,629		48,629
<b>b</b> Buildings . . . . .		5,595,700	2,647,404	2,948,296
<b>c</b> Leasehold improvements . . . . .				
<b>d</b> Equipment . . . . .		8,250,342	5,649,185	2,601,157
<b>e</b> Other . . . . .		112,715		112,715
<b>Total.</b> Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) . . . . .				5,710,797

**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		
<b>Total.</b> (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
<b>Total.</b> (Column (b) must equal Form 990, Part X, col (B) line 13 )		

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

(a) Description	(b) Book value
(1) EHR RECEIVABLE	755,009
(2) ESTIMATED THIRD PARTY SETTLEMENT	249,000
(3) OTHER RECEIVABLES	1,875
<b>Total.</b> (Column (b) must equal Form 990, Part X, col.(B) line 15.)	1,005,884

**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.

(a) Description of liability	(b) Book value
1 Federal income taxes	
CAPITAL LEASE OBLIGATION	101,279
<b>Total.</b> (Column (b) must equal Form 990, Part X, col (B) line 25 )	101,279

**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.

<b>1</b>	Total revenue, gains, and other support per audited financial statements . . . . .		<b>1</b>	9,837,706
<b>2</b>	Amounts included on line 1 but not on Form 990, Part VIII, line 12			
<b>a</b>	Net unrealized gains on investments . . . . .	<b>2a</b>		
<b>b</b>	Donated services and use of facilities . . . . .	<b>2b</b>		
<b>c</b>	Recoveries of prior year grants . . . . .	<b>2c</b>		
<b>d</b>	Other (Describe in Part XIII ) . . . . .	<b>2d</b>		
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .		<b>2e</b>	
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .		<b>3</b>	9,837,706
<b>4</b>	Amounts included on Form 990, Part VIII, line 12, but not on line <b>1</b> :			
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>		
<b>b</b>	Other (Describe in Part XIII ) . . . . .	<b>4b</b>		
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .		<b>4c</b>	
<b>5</b>	Total revenue Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 12 ) . . . . .		<b>5</b>	9,837,706

**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.

<b>1</b>	Total expenses and losses per audited financial statements . . . . .		<b>1</b>	10,136,246
<b>2</b>	Amounts included on line 1 but not on Form 990, Part IX, line 25			
<b>a</b>	Donated services and use of facilities . . . . .	<b>2a</b>		
<b>b</b>	Prior year adjustments . . . . .	<b>2b</b>		
<b>c</b>	Other losses . . . . .	<b>2c</b>		
<b>d</b>	Other (Describe in Part XIII ) . . . . .	<b>2d</b>		
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .		<b>2e</b>	
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .		<b>3</b>	10,136,246
<b>4</b>	Amounts included on Form 990, Part IX, line 25, but not on line <b>1</b> :			
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>		
<b>b</b>	Other (Describe in Part XIII ) . . . . .	<b>4b</b>		
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .		<b>4c</b>	
<b>5</b>	Total expenses Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 18 ) . . . . .		<b>5</b>	10,136,246

**Part XIII Supplemental Information**

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

Return Reference	Explanation



SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2013

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization WALTER KNOX MEMORIAL HOSPITAL

Employer identification number 82-6000422

Part I Financial Assistance and Certain Other Community Benefits at Cost

1a Did the organization have a financial assistance policy during the tax year? 1b If "Yes," was it a written policy? 2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy... 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... 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"?

7 Financial Assistance and Certain Other Community Benefits at Cost

Table with 7 columns: (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. Rows include Financial Assistance and Means-Tested Government Programs and Other Benefits.

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development	18	16,686	1,188		1,188	0.010 %
3 Community support	6	490	2,436		2,436	0.020 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building	14	16,686	4,950		4,950	0.050 %
7 Community health improvement advocacy	6	324	1,200		1,200	0.010 %
8 Workforce development						
9 Other						
10 Total	44	34,186	9,774		9,774	0.100 %

**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 Healthcare 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.		2 565,226
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
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	2,620,179
6	Enter Medicare allowable costs of care relating to payments on line 5	6	2,630,489
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	7	-10,310
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: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other		

**Section C. Collection Practices**

9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes
9b	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

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)

WALTER KNOX MEMORIAL HOSPITAL

Name of hospital facility or facility reporting group \_\_\_\_\_

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

		Yes	No
<b>Community Health Needs Assessment</b> (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
<b>1</b>	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	Yes	
<b>a</b>	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
<b>b</b>	<input checked="" type="checkbox"/> Demographics of the community		
<b>c</b>	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
<b>d</b>	<input checked="" type="checkbox"/> How data was obtained		
<b>e</b>	<input checked="" type="checkbox"/> The health needs of the community		
<b>f</b>	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
<b>g</b>	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
<b>h</b>	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
<b>i</b>	<input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
<b>j</b>	<input checked="" type="checkbox"/> Other (describe in Part VI)		
<b>2</b>	Indicate the tax year the hospital facility last conducted a CHNA <u>20 12</u>		
<b>3</b>	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 . . . . .	Yes	
<b>4</b>	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .		No
<b>5</b>	Did the hospital facility make its CHNA report widely available to the public? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply)	Yes	
<b>a</b>	<input checked="" type="checkbox"/> Hospital facility's website (list url) <u>WWW WKMH ORG</u>		
<b>b</b>	<input type="checkbox"/> Other website (list url) _____		
<b>c</b>	<input type="checkbox"/> Available upon request from the hospital facility		
<b>d</b>	<input type="checkbox"/> Other (describe in Part VI)		
<b>6</b>	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)		
<b>a</b>	<input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
<b>b</b>	<input type="checkbox"/> Execution of the implementation strategy		
<b>c</b>	<input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
<b>d</b>	<input type="checkbox"/> Participation in the execution of a community-wide plan		
<b>e</b>	<input type="checkbox"/> Inclusion of a community benefit section in operational plans		
<b>f</b>	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
<b>g</b>	<input type="checkbox"/> Prioritization of health needs in its community		
<b>h</b>	<input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
<b>i</b>	<input type="checkbox"/> Other (describe in Part VI)		
<b>7</b>	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 . . . . .		No
<b>8a</b>	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)? . . . . .		No
<b>8b</b>	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .		
<b>c</b>	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)*

<b>Financial Assistance Policy</b>		<b>Yes</b>	<b>No</b>
<b>9</b>	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?	Yes	
<b>10</b>	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>100 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	Yes	
<b>11</b>	Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>150 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	Yes	
<b>12</b>	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)	Yes	
<b>a</b>	<input checked="" type="checkbox"/> Income level		
<b>b</b>	<input type="checkbox"/> Asset level		
<b>c</b>	<input type="checkbox"/> Medical indigency		
<b>d</b>	<input type="checkbox"/> Insurance status		
<b>e</b>	<input checked="" type="checkbox"/> Uninsured discount		
<b>f</b>	<input checked="" type="checkbox"/> Medicaid/Medicare		
<b>g</b>	<input type="checkbox"/> State regulation		
<b>h</b>	<input type="checkbox"/> Residency		
<b>i</b>	<input type="checkbox"/> Other (describe in Part VI)		
<b>13</b>	Explained the method for applying for financial assistance? . . . . .	Yes	
<b>14</b>	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	Yes	
<b>a</b>	<input type="checkbox"/> The policy was posted on the hospital facility's website		
<b>b</b>	<input type="checkbox"/> The policy was attached to billing invoices		
<b>c</b>	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
<b>d</b>	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
<b>e</b>	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
<b>f</b>	<input checked="" type="checkbox"/> The policy was available upon request		
<b>g</b>	<input type="checkbox"/> Other (describe in Part VI)		

