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Part IIIStatement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III

1Briefly describe the organization’s mission

OPERATE A NON-PROFIT HOSPITAL SYSTEM AND SUPPORT 501 (C)(3) ORGANIZATIONS

2Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

If “Yes,” describe these new services on Schedule O

3Did the organization cease conducting, or make significant changes in how it conducts, any program services?

If “Yes,” describe these changes on Schedule O

4Describe the exempt purpose achievements for each of the organization’s three largest program services by expenses

Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts 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 \$ 265,202,708 including grants of \$ 141,685) (Revenue \$ 322,806,442)

FLOYD HEALTHCARE MANAGEMENT, INC OPERATES FLOYD MEDICAL CENTER, A GENERAL ACUTE CARE HOSPITAL, AND FLOYD BEHAVIORAL HEALTH CENTER, A PSYCHIATRIC HOSPITAL SEE ADDITIONAL DISCLOSURES AT SCHEDULE O, "SUPPLEMENTAL INFORMATION TO FORM 990"

4b

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

4c

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

4dOther program services (Describe in Schedule O)

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

4eTotal program service expenses \$ 265,202,708

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX. 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 	12a Yes	
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional 	12b	No
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospitals? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b Yes	

Part IV

Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance			
Check if Schedule O contains a response to any question in this Part V ☐			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	261
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	2,718
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	No
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter:		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter:		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.
Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

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

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	GA
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 make these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request	
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization	RICHARD T SHEERIN 304 TURNER MCCALL BLVD ROME, GA 30161 (706) 509-6074

Check if Schedule O contains a response to any question in this Part VII ☒

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

Form **990** (2010)

Part VII

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(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			
See Additional Data Table										
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								6,897,078	2,250	532,465

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization **148**

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization

(A)	(B)	(C)
Name and business address	Description of services	Compensation
CERNER CORP PO BOX 412702 KANSAS CITY, MO 64141	IT SERVICES	6,104,417
ARAMARK MANAGEMENT SERVICES PO BOX 233 ROME, GA 30161	ENVIRON SVCS	3,448,640
BRASFIELD AND GORRIE LLC PO BOX 11407 BIRMINGHAM, AL 35246	GENL CONTRACTOR	2,897,062
MORRISON MANAGEMENT SPECIALISTS PO BOX 102289 ATLANTA, GA 30368	DIETARY SVC	2,408,964
METRO PLANNING AND DEVELOPMENT CO 4056 GOLFVIEW DR VILLA RICA, GA 30180	GENL CONTRACTOR	1,833,075

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ▶58

Part VIII

Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514		
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d					
	e	Government grants (contributions)	1e	1,598,470				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	928,009				
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f		2,526,479				
	Program Service Revenue	2a	PATIENT SERVICE REVENUE	623000	322,706,199	322,706,199		
b		REFERENCE LAB	621500	679,864		679,864		
c		SUBWAY/STARBUCKS	722210	525,343		525,343		
d		RETAIL SALES	446199	617		617		
e								
f		All other program service revenue						
g		Total. Add lines 2a-2f		323,912,023				
Other Revenue		3	Investment income (including dividends, interest and other similar amounts)		1,825,836			1,825,836
		4	Income from investment of tax-exempt bond proceeds . . .					
	5	Royalties						
	6a	Gross Rents	(i) Real	(ii) Personal				
			3,287,271					
		b	Less rental expenses					
			888,272					
	c	Rental income or (loss)						
		2,398,999						
	d	Net rental income or (loss)		2,398,999			2,398,999	
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
			42,976,430	195,721				
		b	Less cost or other basis and sales expenses					
			42,373,935	58,566				
	c	Gain or (loss)						
		602,495	137,155					
	d	Net gain or (loss)		739,650			739,650	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a					
		b	Less direct expenses	b				
		c	Net income or (loss) from fundraising events . . .					
9a	Gross income from gaming activities See Part IV, line 19 . . .	a						
	b	Less direct expenses	b					
	c	Net income or (loss) from gaming activities . . .						
10a	Gross sales of inventory, less returns and allowances	a						
	b	Less cost of goods sold	b					
	c	Net income or (loss) from sales of inventory . . .						
Miscellaneous Revenue		Business Code						
	11a	CAFETERIA	624200	1,311,589			1,311,589	
	b	PURCHASE DISCOUNTS	621990	34,216	34,216			
	c	MISCELLANEOUS INCOME	621990	34,004	34,004			
	d	All other revenue		32,023	32,023			
	e	Total. Add lines 11a-11d		1,411,832				
	12	Total revenue. See Instructions		332,814,819	322,806,442	1,205,824	6,276,074	

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) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21				
2	Grants and other assistance to individuals in the U S See Part IV, line 22	141,685	141,685		
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,452,076		1,452,076	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	119,914,039	98,962,150	20,794,969	156,920
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	7,739,662	6,359,402	1,370,130	10,130
9	Other employee benefits	19,425,262	18,661,617	758,153	5,492
10	Payroll taxes	8,432,968	6,425,765	1,996,296	10,907
a	Fees for services (non-employees)				
	Management				
b	Legal	355,406		355,406	
c	Accounting	481,620		481,620	
d	Lobbying	265,691		265,691	
e	Professional fundraising services See Part IV, line 17				
f	Investment management fees				
g	Other	26,389,964	18,680,277	7,708,438	1,249
12	Advertising and promotion	2,036,829	356,778	1,680,051	
13	Office expenses	49,420,993	46,900,401	2,518,312	2,280
14	Information technology	1,679,388		1,679,388	
15	Royalties				
16	Occupancy	16,415,709	14,544,351	1,871,358	
17	Travel	1,373,926	902,248	468,954	2,724
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	519,328	349,168	170,160	
20	Interest	142,523		142,523	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	19,383,205	17,173,520	2,209,685	
23	Insurance	3,206,090	1,034,335	2,171,755	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	BAD DEBTS	29,913,254	29,913,254		
b	R&M	7,160,838	3,316,947	3,843,891	
c	LICENSE & TAXES	2,867,804	103,003	2,764,801	
d	DUES & SUBSCRIPTIONS	1,159,656	1,159,656		
e	EMPLOYEE RECOGNITION	605,641	363,205	242,436	
f	All other expenses	859,168	-145,054	1,004,222	
25	Total functional expenses. Add lines 1 through 24f	321,342,725	265,202,708	55,950,315	189,702
26	Joint costs. Check here ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			2,579,831	1	-187,421
	2	Savings and temporary cash investments			12,369,478	2	10,297,588
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			40,899,343	4	47,957,467
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	
	6	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) Schedule L				6	
	7	Notes and loans receivable, net			309,314	7	370,261
	8	Inventories for sale or use			9,109,654	8	9,641,637
	9	Prepaid expenses and deferred charges			3,228,350	9	3,415,204
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	329,236,709			
	b	Less: accumulated depreciation	10b	160,990,019	151,363,034	10c	168,246,690
	11	Investments—publicly traded securities			55,888,410	11	58,449,482
	12	Investments—other securities. See Part IV, line 11			1,834,372	12	2,302,606
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets			1,316,339	14	1,224,502
	15	Other assets. See Part IV, line 11			4,375,219	15	3,946,042
	16	Total assets. Add lines 1 through 15 (must equal line 34)			283,273,344	16	305,664,058
Liabilities	17	Accounts payable and accrued expenses			25,516,076	17	28,900,554
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities			107,594,440	20	105,916,554
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties			10,527,390	23	16,551,555
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities. Complete Part X of Schedule D			37,138,347	25	34,833,179
	26	Total liabilities. Add lines 17 through 25			180,776,253	26	186,201,842
Net Assets or Fund Balances		Organizations that follow SFAS 117, check here ☒ and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets			102,497,091	27	119,462,216
	28	Temporarily restricted net assets				28	
	29	Permanently restricted net assets				29	
		Organizations that do not follow SFAS 117, check here ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			102,497,091	33	119,462,216
	34	Total liabilities and net assets/fund balances			283,273,344	34	305,664,058

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	332,814,819
2	Total expenses (must equal Part IX, column (A), line 25)	2	321,342,725
3	Revenue less expenses Subtract line 2 from line 1	3	11,472,094
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	102,497,091
5	Other changes in net assets or fund balances (explain in Schedule O)	5	5,493,031
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	119,462,216

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 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	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
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)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization FLOYD HEALTHCARE MANAGEMENT INC	Employer identification number 58-1973570
---	--

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 - Other

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 the supported organization?

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	
13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage						
14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f))					14	
15 Public Support Percentage for 2009 Schedule A, Part II, line 14					15	
16a 33 1/3% support test—2010. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶						
b 33 1/3% support test—2009. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶						
17a 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶						
b 10%-facts-and-circumstances test—2009. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶						
18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶						

Part III

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) 	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) 	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 Total support (Add lines 9, 10c, 11 and 12)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here 						

Section C. Computation of Public Support Percentage		
15 Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2009 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2010. 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—2009. 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. Supplemental Information. Complete this part to 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).

Explanation
SCHEDULE A, PART IV - REASON FOR NON-PRIVATE FOUNDATION STATUS ON JANUARY 1, 1998 FLOYD HEALTHCARE MANAGEMENT, INC ACQUIRED BY LEASE ALL OF THE ASSETS OF THE HOSPITAL AUTHORITY OF FLOYD COUNTY AND THEREBY BECAME THE LICENSED OPERATOR OF FLOYD MEDICAL CENTER, A GENERAL, ACUTE CARE HOSPITAL WITH 300+ BEDS SINCE THAT TIME, FLOYD HEALTHCARE MANAGEMENT, INC HAS CONTINUED TO OPERATE FLOYD MEDICAL CENTER AS A NON-PROFIT HOSPITAL, OFFERING A WIDE ARRAY OF SERVICES TO THE COMMUNITY, INCLUDING AN EMERGENCY ROOM WHICH SEES APPROXIMATELY 72,000 PATIENTS PER YEAR AND A BUSY OUTPATIENT INDIGENT CLINIC

Additional Data

Software ID:

Software Version:

EIN: 58-1973570

Name: FLOYD HEALTHCARE MANAGEMENT INC

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(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			
J ROGER SUMNER CHAIRMAN	1 00	X		X				4,875	2,250	0
JOHN MAYES DIRECTOR	1 00	X						6,635	0	0
TIM MAHANAY DIRECTOR	1 00	X						6,150	0	0
JERRY NORMAN DIRECTOR	1 00	X						5,650	0	0
GARRY FRICKS DIRECTOR	1 00	X						4,687	0	0
WESLEY F JOHNSON DIRECTOR	1 00	X						4,500	0	0
JOHN S FREEMAN DIRECTOR	1 00	X						4,250	0	0
WILLIAM V WIGLEY DIRECTOR	1 00	X						3,875	0	0
GEORGE BOSWORTH MD DIRECTOR	1 00	X						3,375	0	0
CARL HERRING MD DIRECTOR	1 00	X						2,625	0	0
ALBERT Q HALES DIRECTOR	1 00	X						2,400	0	0
MARK MANIS DIRECTOR	1 00	X						0	0	0
KURT STUENKEL PRES/SECRE/C	40 00			X				985,946	0	39,693
RICHARD T SHEERIN CFO	40 00			X				351,143	0	29,422
DEE RUSSELL MD VICE-PRES	40 00				X			530,704	0	33,094
WARREN RIGAS VICE-PRES	40 00				X			352,994	0	26,844
C WADE MONK GEN COUNSEL	40 00				X			346,511	0	38,061
GREG POLLEY VICE-PRES	40 00				X			261,539	0	41,663
SHEILA BENNETT HORNER VICE PRES	40 00				X			254,230	0	3,079
MARY MAIRE VICE-PRES	40 00				X			220,957	0	51,390
DAN SWEITZER VICE-PRES	40 00				X			220,872	0	46,049
REBEKAH LOWREY MD SURG DIRECTO	40 00				X			201,264	0	0
ROBERT PURCELL PHARMACY DIR	40 00				X			186,155	0	23,915
ALISON LAND VP	40 00				X			172,611	0	11,234
BRIAN BARNETTE CIO	40 00				X			158,487	0	16,642

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(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			
JOHN HARDWELL MD PHYSICIAN	50 00					X		694,597	0	2,158
LOUIS A SPENCER MD PHYSICIAN	40 00					X		501,487	0	4,806
GARRETT H BARNESMD MED DIR	52 00					X		466,688	0	4,836
CLINE T JACKSON MD PHYSICIAN	40 00					X		452,682	0	14,158
JOHN E MOSS NEONATOLOGIS	40 00					X		433,438	0	2,158
CHARLOTTE DOUGHERTY FORMER CFO							X	19,582	0	36,531
DON TATE FORMER ADMIN							X	19,309	0	18,188
BG WATERS FORMER CEO							X	16,860	0	88,544

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ **Complete if the organization is described below.**
▶ **Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization FLOYD HEALTHCARE MANAGEMENT INC	Employer identification number 58-1973570
---	--

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?	☐ Yes ☒ No
4a	Was a correction made?	☐ Yes ☒ No
b	If “Yes,” describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$ _____
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion 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?	☐ Yes ☒ No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization’s funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

if the filing organization checked box A and "limited control" provisions apply

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		175,000
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		63,358
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		190,312
j	Total lines 1c through 1i			428,670
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
	SCHEDULE C, PART II-B, LINE 1I	NATIONAL OR STATE ORGANIZATION DUES ARE PAID, A PERCENTAGE OF WHICH ARE DEVOTED TO LOBBYING EXPENDITURES. ADDITIONALLY A DONATION WAS MADE TO "YES 2 SAVE LIVES, INC ", A GRASSROOTS MOVEMENT TO INFLUENCE PUBLIC VOTE ON FUNDING TRAUMA CARE FOR THE STATE OF GEORGIA. THE FILING ORGANIZATION PAID LOBBYING FEES TO THE RUSS REID COMPANY AND REIMBURSED OFFICERS FOR THEIR LOBBYING TRIP TO WASHINGTON DC RELATED TO HEALTHCARE ISSUES.

SCHEDULE D

(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ **Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.**
▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
FLOYD HEALTHCARE MANAGEMENT INC

Employer identification number
58-1973570

Part I

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

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

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

3

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

4

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

5

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

☐ Yes☒ No

6

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

7

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

8

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

☐ Yes☒ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2010

Part III

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

3

Using the organization's 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 XIV

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 XIV and complete the following table

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☒ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a	Beginning of year balance				
b	Contributions				
c	Investment earnings or losses				
d	Grants or scholarships				
e	Other expenditures for facilities and programs				
f	Administrative expenses				
g	End of year balance				

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i) unrelated organizations

3a(i)

☐ Yes

☐ No

(ii) related organizations

3a(ii)

☐ Yes

☐ No

b

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

3b

☐ Yes

☐ No

4

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

Part VI

Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		10,365,210		10,365,210
b Buildings		106,316,135	44,595,057	61,721,078
c Leasehold improvements		10,764,603	5,842,079	4,922,524
d Equipment		185,197,295	110,552,883	74,644,412
e Other		16,593,466		16,593,466
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				168,246,690

Part XIReconciliation of Change in Net Assets from Form 990 to Financial Statements			
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	332,814,819
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	321,342,725
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	11,472,094
4	Net unrealized gains (losses) on investments	4	1,296,791
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-897,500
9	Total adjustments (net) Add lines 4 - 8	9	399,291
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	11,871,385

Part XIIReconciliation of Revenue per Audited Financial Statements With Revenue per Return			
1	Total revenue, gains, and other support per audited financial statements	1	334,008,329
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	1,296,791
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	888,272
e	Add lines 2a through 2d	2e	2,185,063
3	Subtract line 2e from line 1	3	331,823,266
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	991,553
c	Add lines 4a and 4b	4c	991,553
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	332,814,819

Part XIIIReconciliation of Expenses per Audited Financial Statements With Expenses per Return			
1	Total expenses and losses per audited financial statements	1	322,136,944
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIV)	2d	888,272
e	Add lines 2a through 2d	2e	888,272
3	Subtract line 2e from line 1	3	321,248,672
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	94,053
c	Add lines 4a and 4b	4c	94,053
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	321,342,725

Part XIVSupplemental Information

Complete this part to 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, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
LIABILITY UNDER FIN 48 FOOTNOTE	SCHEDULE D, PAGE 3, PART X	THE CORPORATION IS A NOT-FOR-PROFIT CORPORATION THAT HAS BEEN RECOGNIZED AS TAX-EXEMPT PURSUANT TO SECTION 501(C)3 OF THE INTERNAL REVENUE CODE. THE CORPORATION APPLIES ACCOUNTING POLICIES THAT PRESCRIBE WHEN TO RECOGNIZE AND HOW TO MEASURE THE FINANCIAL STATEMENT EFFECTS OF INCOME TAX POSITIONS TAKEN OR EXPECTED TO BE TAKEN ON ITS INCOME TAX RETURNS. THESE RULES REQUIRE MANAGEMENT TO EVALUATE THE LIKELIHOOD THAT, UPON EXAMINATION BY THE RELEVANT TAXING JURISDICTIONS, THOSE INCOME TAX POSITIONS WOULD BE SUSTAINED. BASED ON THAT EVALUATION, THE CORPORATION ONLY RECOGNIZES THE MAXIMUM BENEFIT OF EACH INCOME TAX POSITION THAT IS MORE THAN 50% LIKELY OF BEING SUSTAINED. TO THE EXTENT THAT ALL OR A PORTION OF THE BENEFITS OF AN INCOME TAX POSITION ARE NOT RECOGNIZED, A LIABILITY WOULD BE RECOGNIZED FOR THE UNRECOGNIZED BENEFITS, ALONG WITH ANY INTEREST AND PENALTIES THAT WOULD RESULT FROM DISALLOWANCE OF THE POSITION. SHOULD ANY SUCH PENALTIES AND INTEREST BE INCURRED, THEY WOULD BE RECOGNIZED AS OPERATING EXPENSES. BASED ON THE RESULTS OF MANAGEMENT'S EVALUATION, NO LIABILITY IS RECOGNIZED IN THE ACCOMPANYING BALANCE SHEET FOR UNRECOGNIZED INCOME TAX POSITIONS. FURTHER, NO INTEREST OR PENALTIES HAVE BEEN ACCRUED OR CHARGED TO EXPENSE AS OF JUNE 30, 2011 AND 2010 OR FOR THE YEARS THEN ENDED. THE CORPORATION'S OPEN AUDIT PERIODS ARE FOR TAX YEARS ENDED 2008-2010.
RECONCILIATION OF CHANGES - OTHER	SCHEDULE D, PAGE 4, PART XI, LINE 8	RENTAL EXPENSES 888,272 GAIN ON SALE/LEASEBACK MOB -94,053 CAPITAL CONTRIBUTIONS -897,500 RENTAL EXPENSES -888,272 GAIN ON SALE/LEASEBACK MOB 94,053
REVENUE AMOUNTS INCLUDED IN FINANCIALS - OTHER	SCHEDULE D, PAGE 4, PART XII, LINE 2D	RENTAL EXPENSES 888,272
REVENUE AMOUNTS INCLUDED ON RETURN - OTHER	SCHEDULE D, PAGE 4, PART XII, LINE 4B	GAIN ON SALE/LEASEBACK MOB 94,053 CAPITAL CONTRIBUTIONS 897,500
EXPENSE AMOUNTS INCLUDED IN FINANCIALS - OTHER	SCHEDULE D, PAGE 4, PART XIII, LINE 2D	RENTAL EXPENSES 888,272
EXPENSE AMOUNTS INCLUDED ON RETURN - OTHER	SCHEDULE D, PAGE 4, PART XIII, LINE 4B	GAIN ON SALE/LEASEBACK MOB 94,053

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

OMB No 1545-0047

2010

Open to Public Inspection

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

Name of the organization
FLOYD HEALTHCARE MANAGEMENT INC

Employer identification number
58-1973570

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	Yes	
1b	If "Yes," is it a written policy?	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals		
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☐ 200% ☒ Other <u>1.25000 %</u> b Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☒ Other <u>3.25000 %</u> c If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?		No
5b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?		
5c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		
6a	Does the organization prepare a community benefit report during the tax year?	Yes	
6b	If "Yes," did the organization make it available to the public?	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H		

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			18,342,191		18,342,191	6 270 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			53,314,939	40,052,804	13,262,135	4 540 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			71,657,130	40,052,804	31,604,326	10 810 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)			6,622,270	4,487,804	2,134,466	0 730 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			994,279		994,279	0 340 %
j Total Other Benefits			7,616,549	4,487,804	3,128,745	1 070 %
k Total. Add lines 7d and 7j			79,273,679	44,540,608	34,733,071	11 880 %

Part IICommunity Building Activities

during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		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 (at cost)	2	9,189,142
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	7,558,151
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	65,331,727
6	Enter Medicare allowable costs of care relating to payments on line 5	6	69,484,276
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-4,152,549
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☐ Cost to charge ratio ☒ Other		

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes
9b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI.	9b	Yes

Part IVManagement Companies and Joint Ventures

(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				

Section A. Hospital Facilities

How many hospital facilities did the organization operate during the tax year? 1

Schedule H (Form 990) 2010

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 2

Name and address		Type of Facility (Describe)
1	FLOYD HEYMAN HOSPICE PO BOX 233 ROME,GA 30165	HOME HOSPICE CARE
2	FLOYD HEYMAN HOSPICE PO BOX 233 ROME,GA 30165	HOME HOSPICE CARE
3		
4		
5		
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments 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

Identifier	ReturnReference	Explanation
EXCLUSIONS FROM PERCENT OF TOTAL EXPENSE	PART I LINE 7 COLUMN F	IN DERIVING THE DENOMINATOR TO BE USED FOR COLUMN F THE FOLLOWING ADJUSTMENTS WERE MADE TO THE TOTAL EXPENSES REPORTED ON FORM 990 PART IX LINE 25 FORM 990 PART IX LINE 25 321342725 LESS BAD DEBTS IN PART IX 29913254 PLUS RENTAL EXPENSES 888272 DENOMINATOR FOR COLUMN F 292317743

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE EXPLANATION	PART III LINE 4	EXCERPTS FROM AUDITED FINANCIAL STATEMENTS ALLOWANCE FOR DOUBTFUL ACCOUNTS THE CORPORATION PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED ON EVALUATION OF THE OVERALL COLLECTIBILITY OF THE ACCOUNTS RECEIVABLE AS ACCOUNTS ARE KNOWN TO BE UNCOLLECTIBLE THE ACCOUNT IS CHARGED AGAINST THE ALLOWANCE COST METHODOLOGY FOR BAD DEBTS THE COST OF THE BAD DEBT EXPENSE IS CALCULATED USING THE CCR AS DEFINED ON WORKSHEET 2 OF THE FORM 990 INSTRUCTIONS

Identifier	ReturnReference	Explanation
MEDICARE EXPLANATION	PART III LINE 8	MEDICARE COST AND REVENUES WERE EXTRACTED FROM THE MEDICARE COST REPORT FILED FOR THE SAME FISCAL TIME FRAME

Identifier	ReturnReference	Explanation
COLLECTION PRACTICES EXPLANATION	PART III LINE 9B	FOR PATIENTS RECEIVING ONLY A PORTION OF THEIR BILL AS CHARITY THE REMAINING PORTION OF THE BILL IS TREATED THE SAME AS ALL OTHER PATIENTS IN REGARDS TO COLLECTIONS