<b>Billing and Collections</b>		<b>Yes</b>	<b>No</b>
<b>15</b>	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? . . . . .	Yes	
<b>16</b>	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		
<b>a</b>	<input type="checkbox"/> Reporting to credit agency		
<b>b</b>	<input type="checkbox"/> Lawsuits		
<b>c</b>	<input type="checkbox"/> Liens on residences		
<b>d</b>	<input type="checkbox"/> Body attachments		
<b>e</b>	<input type="checkbox"/> Other similar actions (describe in Section C)		
<b>17</b>	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged		No
<b>a</b>	<input type="checkbox"/> Reporting to credit agency		
<b>b</b>	<input type="checkbox"/> Lawsuits		
<b>c</b>	<input type="checkbox"/> Liens on residences		
<b>d</b>	<input type="checkbox"/> Body attachments		
<b>e</b>	<input type="checkbox"/> Other similar actions (describe in Section C)		

**Part V Facility Information** *(continued)*

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

**Policy Relating to Emergency Medical Care**

**19** Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . .

	Yes	No
<b>19</b>	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)

<b>21</b>		No
<b>22</b>		No

**21** During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care? . . . . .

If "Yes," explain in Part VI

**22** During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual? . . . . .

If "Yes," explain in Part VI

**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? \_\_\_\_\_

Name and address	Type of Facility (describe)
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	
<b>6</b>	
<b>7</b>	
<b>8</b>	
<b>9</b>	
<b>10</b>	

**Part VI Supplemental Information**

Provide the following information

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

Form and Line Reference	Explanation
PART I, LINE 7 - COSTING METHODOLOGY EXPLANATION	THE HOSPITAL APPLIES THE RATIO OF PATIENT CARE COST TO CHARGES FOR AMOUNTS REPORTED IN THE TABLE (TOTAL OPERATING EXPENSES, NON-PATIENT CARE ACTIVITIES, MEDICAID PROVIDER TAXES, TOTAL COMMUNITY BENEFIT AND TOTAL COMMUNITY BUILDING EXPENSES)

Form and Line Reference	Explanation
PART II - COMMUNITY BUILDING ACTIVITIES	COMMUNITY INVOLVEMENT BY THE HOSPITAL PROMOTES HEALTH AWARENESS AND PROMOTION THROUGH COMMUNITY GROUPS, WALKING PROGRAMS AND PATHS, FARMER'S MARKET AND FOOD COALITION, WORKPLACE WELLNESS PROGRAMS, AND TABACCO CESSATION EDUCATION

Form and Line Reference	Explanation
PART III, LINE 2 - BAD DEBT EXPENSE METHODOLOGY	THE HOSPITAL USED THE RATIO OF PATIENT CARE COSTS TO CHARGES TO DETERMINE THE COST OF BAD DEBT EXPENSE ON SCHEDULE H, PART III, LINE 2. BAD DEBT EXPENSE IS REPORTED NET OF DISCOUNTS AND CONTRACTUAL ALLOWANCES. A PAYMENT ON AN ACCOUNT PREVIOUSLY WRITTEN OFF IS RECORDED AS A RECOVERY TO BAD DEBT AND OFFSETS THE ALLOWANCE FOR BAD DEBT ON THE BALANCE SHEET.

Form and Line Reference	Explanation
PART III, LINE 3 BAD DEBT EXPENSE, PATIENTS ELIGIBLE FOR ASSISTANCE	THE HOSPITAL DID NOT TRACK THE AMOUNT OF BAD DEBT EXPENSE THAT COULD REASONABLY BE ATTRIBUTABLE TO PATIENTS WHO LIKELY WOULD QUALIFY FOR FINANCIAL ASSISTANCE UNDER THE HOSPITAL'S CHARITY CARE POLICY BUT FOR WHOM SUFFICIENT INFORMATION WAS NOT OBTAINED TO MAKE DETERMINATION OF THEIR ELIGIBILITY DURING THE YEAR

Form and Line Reference	Explanation
BAD DEBT EXPENSE FOOTNOTE TO FINANCIAL STATEMENTS	THE PATIENT ACCOUNTS RECEIVABLE FOOTNOTE OF THE AUDITED FINANCIAL STATEMENTS IS FOUND IN FOOTNOTE 3, ON PAGE 12, OF THE AUDITED FINANCIAL STATEMENTS THE PROVISION FOR BAD DEBTS IS ALSO INCLUDED IN FOOTNOTE 3 OF THE AUDITED FINANCIAL STATEMENTS

Form and Line Reference	Explanation
PART III, LINE 8 - MEDICARE EXPLANATION	ANY MEDICARE ALLOWABLE COSTS OF PATIENT CARE SHORTFALLS ARE NOT COUNTED AS COMMUNITY BENEFIT THESE ALLOWABLE COSTS ARE OBTAINED FROM THE MEDICARE COST REPORT FOR THE YEAR

Form and Line Reference	Explanation
PART III, LINE 9B - COLLECTION PRACTICES EXPLANATION	THE HOSPITAL WILL ASSIST PATIENTS IN MAKING A DETERMINATION REGARDING WHETHER OR NOT THE PATIENT MAY BE ABLE TO QUALIFY FOR SOME FORM OF GOVERNMENTAL PROGRAM WKMH EXPECTS THE PATIENT TO ASSIST IN THIS DETERMINATION AND POTENTIAL APPLICATION PROCESS WHEN IT IS DETERMINED THAT THE PATIENT HAS MINIMAL RESOURCES AND CANNOT QUALIFY FOR ASSISTANCE FROM ONE OF THE PROGRAMS, EITHER TOTAL OR PARTIAL CHARITY CAN BE GRANTED HOWEVER, IN THE EVENT THAT AN INDIVIDUAL HAS SIGNIFICANT ASSETS, THE HOSPITAL MAY SECURE ITS INTEREST IN THOSE ASSETS AS APPROPRIATE FOR PATIENTS WHO SEEK ASSISTANCE UNDER THIS POLICY, THE HOSPITAL WILL CHARGE NO MORE THAN THE AMOUNT GENERALLY BILLED TO INDIVIDUALS WITH INSURANCE RECEIVING SUCH CARE THE HOSPITAL WILL NOT UNDERTAKE EXTRAORDINARY COLLECTION ACTIONS, EVEN IF OTHERWISE PERMITTED BY LAW AND THIS POLICY, AGAINST AN INDIVIDUAL WITHOUT FIRST MAKING REASONABLE EFFORTS TO DETERMINE WHETHER THE INDIVIDUAL IS ELIGIBLE FOR ASSISTANCE UNDER THIS POLICY SUCH EXTRAORDINARY COLLECTION ACTIONS MAY INCLUDE LAWSUITS, LIENS OR SIMILAR COLLECTION PROCEDURES SUCH REASONABLE EFFORTS INCLUDE NOTIFICATION OF THE PATIENT BY THE HOSPITAL OF THIS POLICY UPON ADMISSION AND IN WRITTEN AND ORAL COMMUNICATIONS WITH THE PATIENT REGARDING THE PATIENT'S BILL, INCLUDING INVOICES, TELEPHONE CALLS ETC BEFORE COLLECTION ACTION OR REPORTING TO CREDIT RATING AGENCIES IS INITIATED, IF APPLICABLE