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	PART VI	FLOYD HEALTHCARE MANAGEMENT INC FHMI IS CURRENTLY IN THE PROCESS OF COMPLETING A HEALTH CARE NEEDS ASSESSMENT IN CHATTOOGA FLOYD AND POLK COUNTIES THIS INCLUDES A RANDOM PAPER SURVEY OF RESIDENTS OF EACH COUNTY AS WELL AS INTERVIEWS WITH COMMUNITY LEADERS AND HEALTH CARE PROFESSIONALS AND FOCUS GROUPS IN ADDITION FHMI DEVELOPS A STRATEGIC PLAN PERIODICALLY THAT IS UPDATED ANNUALLY THE STRATEGIC PLAN TAKES INTO CONSIDERATION HEALTH NEEDS FOR OUR SERVICE AREA IN ADDITION TO UTILIZATION OF SERVICES COMMUNITY PARTICIPATION AND QUALITY OF SERVICES PROVIDED

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	PART VI	FHMI COMMUNICATES THIS INFORMATION THROUGH SIGNAGE IN THE EMERGENCY CARE CENTER PATIENT REGISTRATION AREAS IN THE BUSINESSPATIENT FINANCIAL SERVICES OFFICES AND IN THE OFFICES OF OUR FINANCIAL COUNSELORS DURING TIMES OF PREADMISSION AS WELL AS ON SITE REGISTRATION THE ACCESSREGISTRATION STAFF DISCUSS POLICIES WITH THE PATIENTPATIENTS FAMILY IF APPROPRIATE AFTER DISCHARGE AND DURING THE COLLECTION PERIOD OUR STAFF ONCE A GAIN DISCUSS OUR FINANCIAL ASSISTANCE POLICIES IN ADDITION THERE IS A DEMONSTRATED WORDOFMOUTH COMMUNICATION OF THESE POLICIES THROUGH OUR PATIENT POPULATION

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	PART VI	LOCATED IN NORTHWEST GA FHMI DBA FLOYD MEDICAL CENTER FMC IS BASED IN ROME GA WHICH IS THE COUNTY SEAT FOR FLOYD COUNTY ABOUT 60 MILES NORTH OF ATLANTA AND 60 MILES SOUTH OF CHATTANOOGA TN THE 164000 2010 ESTIMATE RESIDENTS OF THE THREECOUNTY REGION ARE SERVED BY FMC AND TWO SMALLER HOSPITALS THE POPULATION BASE IS 77 CAUCASIAN 13 AFRICAN AMERICAN 8 HISPANIC AND 2 OTHER ETHNICITIES NORTHWEST GA IS A MEDICAL AND EDUCATIONAL HUB THREE OF THE LARGEST EMPLOYERS IN THE THREECOUNTY AREA ARE HEALTH CARE PROVIDERS THE AREA IS ALSO HOME TO FOUR POSTSECONDARY EDUCATIONAL INSTITUTIONS STILL THE MANUFACTURING SECTOR REMAINS AN ECONOMIC FORCE IN THE AREA AS IN OTHER PARTS OF THE COUNTRY THE UNEMPLOYMENT RATE REMAINED IN DOUBLE DIGITS IN 2010 AND APPROXIMATELY 19 OF RESIDENTS ARE BELOW THE FEDERAL POVERTY LEVEL OVER ONETHIRD OF THE ADULT POPULATION HAS NOT GRADUATED HIGH SCHOOL MALIGNANT CANCER PRIMARILY LUNG CANCER AND CARDIOVASCULAR DISEASE ARE THE PRIMARY CAUSES OF DEATH IN THESE COUNTIES

Identifier	ReturnReference	Explanation
HEALTH OF COMMUNITY IN RELATION TO EXEMPT PURPOSE	PART VI	FHMI IS THE SAFETYNET HEALTH CARE PROVIDER FOR NORTHWEST GEORGIA IN ADDITION TO PROVIDING EMERGENCY CARE SERVICES FMC HAS GONE THE EXTRA STEP OF PROVIDING 24HOUR COVERAGE FOR SURGERY AND OTHER SERVICES TO MAINTAIN STATUS AS A LEVEL II TRAUMA CENTER FHMI IS ALSO THE SITE FOR THE REGIONAL POISON CONTROL CENTER HOUSES THE REGIONS ONLY LEVEL II NEONATAL INTENSIVE CARE UNIT AND OPERATES A FAMILY MEDICINE RESIDENCY PROGRAM THAT OPERATES THE FLOYD COUNTY CLINIC TO PROVIDE BASIC HEALTH CARE SERVICES FOR THE ECONOMICALLY DISADVANTAGED IN THE COMMUNITY IN ADDITION TO THESE SERVICES FHMI ACTIVELY PROMOTES HEALTH AND SAFETY THROUGHOUT THE COMMUNITY THROUGH VARIOUS COMMUNITY BENEFIT ACTIVITIES INCLUDING BUT NOT LIMITED TO BICYCLE SAFETY HELMET GIVEAWAYS AND CLINICS SCHOOLBASED CHILD SAFETY PROGRAMS MOBILE MAMMOGRAPHY AND ACTIVE SPEAKERS BUREAU CHILDBIRTH CLASSES COMMUNITY HEEL SCREENINGS AND HEALTH FAIRS AN ANNUAL CAMP FOR CHILDREN WITH DIABETES HEALTH CARE INTERNSHIPS EXTERNSHIPS AND SHADOWING OPPORTUNITIES AND SUPPORT FOR COMMUNITYWIDE INITIATIVES WITH HEALTH PARTNERS INCLUDING THE NORTHWEST GEORGIA CANCER COALITION CANCER NAVIGATORS AND THE FREE CLINIC OF ROME

Identifier	ReturnReference	Explanation
LIST OF STATES WHERE COMMUNITY BENEFIT REPORT IS FILED	PART VI	GEORGIA

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization
FLOYD HEALTHCARE MANAGEMENT INC

Employer identification number
58-1973570

Part I

General Information on Grants and Assistance

- 1

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

☒ Yes ☐ No
- 2

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

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Part II can be duplicated if additional space is needed. ▶ ☐

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

2

Enter total number of section 501(c)(3) and government organizations ▶

3

Enter total number of other organizations ▶

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Use Schedule I-1 (Form 990) if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance
(1) COBRA INSURANCE PREMIUM	44	87,987			
(2) TUITION	18	53,698			

Part IV

Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
PROCEDURES FOR MONITORING THE USE OF GRANT FUNDS INSIDE THE UNITED STATES	SCHEDULE I, PAGE 1, PART I, LINE 2	IT IS THE POLICY OF THE ORGANIZATION TO ESTABLISH PROCEDURES TO POTENTIALLY SECURE PAYMENT FOR HEALTHCARE SERVICES VIA EXTENSION OF INSURANCE BENEFITS THROUGH COBRA THIS EXTENSION OF INSURANCE COVERAGE WILL BE PROVIDED ON A CASE-BY-CASE BASIS THE HOSPITAL'S ROLE IN COVERAGE PAYMENT WILL BE REVIEWED MONTHLY, THERE IS NO OBLIGATION FOR THE HOSPITAL TO CONTINUE COVERAGE PAYMENT BEYOND THE INITIAL STATED LENGTH THIS COVERAGE PAYMENT IS NOT TYPICALLY INTENDED FOR LONGER THAN A SPECIFIC SERVICE EVENT IN GENERAL, ASSIGNED STAFF WILL EXAMINE PATIENTS FOR POTENTIAL QUALIFICATION FOR THIS PROGRAM UPON QUALIFICATION, PAYMENT OF THE INSURANCE PREMIUM IS MADE TO THE EMPLOYER/INSURANCE COMPANY PATIENT LIABILITY WILL BE EVALUATED AND DISCUSSED WITH THE PATIENT/GUARANTOR PRIOR TO DISCHARGE THIS DISCUSSION WILL FOLLOW THE SAME PROTOCOL AS OTHER PATIENTS WITH RESIDUAL LIABILITIES FINALLY, A 1099 TAX FORM IS ISSUED TO THE PATIENT TUITION POLICY THE ORGANIZATION PROVIDES OPPORTUNITIES FOR TRAINING, DEVELOPMENT, AND ADVANCEMENT WHICH ARE CONSISTENT WITH INDIVIDUAL ABILITY AND PERFORMANCE AS WELL AS BUDGETARY LIMITATIONS AND NEEDS OF THE ORGANIZATION FHMI WILL SHARE IN THE COST OF TUITION AND BOOKS FOR CLASSROOM AND/OR CORRESPONDENCE COURSES FOR ELIGIBLE EMPLOYEES THE EDUCATION MUST BE DIRECTLY RELATED TO THE EMPLOYEE'S DUTIES OR A POSITION TO WHICH THE EMPLOYEE MIGHT REASONABLY BE EXPECTED TO PROGRESS BY REASON OF PROMOTION APPROVAL FROM THE EMPLOYEE'S DEPARTMENT HEAD, HUMAN RESOURCES DIRECTOR, AND APPLICABLE VICE PRESIDENT MUST BE GRANTED PRIOR TO ENROLLMENT, AND A GRADE OF B OR HIGHER MUST BE MAINTAINED ALL EDUCATIONAL ASSISTANCE WILL BE SET UP AS A "FORGIVABLE LOAN" CONTRACT BETWEEN THE EMPLOYEE AND FHMI THE LOAN WILL BE REPAYED BY SERVICE REIMBURSEMENT IS MADE SUBJECT TO RECEIPTS AND PROOF OF AWARDED GRADES

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2010

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, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
FLOYD HEALTHCARE MANAGEMENT INC

Employer identification number
58-1973570

Part I

Questions Regarding Compensation

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

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

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

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(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 in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								
(2)								
(3)								
(4)								
(5)								
(6)								
(7)								
(8)								
(9)								
(10)								
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
FRINGE OR EXPENSE EXPLANATION	SCHEDULE J, PAGE 1, PART I, LINE 1A	TRAVEL FOR COMPANIONS SPOUSAL TRAVEL EXPENSES ARE REIMBURSED WHEN ATTENDANCE IS NECESSARY AND APPROPRIATE. THE POLICY RECOGNIZES THAT GOVERNING BOARD MEMBERS AND SENIOR EXECUTIVES ARE OFTEN PLACED IN SOCIAL SITUATIONS AT SUCH MEETINGS AND WOULD REPRESENT THE HOSPITAL OPTIMALLY WITH THE ASSISTANCE OF THEIR SPOUSES. CONSEQUENTLY, THESE BENEFITS ARE NOT INCLUDED IN THEIR TAXABLE WAGES. SPOUSAL TRAVEL EXPENSES REQUIRE PRIOR APPROVAL AND ARE LIMITED TO EVENTS WHERE BOARD MEMBERS AND SENIOR EXECUTIVES ATTEND. REIMBURSEMENT SHALL BE LIMITED TO TRANSPORTATION EXPENSE NOT TO EXCEED THE AIR TRAVEL RATE IN COACH CLASS AND OUT-OF-POCKET EXPENSES WITH RESPECT TO LODGING AND FOOD. REIMBURSEMENT SHALL BE LIMITED TO LODGING BASED ON DOUBLE ACCOMMODATIONS. FLOYD HEALTHCARE MANAGEMENT, INC. ("FHMI") PROVIDES THE CEO WITH A MONTHLY AUTO ALLOWANCE. EACH YEAR THE AMOUNT THAT IS NONBUSINESS RELATED IS INCLUDED IN TAXABLE INCOME. FHMI PROVIDES A MEMBERSHIP TO THE LOCAL COUNTRY CLUB FOR THE CEO AND CMO. ANY AMOUNT CONSIDERED NONBUSINESS IS INCLUDED IN THE RECIPIENT'S TAXABLE INCOME.
SEVERANCE, NONQUALIFIED, AND EQUITY-BASED PAYMENTS	SCHEDULE J, PAGE 1, PART I, LINE 4	KURT STUENKEL 0 303,207 0
COMPENSATION CONTINGENT UPON NET EARNINGS OF ORGANIZATION	SCHEDULE J, PAGE 1, PART I, LINE 6A	ALL MEMBERS OF THE EXECUTIVE TEAM FOR FHMI PARTICIPATE IN AN INCENTIVE COMPENSATION PLAN UNDER WHICH ANNUAL YEAR-END BONUSES ARE PAID BASED ON INDIVIDUAL AND CORPORATE-WIDE ACHIEVEMENT OF SPECIFIC GOALS AND OBJECTIVES. ONE OF THE GOALS RELATES TO THE ORGANIZATION'S NET INCOME. THESE BONUSES ARE A CASH-BASED SYSTEM.
OTHER ADDITIONAL INFORMATION	SCHEDULE J, PART III	THE CEO PARTICIPATES IN A SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (SERP) WHICH IS FUNDED ANNUALLY IN AN AMOUNT WHICH, WHEN ADDED TO OTHER SOURCES OF RETIREMENT INCOME, WILL AFFORD A RETIREMENT INCOME AT A TARGETED PERCENTAGE OF PRE-RETIREMENT COMPENSATION. THE SERP IS A NON-QUALIFIED RETIREMENT PLAN, AND AS SUCH THE ANNUAL FUNDING PAYMENTS PAID INTO IT ARE TAXABLE TO THE PARTICIPANT IN THE YEAR IN WHICH MADE. EFFECTIVE WITH CALENDAR YEAR 2009, MR. STUENKEL'S SERP IS A CASH-BASED PROGRAM. ADDITIONALLY, OF THE 1,025,639 LISTED AS COMPENSATION FOR MR. STUENKEL, 147,260 REPRESENTS A PERFORMANCE-BASED PAYMENT ARISING FROM THE 2010 PERFORMANCE PERIOD AND 303,207 REPRESENTS THE NONQUALIFIED SERP PLAN. ACCORDINGLY, MR. STUENKEL'S SALARY FOR 2010 WOULD HAVE BEEN 575,172 EXCLUDING THE 2010 PORTION OF THE INCENTIVE-BASED PAYMENT AND THE SERP PLAN AMOUNT. TOTAL DIRECT CASH COMPENSATION (SALARY AND BONUS) IS 675,070 WHICH DOES NOT INCLUDE A PAYMENT FOR RETIREMENT OF 303,207, NOR OTHER FRINGE BENEFITS WHICH TOTAL 47,362.

Software ID:
Software Version:
EIN: 58-1973570
Name: FLOYD HEALTHCARE MANAGEMENT INC

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
KURT STUENKEL	(i) (ii)	527,810	147,260	310,876	32,503	7,190	1,025,639	
RICHARD T SHEERIN	(i) (ii)	270,318	79,461	1,364	23,416	6,006	380,565	
DEE RUSSELL MD	(i) (ii)	352,070	173,358	5,276	24,872	8,222	563,798	
WARREN RIGAS	(i) (ii)	265,106	86,576	1,312	22,788	4,056	379,838	
C WADE MONK	(i) (ii)	263,986	80,034	2,491	33,862	4,199	384,572	
GREG POLLEY	(i) (ii)	196,470	63,180	1,889	30,216	11,447	303,202	
SHEILA BENNETT HORNER	(i) (ii)	194,267	59,020	943		3,079	257,309	
MARY MAIRE	(i) (ii)	168,617	50,051	2,289	44,500	6,890	272,347	
DAN SWEITZER	(i) (ii)	167,837	50,714	2,321	42,221	3,828	266,921	
REBEKAH LOWREY MD	(i) (ii)	179,631	20,049	1,584			201,264	
ROBERT PURCELL	(i) (ii)	162,134	23,531	490	15,445	8,470	210,070	
ALISON LAND	(i) (ii)	150,119	22,079	413	8,608	2,626	183,845	
BRIAN BARNETTE	(i) (ii)	140,273	17,778	436	8,835	7,807	175,129	
JOHN HARDWELL MD	(i) (ii)	693,932		665		2,158	696,755	
LOUIS A SPENCER MD	(i) (ii)	500,848		639		4,806	506,293	
GARRETT H BARNESMD	(i) (ii)	465,956		732		4,836	471,524	
CLINE T JACKSON MD	(i) (ii)	452,073		609	10,960	3,198	466,840	
JOHN E MOSS	(i) (ii)	431,013		2,425		2,158	435,596	
CHARLOTTE DOUGHERTY	(i) (ii)			19,582	36,531		56,113	
DON TATE	(i) (ii)			19,309	18,188		37,497	
BG WATERS	(i) (ii)			16,860	88,544		105,404	

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
FLOYD HEALTHCARE MANAGEMENT INC

Employer identification number
58-1973570

Part I

Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	HOSPITAL AUTHORITY OF FLOYD COUNTY REVENUE CERTIFICATES 2003	58-6601173	343575ER3	12-17-2003	40,000,000	HOSPITAL IMPROVEMENTS		X		X		X
B	HOSPITAL AUTHORITY OF FLOYD COUNTY 2009 REVENUE ANTICIPATION BONDS	58-6601173	343575FQ4	06-30-2009	40,000,000	IMPROVEMENTS/DEFEASE 2005-2006 BONDS		X		X		X

Part II

Proceeds

1	Amount of bonds retired	A		B		C		D	
		9,900,000							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	40,710,583		40,240,151					
4	Gross proceeds in reserve funds	1,572,553		1,332,751					
5	Capitalized interest from proceeds	18,595,720		18,595,720					
6	Proceeds in refunding escrow	25,989,711							
7	Issuance costs from proceeds	576,451		588,380					
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds	1,552,974		1,552,974					
10	Capital expenditures from proceeds	12,571,868		18,170,340					
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2004		2010		YesNoYesNo			
		Yes	No	Yes	No				
14	Were the bonds issued as part of a current refunding issue?		X		X				
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X				
b	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?	X		X					
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X					

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X				
2	Is the bond issue a variable rate issue?		X		X				
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X				
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X		X				
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X				
6	Did the bond issue qualify for an exception to rebate?		X		X				

Part V

Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (see instructions)

Identifier	Return Reference	Explanation
DIFFERENCES IN ISSUE PRICE EXPLANATION	SCHEDULE K	HOSPITAL AUTHORITY OF FLOYD COUNTY THE DIFFERENCE IN THE ISSUE PRICE REPORTED IN SCHEDULE K PART I AND TOTAL PROCEEDS OF ISSUE REPORTED IN SCHEDULE K PART II IS A PREMIUM ASSOCIATED WITH THE 2003 ISSUE HOSPITAL AUTHORITY OF FLOYD COUNTY THE DIFFERENCE IN THE ISSUE PRICE REPORTED IN SCHEDULE K PART I AND TOTAL PROCEEDS OF ISSUE REPORTED IN SCHEDULE K PART II IS A PREMIUM ASSOCIATED WITH THE 2009 ISSUE

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,
or Form 990-EZ, Part V lines 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
FLOYD HEALTHCARE MANAGEMENT INC

Employer identification number
58-1973570

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

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

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected?	
			Yes	No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 ▶ \$ _____

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

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

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b)Relationship between interested person and the organization	(c)Amount of grant or type of assistance
(1) SHEILA B HORNER	EMPLOYEE/TUITION PMT	2,687

Part IV

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) JOSHUA POLLEY	FAMILY-KEY EMPL	43,691	EMPLOYEE		No
(2) ROXANNE NORMAN	FAMILY-BD MEMBR	57,076	EMPLOYEE		No
(3) MISTY RIGAS	FAMILY-BD MEMBR	15,879	EMPLOYEE		No
(4) JOY HOWARD	FAMILY-BD MEMBR	32,053	EMPLOYEE		No

Part V

Supplemental Information
Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	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.**

OMB No 1545-0047

2010

**Open to Public
Inspection**

Name of the organization FLOYD HEALTHCARE MANAGEMENT INC	Employer identification number 58-1973570
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Identifier	Return Reference	Explanation
ORGANIZATION'S PROCESS USED TO REVIEW FORM 990	FORM 990, PAGE 6, PART VI, LINE 11B	THE ORGANIZATION'S CEO, CFO, CONTROLLER, LEGAL COUNSEL AND EMPLOYEES OF FHMI REVIEW THE FORM 990 FOR FINANCIAL AND DISCLOSURE ACCURACY PRIOR TO ITS FILING, A COPY OF THE ORGANIZATIONS 990 RETURN IS POSTED ON THE BOARD OF DIRECTORS SECURE WEBSITE FOR THEIR REVIEW MANAGEMENT WILL SEND AN EMAIL NOTIFYING MEMBERS OF ITS POSTING

Identifier	Return Reference	Explanation
ENFORCEMENT OF CONFLICTS POLICY	FORM 990, PAGE 6, PART VI, LINE 12C	FLOYD HEALTHCARE MANAGEMENT, INC ("FHMI") HAS A WRITTEN POLICY RESPECTING CONFLICTS OF INTEREST AND DISCLOSURE OF SAME. GENERALLY SPEAKING, THE POLICY REQUIRES ANY "COVERED PERSON" WHO BELIEVES HE/SHE HAS A CONFLICT OF INTEREST TO -DISCLOSE THE EXISTENCE AND NATURE OF THE CONFLICT OF INTEREST (INCLUDING ALL FACTS KNOWN RESPECTING THE SUBJECT MATTER) TO THE CHAIRMAN OF THE BOARD, -PLAY NO PART, DIRECTLY OR INDIRECTLY, IN THE DELIBERATION OR VOTE OF THE BOARD OF DIRECTORS WITH RESPECT TO THE DETERMINATION OF WHETHER A CONFLICT OF INTEREST EXISTS, AND -ABSENT HIMSELF/HERSELF FROM THAT PORTION OF THE MEETING AT WHICH THE CONFLICT OF INTEREST IS DISCUSSED. THE DEFINITION OF A "COVERED PERSON" INCLUDES ALL BOARD MEMBERS, OFFICERS AND MEMBERS OF SENIOR MANAGEMENT OF FHMI. WHEN A COVERED PERSON DISCLOSES A POTENTIAL CONFLICT OF INTEREST TO THE BOARD CHAIRMAN, THE CHAIRMAN IS OBLIGED TO BRING THE MATTER TO THE ATTENTION OF THE FULL BOARD. THE BOARD DETERMINES WHETHER A CONFLICT OF INTEREST ACTUALLY EXISTS. IF THE BOARD DETERMINES THAT THERE IS A CONFLICT OF INTEREST, THE TRANSACTION OR MATTER GIVING RISE TO THE CONFLICT OF INTEREST MAY NOT PROCEED UNLESS THE BOARD DETERMINES, BY A MAJORITY VOTE, THAT, DESPITE THE CONFLICT OF INTEREST, THE TRANSACTION/MATTER IS NEVERTHELESS IN THE CORPORATION'S BEST INTEREST AND IS FAIR AND REASONABLE TO THE CORPORATION. IN ADDITION TO THE REQUIREMENT THAT A COVERED PERSON DISCLOSE A POTENTIAL CONFLICT OF INTEREST AT THE TIME IT ARISES, EACH COVERED PERSON IS ALSO REQUIRED TO SUBMIT, ON AN ANNUAL BASIS, A "CONFLICT AND DISCLOSURE OF INTEREST QUESTIONNAIRE". THIS MULTI-QUESTION DOCUMENT SERVES AS A REMINDER AND PROMPTS EACH COVERED PERSON TO PONDER THOSE AREAS AND SITUATIONS WHERE A POTENTIAL CONFLICT MIGHT EXIST. ADDITIONALLY, ANY PROPOSED TRANSACTION AT FHMI WHICH INVOLVES AN "INSIDER" (I.E., A BOARD MEMBER, OFFICER, MANAGER, ETC.) IS SCRUTINIZED, WITH THE ASSISTANCE OF CORPORATE LEGAL COUNSEL, FROM THE STANDPOINT OF WHETHER THE TRANSACTION WILL RESULT IN ANY EXCESS BENEFIT TO THE INSIDER. TYPICALLY THIS INVOLVES OBTAINING APPROPRIATE DATA REGARDING COMPARABILITY WHICH IS PROVIDED TO THE BOARD FOR ITS USE IN DETERMINING THAT THE CONSIDERATION BEING PAID TO THE INSIDER AS A PART OF THE TRANSACTION IS REASONABLE AND DOES NOT EXCEED THE VALUE OF THE BENEFIT RECEIVED BY FHMI.