Form and Line Reference	Explanation
PART VI, LINE 2 - NEEDS ASSESSMENT	THE HOSPITAL AND THE GEM ECONOMIC DEVELOPMENT ASSOCIATION REVIEWED IN DETAIL THE GEM COUNTY HEALTH RANKINGS FROM THE COUNTY HEALTH RANKINGS FROM THE UNIVERSITY OF WISCONSIN AND ROBERT WOODS JOHNSON FOUNDATION AFTER THE REVIEW, THE GEM COUNTY HEALTH CONNECTION WAS ESTABLISHED TO REVIEW HEALTH CARE NEEDS IN THE COMMUNITY AND MAKE RECOMMENDATIONS TO APPROPRIATE ENTITIES THE MOST RECENTLY ADOPTED IMPLEMENTATION STRATEGY AND COMMUNITY HEALTH NEEDS ASSESSMENT CAN BE FOUND AT THE FOLLOWING URL <a href="http://www.wkmh.org/gem-county-health-needs-assessment-2013.html">HTTP //WWW WKMH ORG/GEM-COUNTY-HEALTH-NEEDS-ASSESSMENT-2013 HTML</a>

Form and Line Reference	Explanation
PART VI, LINE 3 - PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	THE HOSPITAL POSTS THE CHARITY CARE POLICY AND FINANCIAL ASSISTANCE CONTACT INFORMATION IN ADMISSION AREAS AND THE EMERGENCY ROOM LOBBY WHERE PATIENTS ARE LIKELY TO BE PRESENT HOSPITAL STAFF DISCUSSES WITH THE PATIENT THE AVAILABILITY OF VARIOUS GOVERNMENT BENEFITS, SUCH AS MEDICAID OR STATE PROGRAMS, AND ASSISTS THE PATIENT WITH QUALIFICATION FOR SUCH PROGRAMS, WHERE APPLICABLE

Form and Line Reference	Explanation
PART VI, LINE 4 - COMMUNITY INFORMATION	THE CRITICAL ACCESS HOSPITAL IS THE SOLE COMMUNITY PROVIDER FOR HOSPITAL SERVICES IN RURAL GEM COUNTY, IDAHO, AND ONE OF THE MAJOR EMPLOYERS THE POPULATION OF GEM COUNTY IS 16,686 AND IS A RURAL SETTING WITH MANY SMALL FARMS AND ORCHARDS 17.6% OF THE POPULATION IS BELOW THE POVERTY LEVELS, AND 18.9% OF THE POPULATION IS AGE 65 AND OVER THE COUNTY HAS A 13.3% UNEMPLOYMENT RATE AND 21% OF ADULTS ARE UNINSURED THE MEDIAN HOUSEHOLD INCOME IS 40,991

Form and Line Reference	Explanation
PART VI, LINE 5 - PROMOTION OF COMMUNITY HEALTH	<p>THE HOSPITAL'S GOVERNING BODY IS COMPRISED OF VOLUNTEER MEMBERS WHO RESIDE IN THE COMMUNITY. MEDICAL STAFF PRIVILEGES ARE EXTENDED TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY. SURPLUS FUNDS ARE REINVESTED IN FACILITIES TO IMPROVE PATIENT CARE. THE HOSPITAL IS ONE OF A FEW CRITICAL ACCESS HOSPITALS IN IDAHO TO OFFER INFUSION THERAPY AND AN ONCOLOGIST THAT SERVES PATIENTS TWO DAYS PER MONTH. THE HOSPITAL LEADS A COMMUNITY COMMITTEE WITH THE GOAL OF IMPROVING THE HEALTH OF THE COMMUNITY AND INDIVIDUAL HEALTH THROUGH POLICIES, PROGRAMS AND EDUCATION. THE MOTTO OF THE COMMITTEE IS "WORKING TOGETHER, MAKING A DIFFERENCE IN GEM COUNTY." THE HOSPITAL PARTICIPATES IN THE GEM COMMUNITY HEALTH CONNECTION, A GROUP WITH GOALS TO IMPROVE THE HEALTH RANKINGS OF GEM COUNTY THROUGH COLLABORATIVE ACTIVITIES AND EDUCATION. THE HOSPITAL PARTICIPATES IN "LET'S MOVE EMMETT" A NATIONAL PROGRAM LED BY THE CITY MAYOR WITH A GOAL TO REDUCE OBESITY IN ALL AGE GROUPS. THE HOSPITAL ALSO PARTICIPATES IN A COMMUNITY RESOURCE GROUP TO COLLABORATE HEALTH SERVICES BETWEEN HEALTH PROVIDERS. AS A HEALTHCARE LEADER IN GEM COUNTY, THE HOSPITAL HAS LED COMMUNITY HEALTH EFFORTS SUCH AS IMMUNIZATIONS AND DISASTER PREPAREDNESS. THE HOSPITAL LABORATORY OFFERS A COMPREHENSIVE LAB TESTING ANNUALLY AT A DRASTICALLY REDUCED RATE TO ACCOMMODATE THE UNINSURED AND UNDERINSURED.</p>

Form and Line Reference	Explanation
PART VI, LINE 6 - AFFILIATED HEALTH CARE SYSTEM	N/A



# Additional Data

**Software ID:**  
**Software Version:**  
**EIN:** 82-6000422  
**Name:** WALTER KNOX MEMORIAL HOSPITAL

## 990 Schedule H, Supplemental Information

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

Form and Line Reference	Explanation
FACILITY 1, WALTER KNOX MEMORIAL HOSPITAL - PART V, LINE 3	
FACILITY 1, WALTER KNOX MEMORIAL HOSPITAL - PART V, LINE 7	DURING THE MOST RECENT NEEDS ASSESSMENT THERE WERE SEVERAL NEEDS IDENTIFIED THE HOSPITAL RESPONDED TO AS MANY OF THE NEEDS AS POSSIBLE WITH THE LIMITED STAFF ON-HAND THE HOSPITAL WILL CONTINUE TO ASSESS THE NEEDS OF THE COMMUNITY AND RESPOND AS QUICKLY AS POSSIBLE

**Schedule J**  
(Form 990)

**Compensation Information**

OMB No 1545-0047

**2013**

**Open to Public Inspection**

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](http://www.irs.gov/form990).**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
WALTER KNOX MEMORIAL HOSPITAL

Employer identification number

82-6000422

**Part I Questions Regarding Compensation**

- 1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.
- |   |  |
|---|--|
| <input type="checkbox"/> First-class or charter travel            | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions                    | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax idemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees   |
| <input type="checkbox"/> Discretionary spending account           | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

**b** If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

**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?

**3** Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III

- |  |   |
|--|---|
| <input type="checkbox"/> Compensation committee              | <input type="checkbox"/> Written employment contract                                |
| <input type="checkbox"/> Independent compensation consultant | <input type="checkbox"/> Compensation survey or study                               |
| <input type="checkbox"/> Form 990 of other organizations     | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

**4** During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization

**a** Receive a severance payment or change-of-control payment?

**b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?

**c** Participate in, or receive payment from, an equity-based compensation arrangement?

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?

**b** Any related organization?

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?

**b** Any related organization?

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

**8** Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III

**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
<b>1b</b>		
<b>2</b>		
<b>4a</b>		No
<b>4b</b>		No
<b>4c</b>		No
<b>5a</b>		No
<b>5b</b>		No
<b>6a</b>		No
<b>6b</b>		No
<b>7</b>		No
<b>8</b>		No
<b>9</b>		

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) WADE JOHNSON CEO	(i) (ii)	121,496	37,716		972	160,184		

**Part III Supplemental Information**

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

Also complete this part for any additional information

Return Reference	Explanation
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**SCHEDULE O**  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

**Supplemental Information to Form 990 or 990-EZ**

Complete to provide information for responses to specific questions on  
Form 990 or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at  
[www.irs.gov/form990](http://www.irs.gov/form990).

**2013**

**Open to Public  
Inspection**

Name of the organization  
WALTER KNOX MEMORIAL HOSPITAL

Employer identification number

82-6000422

**990 Schedule O, Supplemental Information**

Return Reference	Explanation
FORM 990, PAGE 2, PART III, LINE 4A	2,876,243 FOR MEDICARE, 1,660,617 FOR MEDICAID AND 2,888,027 FOR OTHER THIRD-PARTY PAYORS FOR THE YEAR ENDED SEPTEMBER 30, 2014
FORM 990, PAGE 6, PART VI, LINE 2	STAN STURTZ ANITA TAYLOR FAMILY RELATIONSHIP
FORM 990, PAGE 6, PART VI, LINE 7B	COUNTY COMMISSIONERS MUST APPROVE ANY INDEBTEDNESS IN EXCESS OF ITS ANNUAL BUDGET
FORM 990, PAGE 6, PART VI, LINE 11B	A COPY OF THE 990 IS PROVIDED TO THE CFO AND CEO WHO REVIEW THE FORM, SCHEDULES AND RELATE D ATTACHMENTS ANY COMMENTS OR QUESTIONS ARE ADDRESSED WITH THE PREPARER ONCE MANAGEMENT IS SATISFIED WITH THE 990, THE CEO SIGNS THE FORM 8879-EO AUTHORIZING THE PREPARER TO E-FILE THE RETURN A FINAL 990 IS THEN PRESENTED TO THE BOARD OF DIRECTORS
FORM 990, PAGE 6, PART VI, LINE 12C	BOARD MEMBERS AND KEY EMPLOYEES ARE REQUIRED TO SIGN AN ANNUAL CONFLICT OF INTEREST FORM THE FORMS ARE REVIEWED BY THE CHAIR OF THE BOARD IF A CONFLICT OF INTEREST INDEED EXISTS, THE INDIVIDUAL MUST REMOVE THEMSELVES FROM THE VOTING AND DISCUSSION
FORM 990, PAGE 6, PART VI, LINE 15A	CEO COMPENSATION IS REVIEWED BY THE BOARD ON AN ANNUAL BASIS AND DOCUMENTED IN THE BOARD M INUTES THE BOARD USES COMPARABILITY DATA DURING THE REVIEW PROCESS CFO COMPENSATION IS DETERMINED BY THE CEO
FORM 990, PAGE 6, PART VI, LINE 19	THE HOSPITAL COMPLIES WITH IDAHO PUBLIC RECORDS LAW AND MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST IN THE ADMINISTRATION OFFICE ANNUAL FINANCIAL STATEMENTS ARE PUBLISHED IN THE NEWSPAPER
FORM 990, PART IX, LINE 11G	1,489,343 308,091 0

**Walter Knox Memorial Hospital  
A Component Unit of  
Gem County, Idaho**

Basic Financial Statements and  
Independent Auditors' Reports

September 30, 2014 and 2013



**DINGUS | ZARECOR & ASSOCIATES** PLLC  
Certified Public Accountants

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Walter Knox Memorial Hospital  
A Component Unit of Gem County, Idaho  
Emmett, Idaho

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Walter Knox Memorial Hospital, a component unit of Gem County, Idaho (the Hospital), which comprise the statements of net position as of September 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Walter Knox Memorial Hospital, a component Unit of Gem County, Idaho, as of September 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2015, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2014. We issued a similar report for the year ended September 30, 2013, dated February 19, 2014, which has not been included with the 2014 financial and compliance report. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
February 18, 2015

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Statements of Net Position**  
**September 30, 2014 and 2013**

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 225,938	\$ 458,775
Investments	1,971,188	2,154,830
Receivables		
Patient accounts receivable, net of estimated uncollectible accounts of approximately \$814,000 and \$943,000, respectively	1,607,698	1,573,143
Electronic health records incentive payment	755,009	352,000
Estimated third-party payor settlements	249,000	311,000
Other receivables	1,875	19,097
Inventories	296,862	343,229
Prepaid expenses	66,680	96,260
Total current assets	5,174,250	5,308,334
<i>Noncurrent assets</i>		
Assets limited as to use		
Cash and cash equivalents, board designated for capital acquisitions	234,193	656,290
Investments, board designated for capital acquisitions	2,559,693	2,477,278
Capital assets, net	5,710,797	5,844,823
Total noncurrent assets	8,504,683	8,978,391
<b>Total assets</b>	<b>\$ 13,678,933</b>	<b>\$ 14,286,725</b>

*See accompanying notes to basic financial statements*

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Statements of Net Position (Continued)**  
**September 30, 2014 and 2013**

<b>LIABILITIES AND NET POSITION</b>	<b>2014</b>	<b>2013</b>
<i>Current liabilities</i>		
Accounts payable	\$ 764,795	\$ 147,031
Current maturities of long-term debt	441,315	429,872
Current maturities of capital lease obligation	38,634	38,012
Accrued compensation and related liabilities	371,454	423,836
Estimated third-party payor settlements	-	410,000
Total current liabilities	1,616,198	1,448,751
<i>Noncurrent liabilities</i>		
Capital lease obligation, less current maturities	62,645	98,029
Long-term debt, less current maturities	839,813	1,281,128
Total noncurrent liabilities	902,458	1,379,157
Total liabilities	2,518,656	2,827,908
<i>Net position</i>		
Net investment in capital assets	4,328,390	3,997,782
Unrestricted	6,831,887	7,461,035
Total net position	11,160,277	11,458,817
<b>Total liabilities and net position</b>	<b>\$ 13,678,933</b>	<b>\$ 14,286,725</b>

*See accompanying notes to basic financial statements*

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended September 30, 2014 and 2013**

	2014	2013
<i>Operating revenues</i>		
Net patient revenue, net of provision for bad debts of \$1,027,683 and \$1,397,890, respectively	\$ 9,088,816	\$ 9,795,146
Electronic health records payment incentive	403,009	352,000
Other	97,546	87,074
<b>Total operating revenues</b>	<b>9,589,371</b>	<b>10,234,220</b>
<i>Operating expenses</i>		
Salaries and wages	3,959,534	4,559,651
Employee benefits	1,030,557	1,070,557
Professional fees	1,968,795	1,450,799
Supplies	1,433,147	1,532,780
Depreciation and amortization	828,210	748,982
Repairs and maintenance	278,286	232,428
Rent	231,788	318,107
Utilities	138,009	148,298
Other	222,714	133,960
<b>Total operating expenses</b>	<b>10,091,040</b>	<b>10,195,562</b>
<i>Operating income (loss)</i>	<b>(501,669)</b>	38,658
<i>Nonoperating revenues (expenses)</i>		
Investment income (loss)	207,622	(239,175)
Loss on disposal of capital assets	-	(23,411)
Grants and contributions	40,713	36,008
Interest expense	(45,206)	(206,356)
<b>Total nonoperating revenues (expenses), net</b>	<b>203,129</b>	<b>(432,934)</b>
Change in net position	<b>(298,540)</b>	(394,276)
Net position, beginning of year	<b>11,458,817</b>	11,853,093
<b>Net position, end of year</b>	<b>\$ 11,160,277</b>	<b>\$ 11,458,817</b>