Identifier	Return Reference	Explanation
COMPENSATION PROCESS FOR TOP OFFICIAL	FORM 990, PAGE 6, PART VI, LINE 15A	IT IS THE RESPONSIBILITY OF THE COMPENSATION COMMITTEE OF FLOYD HEALTHCARE MANAGEMENT, INC BOARD TO ACTIVELY MANAGE AND MONITOR EXECUTIVE COMPENSATION TO DO SO, THE COMMITTEE HAS ESTABLISHED THE FOLLOWING OBJECTIVES FOR THE EXECUTIVE COMPENSATION PROGRAM -PROVIDE A COMPETITIVE TOTAL COMPENSATION EARNING OPPORTUNITY TO RECRUIT, RETAIN, AND REWARD THE EXECUTIVES NEEDED TO MEET THE COMMUNITY'S HEALTHCARE NEEDS, NOW AND IN THE FUTURE, -PROVIDE PAY OPPORTUNITIES THAT WILL REWARD THE EXECUTIVE TEAM WHEN ORGANIZATIONAL PERFORMANCE IN KEY AREAS IS DEMONSTRATED, -INCENTIVE COMPENSATION UNDER THE EXECUTIVE INCENTIVE COMPENSATION PLAN IS PAYABLE ONLY IN THE EVENT THE ORGANIZATION'S OPERATING MARGIN FROM OPERATING REVENUE EXCEEDS CERTAIN PARAMETERS ESTABLISHED BY THE COMPENSATION COMMITTEE, -ENSURE THAT THE COMPENSATION PROGRAMS ARE EASY FOR ALL INTERESTED PARTIES TO UNDERSTAND ANNUALLY, THE COMMITTEE REVIEWS THE APPROPRIATENESS OF THE TOTAL COMPENSATION PROVIDED TO EACH EXECUTIVE -AS RELATED TO THE COMPETITIVE MARKET PAY RATES, -AS RELATED TO THE INDIVIDUAL'S ROLE AND RESPONSIBILITY IN THE ORGANIZATION, -AS IT PERTAINS TO VARIABLE OR INCENTIVE EARNING OPPORTUNITIES RELATING TO THE PERFORMANCE OF THE ORGANIZATION TO DETERMINE THE MARKET RATES FOR EACH POSITION, THE COMMITTEE UTILIZES AN OUTSIDE CONSULTANT TO SURVEY COMPARABLE ORGANIZATIONS TO DEVELOP AN APPROPRIATE RANGE OF PAY FOR EACH EXECUTIVE POSITION THIS RANGE GENERALLY REFLECTS THE PAY PRACTICES AND LEVELS OF COMPARABLE ORGANIZATIONS IN GEORGIA, THE SOUTHEAST, AND ACROSS THE COUNTRY SPECIFICALLY, THE COMMITTEE REVIEWS DATA FOR MARKET RATES OF BASE SALARY AND TOTAL COMPENSATION (THE COMBINATION OF BASE SALARY AND BONUSES) AFTER REVIEWING THIS DATA, THE COMMITTEE ASSESSES THE APPROPRIATENESS OF THE BASE PAY LEVELS FOR EACH EXECUTIVE WITHIN A RANGE THAT GENERALLY REFLECTS INDUSTRY NORMS IN ADDITION TO MONITORING BASE SALARIES, THE COMMITTEE IS RESPONSIBLE FOR ADMINISTERING THE EXECUTIVE INCENTIVE COMPENSATION PROGRAM THE PROGRAM IS DESIGNED TO -FURTHER ALIGN EXECUTIVE PAY WITH THE STRATEGIC AND OPERATIONAL ACHIEVEMENTS OF THE ORGANIZATION, -WHEN THE ORGANIZATION ACHIEVES RESULTS IN KEY AREAS OF PERFORMANCE, TO APPROPRIATELY REWARD EXECUTIVES ACCORDING TO THAT PROGRAM, THE COMMITTEE HAS ALSO ESTABLISHED SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAMS (SERPS) THESE SERPS WERE DESIGNED WITH THE ADVICE AND HELP OF CONSULTANTS AND ARE DESIGNED TO RETAIN AND REWARD EXECUTIVES WITH RETIREMENT OPPORTUNITIES THAT ARE CONSISTENT WITH MARKET PRACTICES IN GEORGIA, THE SOUTHEAST, AND ACROSS THE COUNTRY IN 2001, THESE PLANS VESTED TWO EXECUTIVES IT IS THE PHILOSOPHY OF THE FHMI BOARD THAT THE COMBINATION OF THE INCENTIVE EARNING OPPORTUNITY, THE BASE SALARY, AND THE SERPS WILL PROVIDE A COMPETITIVE COMPENSATION LEVEL TO EACH EXECUTIVE THAT REFLECTS THE MARKET FOR EACH POSITION AND ORGANIZATION PERFORMANCE THE COMMITTEE HAS DEVELOPED THE PROGRAM TO RECRUIT, RETAIN, AND REWARD EXECUTIVES IN ORDER TO MEET THE PRESENT AND FUTURE NEEDS OF THE ORGANIZATION TO PROVIDE A HIGH QUALITY OF PATIENT CARE TO THE COMMUNITY IN A COST EFFECTIVE MANNER

Identifier	Return Reference	Explanation
COMPENSATION PROCESS FOR OFFICERS	FORM 990, PAGE 6, PART VI, LINE 15B	SEE NARRATIVE UNDER PART VI, LINE 15A

Identifier	Return Reference	Explanation
GOVERNING DOCUMENTS DISCLOSURE EXPLANATION	FORM 990, PAGE 6, PART VI, LINE 19	UPON REQUEST, THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE AT THE ADMINISTRATIVE OFFICES OF THE CORPORATION

Identifier	Return Reference	Explanation
RELATED ORGANIZATIONS	FORM 990, PAGE 7, PART VII	AVERAGE HOURS DEVOTED TO RELATED ORGANIZATIONS AL HALES 2 HOURS BILL WIGLEY 1 HOUR CARL HERRING 1 HOUR GARRY FRICKS 1 HOUR GEORGE BOSWORTH 1 HOUR JERRY NORMAN 2 HOURS JOHN MAYES 2 HOURS MARK MANIS 2 HOURS ROGER SUMNER 2 HOURS SAM FREEMAN 2 HOURS TIM MAHANAY 2 HOURS WESLEY JOHNSON 1 HOUR KURT STUENKEL 4 HOURS RICHARD T SHEERIN 4 HOURS FORM 990, PART VII SECTION A - COMPENSATION FROM RELATED ORGANIZATIONS MEMBERS OF THE BOARD OF DIRECTORS FOR FLOYD HEALTHCARE RESOURCES, INC , AND FOR THE HOSPITAL AUTHORITY OF FLOYD COUNTY , RELATED PARTIES OF FLOYD HEALTHCARE MANAGEMENT, INC , RECEIVE A STIPEND FOR EACH BOARD MEETING ATTENDED FOR THE 2010 TAXABLE YEAR, DIRECTORS SUMNER AND MANIS ALSO SERVED ON THE BOARD OF FLOYD HEALTHCARE RESOURCES, INC WHILE DIRECTORS NORMAN, MAYES, HALES AND MAHANAY SERVED ON THE BOARD OF THE HOSPITAL AUTHORITY OF FLOYD COUNTY FORM 990, PART VII SECTION A - COMPENSATION DR CARL HERRING BOARD MEMBER CARL HERRING, MD IS A PRACTICING NEUROSURGEON WHO HAS CLINICAL PRIVILEGES AT FLOYD MEDICAL CENTER (FMC) AS SUCH, HE IS A PARTY TO A CONTRACT UNDER WHICH FMC PAYS THE NEUROSURGEONS ON ITS MEDICAL STAFF A PER DIEM FOR COVERING TRAUMA CALL IN THE EMERGENCY ROOM UNDER THIS CONTRACT, THE NEUROSURGEON COVERING CALL FOR THE DAY DURING CALENDAR YEAR 2010 WAS PAID A PER DIEM OF 2,000 FMC HAS DETERMINED WITH THE ASSISTANCE OF OUTSIDE EXPERT VALUATION CONSULTANTS THAT THIS AMOUNT IS CONSISTENT WITH FAIR MARKET VALUE ADDITIONALLY, DR HERRING IS AN EMPLOYEE AND SHAREHOLDER IN THE HARBIN CLINIC, LLC, A 140+ DOCTOR MULTI-SPECIALTY GROUP MEDICAL PRACTICE FMC HAS NUMEROUS CONTRACTS WITH HARBIN CLINIC UNDER WHICH HARBIN SUPPLIES ITS PHY SICIANS TO SERVE AS MEDICAL DIRECTORS OF VARIOUS DEPARTMENTS AND SERVICE LINES AT FMC, INCLUDING RESPIRATORY THERAPY, BARIATRICS, NEUROLOGY, VASCULAR LAB, HOSPICE, BREAST CENTER, INPATIENT REHAB, INFECTIOUS DISEASE, ETC UNDER THESE CONTRACTS HARBIN CLINIC IS PAID FAIR MARKET COMPENSATION BASED ON AN HOURLY RATE FOR THE ACTUAL TIME EXPENDED BY ITS PHY SICIANS IN THE PERFORMANCE OF THE DUTIES CALLED FOR IN THESE CONTRACTS OTHER COMMENTS & DISCLOSURES FLOYD MEDICAL CENTER IS A 300+ BED GENERAL, ACUTE-CARE HEALTH INSTITUTION, OFFERING A WIDE RANGE OF SPECIALIZED SERVICES AND PROGRAMS SUCH SERVICES AND PROGRAMS INCLUDE ACUTE, MEDICAL/SURGICAL CARE, AMBULANCE SERVICE, BLOOD BANK, CANCER CARE UNIT, CARDIOVASCULAR LABORATORY, CORONARY CARE UNIT, CHAPLAIN SERVICE, CHEMICAL DEPENDENCY UNIT, CRISIS INTERVENTION, CT SCANNER, DIABETES CARE UNIT, LITHOTRIPSY, MEDICAL/SURGICAL INTENSIVE CARE, MAGNETIC RESONANCE IMAGING, NEUROLOGY, LEVEL II, NEWBORN NURSERY/NEONATAL INTENSIVE CARE UNIT, OB/GYN, ORTHOPEDIC SURGERY, OUTPATIENT SURGERY CENTER, PATIENT REPRESENTATIVES, PEDIATRIC CARE, PHARMACY, DIAGNOSTIC RADIOLOGY, A 24-HOUR EMERGENCY SERVICE, ENDOSCOPIC LABORATORY, FAMILY PRACTICE RESIDENCY PROGRAM, PRIMARY CARE PHYSICIAN NETWORK, HEALTH EDUCATION AND PROMOTION, HOSPITAL AUXILIARY, INDUSTRIAL MEDICINE PROGRAM, INPATIENT REHABILITATION UNIT, LAPAROSCOPIC CHOLECYSTECTOMY SURGERY, LASER SURGERY, PHYSICAL THERAPY, OCCUPATIONAL THERAPY, SPEECH THERAPY, POISON CONTROL CENTER, POST-OPERATIVE RECOVERY ROOM, PROGRESSIVE INTENSIVE CARE UNIT, RESPIRATORY CARE SERVICES, SOCIAL WORK SERVICES, ULTRASOUND, CONGESTIVE HEART FAILURE CLINIC, WOUND OSTOMY CLINIC, BREAST CENTER, MOBILE MAMMOGRAPHY DURING FISCAL YEAR 2011, PATIENT DAYS AT FLOYD MEDICAL CENTER TOTALED 74,539 AND DISCHARGES TOTALED 13,751 FLOYD MEDICAL CENTER PROVIDED APPROXIMATELY 63,721,000 IN DIRECT CHARITY AND INDIGENT CARE ADDITIONALLY, FLOYD MEDICAL CENTER INCURRED UNREIMBURSED MEDICARE AND MEDICAID ADJUSTMENTS OF 239,911,000 AND 133,394,000 RESPECTIVELY A COPY OF THE REPORT TO THE COMMUNITY FOR FLOYD MEDICAL CENTER CAN BE FOUND AT WWW.FLOYD.ORG/ABOUT/INDEX.HTM

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS EXPLANATION	FORM 990, PART XI, LINE 5	FHMI FORM 990 PART XI, LINE 5 OTHER CHANGES IN NET ASSETS INCREASES CHANGES IN ACTUARIAL CALCULATIONS 6,138,505 UNREALIZED GAINS ON INVESTMENTS 1,296,791 TOTAL INCREASES 7,435,296 DECREASES EQUITY TRANSFER TO THE HOSPITAL AUTHORITY OF FLOYD COUNTY 1,942,265 NET CHANGE 5,493,031

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
FLOYD HEALTHCARE MANAGEMENT INC

Employer identification number
58-1973570

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)					
(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) FLOYD EMERGENCY PHYSICIANS LLC 304 TURNER MCCALL BLVD ROME, GA 30161 05-0608795	ER SVC	GA	5,921,041	2,005,513	FHMI
(2) FLOYD PHYSICIANS LLC 304 TURNER MCCALL BLVD ROME, GA 30161 20-5415285	SPEC PHYS	GA	2,208,533	961,628	FHMI

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) HOSPITAL AUTHORITY OF FLOYD COUNTY 304 TURNER MCCALL BLVD ROME, GA 301610233 58-6001173	HEALTHCARE	GA	501C3	3	NA		No
(2) FLOYD HEALTHCARE RESOURCES INC 304 TURNER MCCALL BLVD ROME, GA 301610233 58-2010524	HEALTHCARE	GA	501C3	9	NA		No

Part III

Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

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

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) NORTHWEST GA COMMUNITY CARE NETWORK 402 EAST 2ND AVENUE ROME, GA30161 58-2076826	MNGD CARE	GA	N/A				
(2) FLOYD HEALTH VENTURES INC 304 TURNER MCCALL BLVD ROME, GA30162 58-1925982	MED SVCS	GA	N/A				

Part V

Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

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

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

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

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

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

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

e Loans or loan guarantees by other organization(s)

f Sale of assets to other organization(s)

g Purchase of assets from other organization(s)

h Exchange of assets

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

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

k Performance of services or membership or fundraising solicitations for other organization(s)

l Performance of services or membership or fundraising solicitations by other organization(s)

m Sharing of facilities, equipment, mailing lists, or other assets

n Sharing of paid employees

o Reimbursement paid to other organization for expenses

p Reimbursement paid by other organization for expenses

q Other transfer of cash or property to other organization(s)

r Other transfer of cash or property from other organization(s)

1a

No

1b

No

1c

No

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

No

1m

Yes

1n

Yes

1o

No

1p

Yes

1q

No

1r

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) FLOYD EMERGENCY PHYSICIANS	N	3,608,516	GENERAL LEDGER
(2) FLOYD EMERGENCY PHYSICIANS	P	5,000,000	GENERAL LEDGER
(3) FLOYD PHYSICIANS LLC	N	945,386	GENERAL LEDGER
(4) FLOYD PHYSICIALS LLC	P	1,100,000	GENERAL LEDGER
(5)			
(6)			

Schedule R (Form 990) 2010

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

[illegible]

Part VII

Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation
ADDITIONAL INFORMATION	SCHEDULE R	SCHEDULE R PART IV INFORMATION REGARDING TAXABLE SUBSIDIARIES IN DECEMBER OF 1990 THE HOSPITAL AUTHORITY OF FLOYD COUNTY GEORGIA SPONSORED THE CREATION OF FLOYD HEALTH VENTURES I INC VENTURES A GEORGIA NONPROFIT TAXABLE CORPORATION VENTURES I HAS A FOURPERSON BOARD OF DIRECTORS THE MEMBERS OF WHICH ARE APPOINTED BY THE AUTHORITY BECAUSE VENTURES I IS A NONPROFIT NONSTOCK CORPORATION THE AUTHORITY DOES NOT HAVE AN OWNERSHIP INTEREST VENTURES HAS BEEN INACTIVE FOR A NUMBER OF YEARS NORTHWEST GEORGIA COMMUNITY CARE NETWORK INC DBA GEORGIA HEALTH PLUS INC CEASED OPERATION IN SEPTEMBER 2002 THE FINAL DISTRIBUTION HAS NOT BEEN MADE AT THIS TIME THERE WERE NO TRANSFERS BETWEEN FHMI AND TAXABLE SUBSIDIARIES SCHEDULE R PART I DISREGARDED ENTITIES IN SEPTEMBER 2004 FLOYD HEALTHCARE MANAGEMENT INC FHMI SPONSORED THE CREATION OF FLOYD EMERGENCY PHYSICIANS LLP FEP A GEORGIA LIMITED LIABILITY COMPANY FHMI IS THE SOLE MEMBEROWNER OF FEP AND HAS THE SOLE AUTHORITY TO APPOINT FEPS FIVE PERSON BOARD OF DIRECTORS FEP WAS FORMED FOR THE PURPOSE OF HIRING OR OTHERWISE ENGAGING EMERGENCY PHYSICIANS TO PROVIDE PROFESSIONAL MEDICAL SERVICES TO PATIENTS PRESENTING TO FLOYD MEDICAL CENTERS EMERGENCY CARE CENTER IN AUGUST 2006 FLOYD HEALTHCARE MANAGEMENT INC FMHI SPONSORED THE CREATION OF FLOYD PHYSICIANS LLC FP A GEORGIA LIMITED LIABILITY COMPANY FMHI IS THE SOLE MEMBEROWNER OF FP AND HAS THE SOLE AUTHORITY TO APPOINT FPS FIVE PERSON BOARD OF DIRECTORS FP WAS FORMED FOR THE PURPOSE OF HIRING OR OTHERWISE ENGAGING PHYSICIANS TO PROVIDE PROFESSIONAL MEDICAL SERVICES TO PATIENTS

FLOYD HEALTHCARE MANAGEMENT, INC.
ROME, GEORGIA

COMBINED FINANCIAL STATEMENTS

for the years ended June 30, 2011 and 2010

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Floyd Healthcare Management, Inc
Rome, Georgia

We have audited the accompanying combined balance sheets of Floyd Healthcare Management, Inc. as of June 30, 2011 and 2010, and the related combined statements of operations and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Floyd Healthcare Management, Inc. as of June 30, 2011 and 2010, and the results of their operations and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Draffin & Tucker, LLP

Albany, Georgia
October 24, 2011

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MEMBERS
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CERTIFIED PUBLIC ACCOUNTANTS

THE GEORGIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

FLOYD HEALTHCARE MANAGEMENT, INC.

COMBINED BALANCE SHEETS, June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,110,165	\$ 14,949,311
Assets limited as to use	10,041,722	9,840,406
Patient accounts receivable, net of estimated uncollectibles of \$148,000,000 in 2011 and \$117,000,000 in 2010	47,957,467	40,899,343
Inventories	9,641,637	9,109,654
Other current assets	<u>6,317,317</u>	<u>6,416,110</u>
Total current assets	<u>84,068,308</u>	<u>81,214,824</u>
Assets limited as to use:		
By board for capital improvements	43,030,600	39,684,184
Under malpractice funding arrangement - held by trustee	5,682,978	6,587,396
Under indenture agreement - held by trustee	<u>9,735,904</u>	<u>9,616,830</u>
Total assets limited as to use	58,449,482	55,888,410
Less amount required to meet current obligations	<u>10,041,722</u>	<u>9,840,406</u>
Noncurrent assets limited as to use	<u>48,407,760</u>	<u>46,048,004</u>
Property, plant and equipment, net	<u>168,246,690</u>	<u>151,363,034</u>
Other assets:		
Unamortized bond issue costs	1,295,904	1,371,321
Other	<u>3,645,395</u>	<u>3,276,163</u>
Total other assets	<u>4,941,299</u>	<u>4,647,484</u>
Total assets	\$ <u>305,664,057</u>	\$ <u>283,273,346</u>

	<u>2011</u>	<u>2010</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 2,526,108	\$ 2,273,180
Accounts payable	11,789,840	9,106,836
Short-term notes payable	7,429,914	7,917,000
Estimated third party payor settlements	2,421,103	2,104,393
Accrued expenses:		
Salaries and compensation	6,605,647	6,374,270
Employee benefits	8,669,225	8,328,600
Other	<u>11,829,670</u>	<u>11,644,846</u>
Total current liabilities	51,271,507	47,749,125
Due to the Hospital Authority of Floyd County	8,532,887	8,621,884
Long-term debt, net of current portion	112,512,087	107,931,650
Non-current pension liability	<u>13,885,361</u>	<u>16,473,583</u>
Total liabilities	186,201,842	180,776,242
Net assets – unrestricted	<u>119,462,215</u>	<u>102,497,104</u>
 Total liabilities and net assets	 \$ <u>305,664,057</u>	 \$ <u>283,273,346</u>

See auditor's report and notes to financial statements.

FLOYD HEALTHCARE MANAGEMENT, INC.

COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
for the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted revenues, gains and other support:		
Net patient service revenue	\$ 323,385,894	\$ 281,993,573
Other operating revenue	<u>6,823,695</u>	<u>6,604,387</u>
Total revenues, gains and other support	<u>330,209,589</u>	<u>288,597,960</u>
Expenses:		
Operating expenses	267,056,518	231,833,276
Depreciation and amortization	19,438,798	15,316,805
Interest	5,728,382	5,754,421
Provision for bad debts	<u>29,913,260</u>	<u>26,696,921</u>
Total expenses	<u>322,136,958</u>	<u>279,601,423</u>
Operating income	<u>8,072,631</u>	<u>8,996,537</u>
Nonoperating income (expense):		
Investment income	3,725,130	1,395,616
Contributions	-	2,503,940
Gain (loss) on sale of assets	<u>73,610</u>	<u>(210,880)</u>
Total nonoperating income	<u>3,798,740</u>	<u>3,688,676</u>
Excess of revenues over expenses	11,871,371	12,685,213
Contributions for capital improvement and expansion	897,500	526,589
Defined benefit pension plan:		
Current year actuarial gain (loss)	3,978,708	(4,108,752)
Amortization of actuarial loss	2,130,735	1,983,990
Current year prior service cost	-	(329,460)
Amortization of prior service credit	29,062	(10,632)
Equity transfer to fund Hospital Authority of Floyd County Pension Plan	<u>(1,942,265)</u>	<u>(2,123,263)</u>
Increase in net assets – unrestricted	16,965,111	8,623,685
Net assets – unrestricted, beginning of year	<u>102,497,104</u>	<u>93,873,419</u>
Net assets – unrestricted, end of year	\$ <u>119,462,215</u>	\$ <u>102,497,104</u>

See auditor's report and notes to financial statements.

FLOYD HEALTHCARE MANAGEMENT, INC.