*See accompanying notes to basic financial statements*

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Statements of Cash Flows**  
**Years Ended September 30, 2014 and 2013**

	2014	2013
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 8,706,261	\$ 9,983,908
Other receipts	114,768	77,359
Payments to and on behalf of employees	(5,042,473)	(5,646,507)
Payments to suppliers and contractors	(3,579,028)	(4,105,085)
Net cash provided by operating activities	199,528	309,675
<i>Cash flows from noncapital financing activities</i>		
Receipt of contributions and grants	40,713	36,008
<i>Cash flows from capital and related financing activities</i>		
Principal payments on long-term debt	(429,872)	(2,548,271)
Proceeds from the issuance of long-term debt	-	1,711,000
Principal payments on capital lease obligation	(34,762)	(40,427)
Interest paid on long-term debt	(45,206)	(235,100)
Purchase of capital assets	(694,184)	(710,179)
Proceeds from sale of capital assets	-	21,354
Net cash used in capital and related financing activities	(1,204,024)	(1,801,623)
<i>Cash flows from investing activities</i>		
Purchase of investments	(57,643)	(2,328,668)
Proceeds from sale of investments	366,492	2,236,245
Investment income received	-	94,934
Net cash provided by investing activities	308,849	2,511
Net decrease in cash and cash equivalents	(654,934)	(1,453,429)
Cash and cash equivalents, beginning of year	1,115,065	2,568,494
<b>Cash and cash equivalents, end of year</b>	<b>\$ 460,131</b>	<b>\$ 1,115,065</b>

*See accompanying notes to basic financial statements*

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Statements of Cash Flows (Continued)**  
**Years Ended September 30, 2014 and 2013**

	2014	2013
<b><i>Reconciliation of Cash and Cash Equivalents to the Statement of Financial Position</i></b>		
Cash and cash equivalents	\$ 225,938	\$ 458,775
Cash and cash equivalents, board designated for capital acquisitions	234,193	656,290
<b>Total cash and cash equivalents</b>	<b>\$ 460,131</b>	<b>\$ 1,115,065</b>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</i></b>		
Operating income (loss)	\$ (501,669)	\$ 38,658
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities</i>		
Depreciation and amortization	828,210	748,982
Provision for bad debts	1,027,683	1,397,890
Decrease (increase) in assets		
Receivables		
Patient accounts	(1,062,238)	(1,298,922)
Electronic health records incentive payment	(403,009)	(352,000)
Estimated third-party payor settlements	62,000	(43,000)
Other	17,222	(9,715)
Inventories	46,367	34,983
Prepaid expenses	29,580	(46,365)
Increase (decrease) in liabilities		
Accounts payable	617,764	(277,331)
Accrued compensation and related liabilities	(52,382)	(16,299)
Estimated third-party payor settlements	(410,000)	132,794
<b>Net cash provided by operating activities</b>	<b>\$ 199,528</b>	<b>\$ 309,675</b>

*See accompanying notes to basic financial statements*

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements**  
**Years Ended September 30, 2014 and 2013**

**1. Description of Reporting Entity and Summary of Significant Accounting Policies:**

**a. Reporting Entity**

Walter Knox Memorial Hospital (the Hospital) operates a 16-bed acute care hospital and physician clinics in Emmett, Idaho. The Board of County Commissioners of Gem County, Idaho (the County) appoints the Hospital Board of Directors, and the Hospital may not issue debt or levy taxes without the County's approval. For this reason, the Hospital is considered to be a component unit of Gem County, Idaho. As organized, the Hospital is exempt from federal and state income taxes.

**b. Summary of Significant Accounting Policies**

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

*Enterprise fund accounting* – The Hospital's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

*Cash and cash equivalents* – Cash and cash equivalents include business checking accounts maintained with local financial institutions, cash on hand, and investments in highly liquid debt instruments with an original maturity of three months or less.

*Investments* – Investments are stated at fair value as determined by quoted market prices.

*Inventories* – Inventories are stated at cost using the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the Hospital.

*Assets limited as to use* – Assets limited as to use include assets set aside by the Board of Directors for operations and future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, and assets held by trustees under bond indenture agreements. Assets limited as to use that are required for obligations classified as current liabilities or for operations are reported in current assets.

*Capital assets* – Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements.

The estimated useful lives of capital assets are as follows:

Land improvements	5 to 20 years
Building and fixed equipment	5 to 40 years
Major movable equipment	3 to 20 years

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2014 and 2013**

**1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

**Compensated absences** – The Hospital’s employees earn paid time off (PTO) at varying rates depending on years of service. Employees are allowed to accrue PTO up to a maximum amount. Employees with less than five years of service are allowed to accrue a maximum of 240 hours. Employees with more than five years and less than 14 years of service are allowed to accrue a maximum of 280 hours. Employees with more than 14 years of service are allowed to accrue a maximum of 320 hours.

Accrued PTO up to 40 hours per year can be sold back to the Hospital on the employee’s anniversary date if the employee has at least 80 hours accrued and has taken at least 40 hours of PTO during the preceding year. Unused PTO is paid upon termination of employment.

The Hospital has an extended sick leave (ESL) bank policy which incorporates leave for disability caused by illness or injury. All employees working more than 20 hours per week accrue .0346 ESL hours per hour worked until a maximum of 520 ESL hours is reached. Employees that have been employed at the Hospital for more than 10 years are eligible to receive 25% of the accrued ESL hours upon termination.

PTO is accrued when earned. ESL is expensed when taken except for employees who are eligible for an ESL payout upon termination. The ESL amounts eligible for payout upon termination are expensed when earned.

**Net position** – Net position of the Hospital is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital including amounts deposited with trustees as required by bond indentures. The Hospital had no restricted net position at either September 30, 2014 or 2013. *Unrestricted net position* is remaining net position that does not meet the definition of *net investment in capital assets* or *restricted net position*.

**Operating revenues and expenses** – The Hospital’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services — the Hospital’s principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

**Restricted resources** – When the Hospital has both restricted and unrestricted resources available to finance a particular program it is Hospital policy to use restricted resources before unrestricted resources.

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2014 and 2013**

**1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

*Grants and contributions* – From time to time, the Hospital receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for a specific project or purpose related to the Hospital's operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue.

*Subsequent events* – Subsequent events have been reviewed through February 18, 2015, the date on which the financial statements were available to be issued.

**2. Bank Deposits and Investments:**

Custodial credit risk is the risk that in the event of a depository institution failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk. As of September 30, 2014 and 2013, the Hospital had uninsured and uncollateralized deposit balances of approximately \$148,000 and \$-0-, respectively.