COMBINED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 16,965,111	\$ 8,623,685
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Proceeds from contributions for capital improvements and expansion	(897,500)	(526,589)
Contributions	-	(2,503,940)
Depreciation and amortization	19,438,798	15,316,805
Provision for bad debts	29,913,260	26,696,921
Changes in:		
Patient accounts receivable	(36,971,387)	(29,580,798)
Inventories and other assets	(976,760)	(3,196,097)
Accounts payable, accrued expenses, and other current liabilities	3,533,884	2,079,511
Estimated third-party payor settlements	316,710	992,223
Due to the Hospital Authority of Floyd County	(89,000)	61,770
Non-current pension liability	(2,588,222)	<u>1,139,574</u>
Net cash provided by operating activities	<u>28,644,894</u>	<u>19,103,065</u>
Cash flows from investing activities:		
Purchase of property and equipment	(29,237,046)	(32,048,070)
Proceeds from sale of investments	51,752,144	52,058,236
Purchase of investments	(54,313,216)	(52,085,474)
Net cash used by investing activities	(31,798,118)	(32,075,308)

Continued

FLOYD HEALTHCARE MANAGEMENT, INC.

COMBINED STATEMENTS OF CASH FLOWS, Continued
for the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from financing activities:		
Proceeds from short-term debt	\$ 14,706,000	\$ 7,262,000
Payment on short-term debt	(15,193,086)	(4,859,000)
Payment on long-term debt	(2,346,336)	(2,216,949)
Proceeds from issuance of long-term debt	250,000	-
Proceeds from contributions for capital improvements and expansion	897,500	58,128
Contributions	<u>-</u>	<u>2,503,940</u>
Net cash provided (used) by financing activities	(<u>1,685,922</u>)	<u>2,748,119</u>
Net decrease in cash and cash equivalents	(4,839,146)	(10,224,124)
Cash and cash equivalents, beginning of year	<u>14,949,311</u>	<u>25,173,435</u>
Cash and cash equivalents, end of year	\$ <u><u>10,110,165</u></u>	\$ <u><u>14,949,311</u></u>

Supplemental disclosures of cash flow information:

- Cash paid for interest in 2011 and 2010 was \$5,792,000 and \$4,703,000, respectively.
- The Corporation entered into capital lease obligations in the amount of \$6,983,000 for new building space in 2011.
- The Corporation received a donation of land and a building in the amount of \$468,000 in 2010.

See auditor's report and notes to financial statements.

FLOYD HEALTHCARE MANAGEMENT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

Floyd Healthcare Management, Inc., a Georgia not-for-profit Corporation, (Corporation) provided management services to the Hospital Authority of Floyd County through December 31, 1997 pursuant to a management agreement. The following entities comprised the Hospital Authority of Floyd County (Authority) prior to a lease of the facilities as described below: Floyd Medical Center, an acute care hospital providing inpatient, outpatient, primary care and home health services; Floyd Behavioral Health Center, a long-term care psychiatric facility; and Heyman HospiceCare at Floyd.

Pursuant to the Lease, Transfer and Reversion Agreement between Hospital Authority of Floyd County and Floyd Healthcare Management, Inc. (Lease) the Authority leased the above described operations and substantially all of its net assets to Floyd Healthcare Management, Inc., effective January 1, 1998. The Corporation sold the home healthcare services in 2007. The above mentioned management agreement was replaced and superseded by the Lease. The consideration to be paid by Management consists primarily of: payment of principal and interest on the Hospital Authority of Floyd County Revenue Anticipation Certificates; payment equal to the contribution which the Authority is required to make to satisfy minimum funding obligations under the Authority's Pension Plan with respect to benefits which had accrued under such plan prior to the Lease; and the provision of healthcare services to indigent, charity and other needy patients equal but not limited to a minimum dollar amount annually as set forth in the Lease.

The combined financial statements include the accounts of the Corporation and its affiliates, Floyd Medical Center, Floyd Behavioral Health, Floyd Primary Care, Heyman HospiceCare at Floyd, Floyd Emergency Physicians, Floyd Emergency Medical Services, Floyd Retail Services and Floyd Neonatology Physicians, LLC. Significant intercompany transactions have been eliminated.

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.

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less.

The Corporation routinely invests its surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U. S. government and agency obligations.

Allowance for Doubtful Accounts

The Corporation provides an allowance for doubtful accounts based on evaluation of the overall collectability of the accounts receivable. As accounts are known to be uncollectible, the account is charged against the allowance.

Risk Management

The Corporation 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 and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. The Corporation is self-insured for employee health and accident benefits and medical malpractice claims and judgments, as discussed in Note 8.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses unless the investments are trading securities.

Inventory

Inventories are valued at lower of cost or market, as determined by the first-in, first-out method.

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Assets Limited As To Use

Assets limited as to use include assets set aside by the Board for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes; assets held by a trustee for malpractice payments and assets held by trustees under indenture agreements. Amounts required to meet current liabilities of the Corporation have been reclassified in the balance sheet at June 30, 2011 and 2010.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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

Deferred Financing Cost

Costs related to the issuance of the 2002 and 2003 Revenue Certificates were deferred and are being amortized using the effective interest method over the life of the related debt. The costs related to the issuance of the 2009 Revenue Certificates were deferred and are being amortized over the life of the related debt using the straight-line method, which approximates the effective interest method.

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, ContinuedExcess of Revenues Over Expenses

The statement of operations includes excess of revenues over expenses as a performance indicator. Changes in unrestricted net assets which are excluded from the performance indicator, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, defined benefit actuarial gains and losses and the resulting amortization associated with those gains and losses, defined benefit prior service costs and credits and the resulting amortization associated with those costs and credits, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Net Patient Service Revenue

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement arrangements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Donor-Restricted Gifts, Continued

statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Impairment of Long-Lived Assets

The Corporation evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Corporation has not recorded any impairment charges in the accompanying combined statements of operations and changes in net assets for the years ended June 30, 2011 and 2010.

Income Taxes

The Corporation is a not-for-profit corporation that has been recognized as tax-exempt pursuant to Section 501(c)3 of the Internal Revenue Code.

The Corporation applies accounting policies that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Corporation only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Income Taxes, Continued

Based on the results of management's evaluation, no liability is recognized in the accompanying balance sheet for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of June 30, 2011 and 2010 or for the years then ended. The Corporation's open audit periods are for tax years ended 2008-2010.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosures* defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

FASB ASC 820 describes the following three levels of inputs that may be used:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- Level 3: Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2010 combined financial statements to conform to the fiscal year 2011 presentation. These reclassifications had no impact on the change in net assets in the accompanying financial statements.

Subsequent Event

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 24, 2011, the date the financial statements were issued.

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

2. Net Patient Service Revenue

The Corporation has arrangements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. The Corporation does not believe that there are any significant credit risks associated with receivables due from third-party payors. A summary of the payment arrangements with major third-party payors follows:

- Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient psychiatric services rendered to Medicare program beneficiaries are paid at prospectively determined rates. Inpatient rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge.

Outpatient services rendered to Medicare beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Corporation is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicare fiscal intermediary. The Corporation's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Corporation. All Medicare cost reports have been audited by the Medicare intermediary through June 30, 2007.

- Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to the Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Corporation is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicaid fiscal intermediary. Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2007.

The Corporation contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

The Corporation qualified as a Medicaid disproportionate share hospital for the years 2011 and 2010 and received increased payment adjustments reflected in net patient service revenue. It is uncertain if the payment adjustments will continue in future periods. The financial statements include payment adjustments for 2011 and 2010 of approximately \$5,800,000 and \$5,900,000, respectively.

The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for enhanced payments to Medicaid providers under the Upper Payment Limit (UPL) methodology. Subsequent to the implementation of the UPL methodology, federal budget concerns have led to reconsideration of the BIPA legislation with possible elimination of enhanced Medicaid payments. The financial statements include enhanced payments for 2011 and 2010 of approximately \$2,600,000 and \$900,000, respectively.

During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (the Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment will result in an increase in hospital payments on Medicaid services of approximately 11.88%. Approximately \$2,700,000 relating to the Act is included in operating expenses in the accompanying statement of operations for the year ended June 30, 2011.

Revenue from the Medicare and Medicaid programs accounted for approximately 32% and 16%, respectively, of the Corporation's net patient revenue for the year ended June 30, 2011, and 33% and 17%, respectively, of the Corporation's net patient revenue for the year ended June 30, 2010. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates will change by a material amount in the near term.

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

2. Net Patient Service Revenue, Continued

The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments made on or after October 1, 2007. While no such regulatory inquiries have been made to date, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

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

3. Uncompensated Services

The Corporation was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2011 and 2010 were approximately \$633,000,000 and \$581,000,000, respectively.

Uncompensated care includes charity and indigent care services of approximately \$63,700,000 and \$59,000,000 in 2011 and 2010, respectively. Charity and indigent care services provided to Floyd County residents in 2011 and 2010 were approximately \$39,300,000 and \$32,600,000, respectively. The cost of charity and indigent care services provided during 2011 and 2010 were approximately \$20,100,000 and \$17,800,000, respectively computed by applying a total cost factor to the charges foregone.

Continued

FLOYD HEALTHCARE MANAGEMENT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

3. Uncompensated Services, Continued

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Gross patient charges	\$ <u>926,472,355</u>	\$ <u>836,612,389</u>
Uncompensated services:		
Charity and Indigent Care	63,721,376	59,024,850
Medicare	239,911,065	202,345,065
Medicaid	133,393,594	121,122,060
Other allowances	166,060,426	172,126,841
Bad debts	<u>29,913,260</u>	<u>26,696,921</u>
Total uncompensated care	632,999,721	581,315,737
Less bad debts	(<u>29,913,260</u>)	(<u>26,696,921</u>)
Deductions from patient service revenue	<u>603,086,461</u>	<u>554,618,816</u>
Net patient service revenue	\$ <u>323,385,894</u>	\$ <u>281,993,573</u>

4. Investments

All investments are classified as trading securities.

Investment income and gains for assets limited as to use, cash equivalents, temporary investments, and other investments are comprised of the following for the years ending June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Income:		
Interest and dividend income	\$ 1,825,828	\$ 1,657,651
Realized gain (loss) on trading securities	602,503	(262,035)
Unrealized gain on trading securities	<u>1,296,791</u>	<u>-</u>
Total	\$ <u>3,725,122</u>	\$ <u>1,395,616</u>

Continued

FLOYD HEALTHCARE MANAGEMENT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

4. Investments, Continued

Assets Limited As To Use

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. Investments are stated at fair value. The composition of assets limited as to use at June 30, 2011 and 2010 is set forth in the following table.

	<u>2011</u>	<u>2010</u>
By board for capital improvements:		
Cash and cash equivalents	\$ 5,236,820	\$ 8,147,395
Mutual funds - index	9,623,578	4,575,619
Corporate bonds	9,877,763	10,108,474
Municipal bonds	1,014,430	1,005,755
Mortgage backed securities	8,844,055	9,661,368
U.S. Treasury obligations	<u>8,433,954</u>	<u>6,185,573</u>
	<u>43,030,600</u>	<u>39,684,184</u>
By board under malpractice funding arrangement		
- held by trustee:		
Cash and cash equivalents	717,175	585,634
Certificates of deposit	<u>4,965,803</u>	<u>6,001,762</u>
	<u>5,682,978</u>	<u>6,587,396</u>
Under indenture agreement – held by trustee:		
U.S. Treasury obligations	<u>9,735,904</u>	<u>9,616,830</u>
Total assets limited as to use	<u>\$ 58,449,482</u>	<u>\$ 55,888,410</u>

Continued

FLOYD HEALTHCARE MANAGEMENT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

5. Property, Plant and Equipment

A summary of property, plant and equipment at June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 10,365,210	\$ 9,362,290
Land improvements	5,650,145	5,427,204
Buildings	94,841,287	94,237,641
Fixed equipment	63,253,603	62,510,031
Major movable equipment	121,539,493	111,731,495
Leasehold improvements	5,243,901	4,972,313
Building under capital lease	11,474,848	4,492,262
Equipment under capital lease	274,527	274,527
	<u>312,643,014</u>	<u>293,007,763</u>
Less accumulated depreciation	<u>160,989,790</u>	<u>158,957,987</u>
	151,653,224	134,049,776
Construction in progress	<u>16,593,466</u>	<u>17,313,258</u>
Property, plant and equipment, net	\$ <u>168,246,690</u>	\$ <u>151,363,034</u>

Depreciation expense for the years ended June 30, 2011 and 2010 amounted to approximately \$19,242,000 and \$15,112,000, respectively. Accumulated amortization for equipment under capital lease obligations was \$3,590,000 and \$2,833,000 at June 30, 2011 and 2010, respectively. Construction contracts of approximately \$7,422,000 exist for the remodeling of Hospital facilities. At June 30, 2011, the remaining commitment on these contracts approximated \$1,633,000.