The Hospital voluntarily invests funds in the Local Government Investment Pool (the Pool), administered by the Idaho State Treasurer (the State Treasurer). Collateral for the funds invested in the Pool are held by the state of Idaho, not in the Hospital's name. The funds invested in the Pool are available for immediate use by the Hospital. The Pool is not externally rated. As of September 30, 2014 and 2013, the Hospital had deposits with the Pool, collateralized by securities held by the Pool but not in the Hospital's name, of \$284,353 and \$1,256,228, respectively. The Hospital has recorded their investment in the Pool as a cash and cash equivalent.

Idaho Code, Title 67, Chapter 12 provides authorization for investment of pooled funds in the following general types:

1. Certain revenue bonds, general obligation bonds, local improvement district bonds, and registered warrants of state and local governmental entities.
2. Time deposit accounts, tax anticipation, and interest-bearing notes.
3. Bonds, treasury bills, interest-bearing notes, or other similar obligations of the United States Government and the Farm Credit System.
4. Repurchase agreements.

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2014 and 2013**

**2. Bank Deposits and Investments (continued):**

**Interest rate risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

1. State statutes limit investments in bonds, debentures, or notes of any corporation to be rated “A” or higher by nationally recognized statistical rating organizations.
2. The Hospital’s investments at September 30, 2014, included:

	2014					
	Carrying Value	Investment Maturities (in Years)				Investment Ratings
		Less Than One	One to Five	Six to Ten	More than Ten	
Money Markets	\$ 28,834	\$ 28,834	\$ -	\$ -	\$ -	Not applicable
Certificates of Deposit	55,321	-	30,573	24,748	-	Not applicable
U.S. Government Bonds	4,446,726	-	35,512	1,344,054	3,067,160	AA+
<b>Total investments</b>	<b>\$ 4,530,881</b>	<b>\$ 28,834</b>	<b>\$ 66,085</b>	<b>\$ 1,368,802</b>	<b>\$ 3,067,160</b>	

3. The Hospital’s investments at September 30, 2013, included:

	2013					
	Carrying Value	Investment Maturities (in Years)				Investment Ratings
		Less Than One	One to Five	Six to Ten	More than Ten	
Money Markets	\$ 33,629	\$ 33,629	\$ -	\$ -	\$ -	Not applicable
Certificates of Deposit	305,460	-	61,570	243,890	-	Not applicable
U.S. Government Bonds	4,293,019	-	-	874,350	3,418,669	AA+
<b>Total investments</b>	<b>\$ 4,632,108</b>	<b>\$ 33,629</b>	<b>\$ 61,570</b>	<b>\$ 1,118,240</b>	<b>\$ 3,418,669</b>	

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2014 and 2013**

**3. Patient Accounts Receivable:**

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

The Hospital's allowance for uncollectible accounts for self-pay patients did not significantly change between years. The Hospital's provisions for bad debts and writeoffs have not changed significantly from the prior year. The Hospital revised its charity care or uninsured discount policies to allow more patients to gain financial assistance during fiscal year 2014. The Hospital allowed for balances over \$500 to be considered for charity care pending appropriate approval. The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient accounts receivable reported as current assets by the Hospital consisted of these amounts:

	<b>2014</b>	<b>2013</b>
Receivables from patients and their insurance carriers	\$ 1,813,895	\$ 2,177,531
Receivables from Medicare	386,716	214,333
Receivables from Medicaid	221,015	123,862
Total patient accounts receivable	<b>2,421,626</b>	2,515,726
Less allowance for uncollectible accounts	<b>813,928</b>	942,583
<b>Patient accounts receivable, net</b>	<b>\$ 1,607,698</b>	<b>\$ 1,573,143</b>

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2014 and 2013**

**4. Capital Assets:**

Capital asset activities for the year ended September 30, 2014, were as follows:

	<b>Balance September 30, 2013</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance September 30, 2014</b>
<i>Capital assets not being depreciated</i>					
Land	\$ 48,629	\$ -	\$ -	\$ -	\$ 48,629
Construction in progress	167,717	69,198	-	(124,200)	112,715
Total capital assets not being depreciated	216,346	69,198	-	(124,200)	161,344
<i>Capital assets being depreciated</i>					
Land improvements	604,005	-	-	-	604,005
Building and fixed equipment	8,091,292	62,789	-	-	8,154,081
Major movable equipment	4,401,559	562,197	-	124,200	5,087,956
Total capital assets being depreciated	13,096,856	624,986	-	124,200	13,846,042
<i>Less accumulated depreciation for</i>					
Land improvements	374,156	34,487	-	-	408,643
Building and fixed equipment	3,894,131	319,098	-	-	4,213,229
Major movable equipment	3,200,092	474,625	-	-	3,674,717
Total accumulated depreciation	7,468,379	828,210	-	-	8,296,589
<i>Total capital assets being depreciated, net</i>	5,628,477	(203,224)	-	124,200	5,549,453
<b>Capital assets, net</b>	<b>\$ 5,844,823</b>	<b>\$ (134,026)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,710,797</b>

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2014 and 2013**

**4. Capital Assets (continued):**

Capital asset activities for the year ended September 30, 2013, were as follows:

	Balance September 30, 2012	Additions	Retirements	Transfers	Balance September 30, 2013
<i>Capital assets not being depreciated</i>					
Land	\$ 48,629	\$ -	\$ -	\$ -	\$ 48,629
Construction in progress	150,733	68,319	(18,155)	(33,180)	167,717
Total capital assets not being depreciated	199,362	68,319	(18,155)	(33,180)	216,346
<i>Capital assets being depreciated</i>					
Land improvements	617,649	-	(13,644)	-	604,005
Building and fixed equipment	8,469,611	57,045	(438,944)	3,580	8,091,292
Major movable equipment	4,419,052	584,815	(631,908)	29,600	4,401,559
Total capital assets being depreciated	13,506,312	641,860	(1,084,496)	33,180	13,096,856
<i>Less accumulated depreciation for</i>					
Land improvements	352,111	35,688	(13,643)	-	374,156
Building and fixed equipment	4,018,557	309,564	(433,990)	-	3,894,131
Major movable equipment	3,406,615	403,730	(610,253)	-	3,200,092
Total accumulated depreciation	7,777,283	748,982	(1,057,886)	-	7,468,379
<i>Total capital assets being depreciated, net</i>	5,729,029	(107,122)	(26,610)	33,180	5,628,477
<b>Capital assets, net</b>	<b>\$ 5,928,391</b>	<b>\$ (38,803)</b>	<b>\$ (44,765)</b>	<b>\$ -</b>	<b>\$ 5,844,823</b>

Construction in progress at September 30, 2014, consisted primarily of costs related to the purchase of medical equipment, which will be placed into service in 2015. No further costs are anticipated related to this equipment prior to being placed into service.

**5. Defined Contribution Plan:**

The Hospital provides employees with a defined contribution pension plan. The Walter Knox Memorial Retirement Plan (the Plan) covers employees upon one year of continuous employment and at least 1,000 hours of service. The Plan is administered by the Hospital. The Hospital will make a contribution each pay period for each active participant in an amount equal to 6.0% of the employees' compensation for the pay period. Hospital contributions to this Plan were approximately \$175,000 and \$181,000 for the years ended September 30, 2014 and 2013, respectively. Employee contributions to this Plan were approximately \$104,000 and \$202,000 for the years ended September 30, 2014 and 2013, respectively.

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2014 and 2013**

**6. Long-term Debt and Other Noncurrent Liabilities:**

A schedule of changes in the Hospital's noncurrent liabilities was as follows:

	Balance September 30, 2013			Balance September 30, 2014		Amounts Due Within One Year
		Additions	Reductions			
<i>Long-term debt</i>						
KeyBank loan	\$ 1,711,000	\$ -	\$ (429,872)	\$ 1,281,128	\$ -	\$ 441,315
<i>Capital lease obligation</i>	136,041	-	(34,762)	101,279	-	38,634
<b>Total noncurrent liabilities</b>	<b>\$ 1,847,041</b>	<b>\$ -</b>	<b>\$ (464,634)</b>	<b>\$ 1,382,407</b>	<b>\$ -</b>	<b>\$ 479,949</b>

	Balance September 30, 2012			Balance September 30, 2013		Amounts Due Within One Year
		Additions	Reductions			
<i>Long-term debt</i>						
Revenue bonds	\$ 2,555,000	\$ -	\$ (2,555,000)	\$ -	\$ -	\$ -
KeyBank loan	-	1,711,000	-	1,711,000	-	429,872
Bond premium and discounts	(6,729)	-	6,729	-	-	-
Total long-term debt	2,548,271	1,711,000	(2,548,271)	1,711,000	-	429,872
<i>Capital lease obligation</i>	176,468	-	(40,427)	136,041	-	38,012
<b>Total noncurrent liabilities</b>	<b>\$ 2,724,739</b>	<b>\$ 1,711,000</b>	<b>\$ (2,588,698)</b>	<b>\$ 1,847,041</b>	<b>\$ -</b>	<b>\$ 467,884</b>

**Long-term debt** – A revenue bond was issued by the Bank of New York Mellon Trust Company, N.A., dated August 1, 2003, in the amount of \$5,000,000 under a lease with the Idaho Health Facilities Authority (IHFA), used to remodel a new hospital building.

The revenue bond was fully paid off and the debt was refinanced by a loan from KeyBank on September 30, 2013, in the amount of \$1,711,000, which is also being held under a lease with IHFA. Under the refinance agreement the loan will be paid off on July 30, 2017, and the new interest rate under the agreement is 2.63%. Additionally, the new debt service payments for the District will be reduced by approximately \$374,000 with an economic gain of approximately \$257,000.

Under the terms of the revenue bond and the refinancing agreement, the County and the Hospital lease substantially all of the Hospital facilities and equipment to IHFA. IHFA in turn subleases the facilities and equipment back to the County and Hospital. The Hospital was not in compliance with covenants contained within the loan agreement at September 30, 2014. As a result, the Hospital will be required to hire a Health Institution Consultant to make recommendations with respect to the rates, fees, charges, operation, management, and personnel of the Hospital, which recommendations shall be subject to approval by Idaho Hospital Facilities Authority and the bank.

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2014 and 2013**

**6. Long-term Debt and Other Noncurrent Liabilities (continued):**

*Capital lease obligation* – The Hospital entered into a capital lease obligation in March 2012, with CareFusion Solutions, LLC, in the original amount of \$191,811, due in monthly installments of \$3,343, including interest at 1.8% through April 2017; collateralized by pharmacy equipment.

The capital lease obligation is reflected in the District’s assets and liabilities. The asset acquired under the capital lease had a capitalized cost of \$191,811 as of both September 30, 2014 and 2013, and accumulated amortization of \$95,906 and \$57,543 as of September 30, 2014 and 2013, respectively. Amortization expenses are included in depreciation expense on the statements of revenues, expenses, and changes in net position.

Scheduled principal and interest repayments are as follows:

Years Ending September 30,	Long-term Debt			Capital Lease Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 441,315	\$ 28,399	\$ 469,714	\$ 38,634	\$ 1,482	\$ 40,116
2016	453,062	16,652	469,714	39,382	791	40,173
2017	386,751	4,677	391,428	23,263	138	23,401
	<b>\$ 1,281,128</b>	<b>\$ 49,728</b>	<b>\$ 1,330,856</b>	<b>\$ 101,279</b>	<b>\$ 2,411</b>	<b>\$ 103,690</b>

**7. Net Patient Revenue:**

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that 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). On the basis of 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 the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows.

	2014	2013
Patient service revenue (net of contractual adjustments and discounts)		
Medicare	\$ 2,928,075	\$ 2,940,030
Medicaid	1,244,676	1,143,180
Upper Payment Limit	88,058	-
Other	6,264,208	7,259,792
	<b>10,525,017</b>	<b>11,343,002</b>
Less		
Charity care	408,518	149,966
Provision for bad debts	1,027,683	1,397,890
<b>Net patient service revenue</b>	<b>\$ 9,088,816</b>	<b>\$ 9,795,146</b>

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2014 and 2013**

**7. Net Patient Revenue (continued):**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- *Medicare* – The Hospital has been designated a critical access hospital by Medicare. The Hospital is paid on a cost reimbursement method for substantially all services provided to Medicare beneficiaries. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after the submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. Medicare physician services are reimbursed on a fee schedule.
- *Medicaid* – Inpatient and outpatient services provided to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. Medicaid swing-bed services are reimbursed on a prospectively set rate per day. Medicaid physician services are reimbursed on a fee schedule.

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

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue decreased by approximately \$107,000 and \$131,000 in the years ended September 30, 2014 and 2013, respectively, due to differences between original estimates and final settlements.

The Hospital provides charity care to patients who are financially unable to pay for the healthcare services they receive. The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Hospital does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended September 30, 2014 and 2013, were approximately \$232,000 and \$77,000, respectively. The Hospital did not receive any gifts or grants to subsidize charity services during 2014 and 2013.

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2014 and 2013**

**8. Electronic Health Records Incentive Payment:**

The Hospital recognized a Medicare electronic health records (EHR) incentive payment during the year ended September 30, 2014 and 2013. The EHR incentive payments are provided to incent hospitals to become meaningful users of EHR technology, not to reimburse providers for the cost of acquiring EHR assets. EHR incentive payments are therefore reported as operating revenue.

The Hospital recognizes the Medicare incentive payment on the date that the Hospital has successfully complied with meaningful use criteria during the entire EHR reporting period. The Hospital attested to meaningful use with Centers for Medicare and Medicaid Services (CMS) on September 30, 2013. The Medicare EHR reporting period is through September 30 each year.

The Medicare incentive payment recognized is an estimate and subject to audit by CMS. The Medicare EHR incentive payment is based on the days reported in the prior year Medicare cost report and the undepreciated cost of the EHR equipment submitted to CMS. The final payment will be based on days reported in the current Medicare cost report. A Medicare incentive payment of \$45,000 and \$352,000 were recognized as revenue in the years ended September 30, 2014 and 2013, respectively.

The Hospital recognizes the first of its three Medicaid incentive payments in the year that certified EHR technology is adopted, implemented, or upgraded or when such technology is meaningfully used under the Medicare EHR incentive program. The subsequent payments are issued when meaningful use is demonstrated under Medicare. The first Medicaid incentive payment of \$406,009 was recognized in the year ended September 30, 2014. Subsequent payments of \$324,807 and \$81,202 will be recognized in 2015 and 2016, respectively.

**9. Risk Management and Contingencies:**

**Risk management** – The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, accident, and unemployment benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the four preceding years.

**Medical malpractice claims** – The Hospital has professional liability insurance with Lexington Insurance Company. The policy provides protection on a “claims-made” basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the Hospital purchased claims-made insurance in that year or the Hospital purchased “tail” insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy. The malpractice insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$5,000,000. The policy has no deductible.

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended September 30, 2014 and 2013**

**9. Risk Management and Contingencies (continued):**

*Industry regulations* – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or asserted at this time. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the Hospital is found in violation of these laws, the Hospital could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

*Litigation* – The Hospital is occasionally involved in litigation arising in the course of business. Management estimates that these matters will be resolved without a material adverse effect on the Hospital’s future financial position or results of operations.

**10. Concentration of Risks:**

*Receivables* – The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party agreements. The majority of these patients are geographically concentrated in and around Gem County.

The mix of receivables was as follows:

	2014	2013
Medicare	23 %	19 %
Medicaid	14	9
Blue Cross	12	8
Other third-party payors	26	20
Patients	25	44
	<b>100 %</b>	<b>100 %</b>

*Physicians* – The Hospital is dependent on local physicians practicing in its service area to provide admissions and utilize Hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on Hospital operations.

**11. Subsequent Events:**

In October 2014, the Hospital entered into a capital lease obligation with Wells Fargo for a c-arm. Payments of \$3,392 are due monthly with the final payment due October 31, 2019.



DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Walter Knox Memorial Hospital  
A Component Unit of Gem County, Idaho  
Emmett, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Walter Knox Memorial Hospital, a component unit of Gem County, Idaho (the Hospital), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated February 18, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses, 2011-001 and 2014-001 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses, 2010-003 and 2013-001 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

### **Hospital's Response to Findings**

The Hospital's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
February 18, 2015.

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Schedule of Findings and Responses**  
**Year Ended September 30, 2014**

**2011-001 Policies and Procedures**

<i>Condition</i>	Written policies and procedures should be maintained for all major transaction cycles and for financial statement preparation.
<i>Criteria</i>	[ ] Compliance Finding [ ] Significant Deficiency [X] Material Weakness Policies and procedures for the accounts receivable, accounts payable, payroll, and financial statement preparation processes are outdated or nonexistent.
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Cause</i>	Management has not developed policies and procedures due to limited staffing.
<i>Effect</i>	Written policies and procedures allow for the Hospital to document how a process or job function should be completed. They provide structure for new personnel learning how to properly perform their job responsibilities, facilitate cross training, and allow a department to analyze its processes to ensure the current process is the best practice.
<i>Recommendation</i>	We recommend department managers develop and implement formal policies and procedures. Further, these polices should be reviewed and updated annually to ensure they are accurate, current, and complete.
<i>Management's Response</i>	The Hospital purchased the rights to an online library of policies and procedures. It is our goal to have additional policies and procedures documented in the next year.

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Schedule of Findings and Responses (Continued)**  
**Year Ended September 30, 2014**

**2010-003 Segregation of Duties**

<i>Condition</i>	During the year the Hospital continued to make changes to improve segregation of duties, however, the Business Office Manager position still has incompatible duties. The Business Office Manager currently has the ability to adjust patient accounts in addition to depositing and reconciling Hospital funds. All patient adjustments are approved by the Chief Financial Officer prior to the adjustment, but there is no follow-up to ensure they were adjusted correctly.
<i>Criteria</i>	<p>[ ] Compliance Finding    [X] Significant Deficiency    [ ] Material Weakness</p> <p>Internal control procedures over financial reporting and reporting systems help to ensure funds are properly safeguarded. Segregation of duties reduces the risk that a single employee could conduct inappropriate or illegal activities, conceal such activities, and not be discovered. One individual should not have access to cash receipts as well as the ability to adjust and approve patient accounts in the financial reporting software.</p>
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Cause</i>	One employee has been assigned incompatible duties and responsibilities. In addition, there is no policy in place for proper review and approval of adjustments made to accounts receivable.
<i>Effect</i>	There is a potential fraud risk that this person could misappropriate cash receipts by eliminating the accounts from the system or by adjusting the patient accounts to a zero balance without detection.
<i>Recommendation</i>	We recommend management, human resources, as well as the IT department work together in determining proper segregation of duties among employees as well as ensuring the access level of employees in IT is modified accordingly for changes.
<i>Management's Response</i>	Additional controls have been added to the adjustment process. An adjustment report is generated each month and reviewed by the controller or the CFO to check for any unusual adjustments.

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Schedule of Findings and Responses (Continued)**  
**Year Ended September 30, 2014**

**2013-001 Auditor-Detected Adjusting Journal Entry**

<i>Condition</i>	There was a significant journal entry relating to the accounts receivable allowance that was identified, proposed, and prepared by the audit team to achieve a more accurate account balance.
<i>Criteria</i>	[ ] Compliance Finding [X] Significant Deficiency [ ] Material Weakness No significant or material adjusting journal entries should be detected by the auditors during the audit process.
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Cause</i>	The Hospital's bad debt allowance reserve was not updated to reflect the increase in the number of self-pay receivables due to the hospital or the increase in the age of many of these receivables.
<i>Effect</i>	Financial reports may be inaccurate and could affect management and Board decision making.
<i>Recommendation</i>	We recommend management review the Hospital's allowance calculation at least quarterly and take into account changes in the payor composition and aging of accounts when the accounts receivable allowance is prepared in addition to retaining the support for the calculation.
<i>Management's Response</i>	There was a delay in calculating year end contractual and allowances due to the financial staff turnover. The new staff have received additional training in HMS and now make monthly adjustments to payor compositions and aging of accounts.

**Walter Knox Memorial Hospital**  
**A Component Unit of Gem County, Idaho**  
**Schedule of Findings and Responses (Continued)**  
**Year Ended September 30, 2014**

**2014-001 Journal Entries**

<i>Condition</i>	There were 6 manual journal entries during the course of manual journal entry testing for which management was not able to locate supporting documentation. Additionally, there was no evidence of supervisory review of the manual journal entries.
<i>Criteria</i>	[ ] Compliance Finding [ ] Significant Deficiency [X] Material Weakness  Review of a system generated manual journal entries report would ensure that the manual journal entries listing is complete. All manual journal entries should have documented supervisory approval and be supported by adequate supporting documentation.
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Cause</i>	Management turnover created limited personnel who could supervise such activity effectively in addition to establishing appropriate document retention policies and procedures.
<i>Effect</i>	There is a risk of error or fraud in which manual journal entries could be recorded without proper supporting documentation.
<i>Recommendation</i>	We recommend that supporting documentation for all manual journal entries be retained in addition to having documented approval from management.
<i>Management's Response</i>	Institutional knowledge was lost during a change of administrations and financial staff. A new executive team and financial staff have been hired and they have developed procedures to require adequate backup and sufficient approvals for all manual journal entries.

**Walter Knox Memorial Hospital  
A Component Unit of Gem County, Idaho  
Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2014**

**2010-003 – Segregation of Duties – Repeated**

**2011-001 – Policies and Procedures – Repeated**

**2013-001 – Auditor-Detected Adjusting Journal Entry– Repeated**