6. Long-Term Debt

	<u>2011</u>	<u>2010</u>
Revenue Certificates, Series 2002 maturing in installments of \$975,000 to \$2,665,000 each July 1, beginning in 2012 and continuing until 2032. The certificates are guaranteed by the gross revenues of Floyd Healthcare Management, Inc. and the Authority. The certificates bear interest at rates per annum ranging from 5.00% to 5.625%.	\$ 35,000,000	\$ 35,000,000

Continued

FLOYD HEALTHCARE MANAGEMENT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, Continued

	<u>2011</u>	<u>2010</u>
Revenue Certificates, Series 2003 maturing in installments of \$770,000 to \$1,990,000 each July 1, and continuing until 2033. The certificates are guaranteed by the gross revenues of Floyd Healthcare Management, Inc. and the Authority. The certificates bear interest at rates per annum ranging from 3.00% to 5.00%.	\$ 30,100,000	\$ 31,725,000
Revenue Certificates, Series 2009 maturing in installments of \$560,000 to \$6,220,000 each July 1, beginning in 2015 and continuing until 2039. The certificates are guaranteed by the gross revenues of Floyd Healthcare Management, Inc. and the Authority. The certificates bear interest rates per annum ranging from 5.25% to 5.50%.	40,000,000	40,000,000
Note payable with monthly payments of \$2,220, including interest at 6.00%, maturing September 1, 2010, secured by real estate.	-	6,850
Note payable with monthly payments ranging from \$3,181 to \$4,063, maturing October 31, 2016, secured by equipment.	224,810	-
Capital lease obligations, collateralized by building, with interest rates from 5.25% to 7.00% and monthly payments ranging from \$8,477 to \$64,388.	<u>8,896,831</u>	<u>2,603,540</u>
Total long-term debt	114,221,641	109,335,390
Unamortized bond premium	816,554	869,440
Less current maturities of long-term debt	(<u>2,526,108</u>)	(<u>2,273,180</u>)
Long-term debt, net of current maturities	\$ <u>112,512,087</u>	\$ <u>107,931,650</u>

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, Continued

Scheduled principal repayments on long-term debt and payments on capital lease obligations for the next five years are as follows:

	<u>Long-Term Debt</u>	<u>Capital Lease Obligation</u>
2012	\$ 1,722,174	\$ 1,284,352
2013	1,787,147	1,318,664
2014	1,872,147	1,281,039
2015	1,957,147	585,911
2016	2,612,346	599,368
Thereafter	<u>95,373,849</u>	7,875,946
Less amount representing interest under capital lease obligation		(<u>4,048,449</u>)
Total	\$ <u>105,324,810</u>	\$ <u>8,896,831</u>

Revenue Anticipation Certificates, Series 2009 were issued to (i) finance or refinance the cost of the acquisition, construction, installation and equipping of certain additions, extensions and improvements to Floyd Medical Center; (ii) refund all of the outstanding Revenue Anticipation Certificates, Series 2005 and Series 2006; (iii) fund a debt service reserve fund securing the Series 2009 Certificates; and (iv) pay all or a portion of the costs of issuance of the Series 2009 Certificates.

Revenue Anticipation Certificates, Series 2003 were issued to (i) finance or refinance the cost of the acquisition, construction, installation and equipping of certain additions, extensions and improvements to Floyd Medical Center; and (ii) refund all of outstanding Revenue Anticipation Certificates, Series 1993. Under the terms of an escrow agreement, a portion of the proceeds of the Series 2003 Certificates were deposited into an escrow fund. The escrow agent applied such monies to redeem in full the Series 1993 Certificates on December 17, 2003 at 102% of par. Remaining proceeds were used to pay the costs of issuing the Series 2003 Certificates and to fund a portion of a debt service reserve fund.

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, Continued

Revenue Anticipation Certificates, Series 2002 were issued to provide for the acquisition, construction, renovation, equipping and installing of certain additions of the Corporation. All proceeds are being used to pay the costs of issuing the Series 2002 Certificates and to finance the acquisition, construction, renovation, equipping and installation costs of certain facilities of the Corporation.

Both the Authority and the Corporation are members of the obligated group of the Revenue Anticipation Certificates Series 2009, Series 2003, and Series 2002. Additionally, if the Authority and the Corporation cannot meet their obligation under the Series 2002 Certificates, Floyd County has agreed to make payments to the Certificate Trustee sufficient to guarantee the payment of the principal and interest on these certificates pursuant to Georgia law and the constitutional power of the County.

At its option, to be exercised on or before the 45th day preceding any sinking fund redemption date, the Corporation may (a) deliver to the Certificate Trustee for cancellation Series 2009, Series 2003, or Series 2002 Certificates of the appropriate maturity in any aggregate principal amount desired or (b) receive a credit in respect of its sinking fund redemption obligation for any Series 2009, Series 2003, or Series 2002 Certificates of the appropriate maturity which prior to said date have been redeemed (otherwise than through the operation of the mandatory sinking fund obligation) and cancelled by the Certificate Trustee and not theretofore applied as a credit against any prior mandatory sinking fund redemption obligation. Each Series 2009, Series 2003, or Series 2002 Certificate so delivered or previously redeemed shall be credited by the Certificate Trustee at 100% of the principal amount thereof on the obligation of the Corporation on such sinking fund redemption date and any excess shall be credited on future sinking fund redemption obligations in such order as may be specified by the Corporation. The principal amount of such Series 2009, Series 2003, or Series 2002 Certificates to be redeemed by operation of the sinking fund shall be accordingly reduced.

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, Continued

Under the terms of the 2009, 2003, and 2002 indentures, the Corporation is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use. The indentures also places limits on the incurrence of additional borrowings and requires that the Corporation satisfy certain measures of financial performance as long as the Certificates are outstanding. In the opinion of management, all measures of financial performance have been satisfied.

Capital Lease Obligation

In 2004, the Corporation entered into a sale-leaseback agreement under which a medical office building owned by the Corporation was sold for approximately \$3,600,000 to a partnership, of which the Corporation owns a 28% share. A portion of the medical office building was subsequently leased back to the Corporation pursuant to a 10-year master capital lease.

In 2011, the Corporation entered into a capital lease agreement under which the Corporation leases an office suite devoted to long term acute care. The lease payments end in January 2031.

In 2011, the Corporation entered into a capital lease agreement under which the Corporation leases premises located within the Rome Cancer Center. The lease payments end in April 2026.

Line of Credit

The Corporation has a revolving line of credit agreement for a maximum amount of \$10,000,000 bearing interest of 1.94% as of June 30, 2011. If default occurs, the lender has the right to place a lien against the Corporation's deposit accounts also held by the bank. At June 30, 2011, approximately \$2,570,000 of unused borrowing remains on the line of credit.

7. Employee Benefit Plans

At January 1, 1998, the Corporation implemented a defined benefit pension plan (Plan) covering substantially all of its employees. The benefits are based on 1.75% of earnings for each year after January 1, 1998, with the total benefit subject to thirty-five years of benefit service maximum. The Corporation's funding policy is to contribute annually an amount intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. Employees hired after September 30, 2005 are not eligible to participate in the Plan.

Continued

FLOYD HEALTHCARE MANAGEMENT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

7. Employee Benefit Plans, Continued

The following table sets forth the Plan's funded status and amounts recognized in the financial statements at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Plan assets at fair value	\$ 58,407,322	\$ 47,719,076
Projected benefit obligation	<u>72,292,683</u>	<u>64,192,659</u>
Funded status	<u>\$(13,885,361)</u>	<u>\$(16,473,583)</u>
Amounts recognized in the balance sheet consist of:		
Current liability	\$ -	\$ -
Noncurrent liability	<u>(13,885,361)</u>	<u>(16,473,583)</u>
	<u>\$(13,885,361)</u>	<u>\$(16,473,583)</u>
Cumulative amounts recognized in unrestricted net assets consist of:		
Net actuarial loss	\$ 17,994,922	\$ 24,104,365
Prior service cost	<u>259,973</u>	<u>289,035</u>
	<u>\$ 18,254,895</u>	<u>\$ 24,393,400</u>

The accumulated benefit obligation for the defined benefit pension plan was \$67,730,000 and \$59,704,000 at June 30, 2011 and 2010, respectively.

The contributions to the defined benefit pension plan were \$2,179,000 and \$6,859,000 at June 30, 2011 and 2010, respectively.

The benefit payments made by the defined benefit pension plan were \$1,276,000 and \$957,000 at June 30, 2011 and 2010, respectively.

The Corporation uses a June 30th measurement date.

Continued

FLOYD HEALTHCARE MANAGEMENT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

7. Employee Benefit Plan, Continued

	<u>2011</u>	<u>2010</u>
Components of net periodic benefit cost:		
Service cost	\$ 3,267,570	\$ 2,974,072
Interest cost	3,992,124	3,656,197
Expected return on plan assets	(3,690,458)	(3,069,907)
Amortization of unrecognized net loss	2,130,735	1,983,990
Amortization of unrecognized prior service cost	<u>29,062</u>	<u>(10,632)</u>
Net periodic benefit cost	<u>5,729,033</u>	<u>5,533,720</u>
Other changes in plan assets and benefit obligations recognized in the statement of operations and changes in net assets:		
Current year actuarial (gain)/loss	(3,978,708)	4,108,752
Amortization of actuarial gain/(loss)	(2,130,735)	(1,983,990)
Current year prior service cost	-	329,460
Amortization of prior service credit/(cost)	<u>(29,062)</u>	<u>10,632</u>
Total other changes	<u>(6,138,505)</u>	<u>2,464,854</u>
Total recognized in statement of operations and changes in net assets	<u>\$ (409,472)</u>	<u>\$ 7,998,574</u>
Assumptions:		
Weighted-average assumptions used to determine benefit obligations at June 30:		
Discount rate	5.76%	5.97%
Rate of compensation increase	3.00%	3.00%
Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30:		
Discount rate	5.97%	6.62%
Expected long-term return on plan assets	7.75%	7.75%
Rate of compensation increase	3.00%	3.00%

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

7. Employee Benefit Plan, Continued

The discount rate for pension cost purposes is the rate at which the pension obligations could be effectively settled. This rate is developed from yields on available high-quality bonds and reflects the plan's expected cash flows.

Both the assumed rate of return on assets and salary increase rate assumptions reflect long-term expectations. The assumed rate of return on assets for pension cost purposes is the weighted average of expected asset returns. The salary increase rate is based on current expectations of future pay increases.

Assumptions used to determine statutory contribution limits must be reasonable taking into account the experience of the plan and reasonable expectations. However, certain assumptions (such as interest and mortality) are either prescribed by the IRS or are subject to IRS approval. The interest rates used to determine the funding target and target normal cost are based on a high-quality corporate bond yield curve.

The gain/loss, prior service cost/credit and transition amount expected to be recognized in net periodic benefit cost for the 12 months beginning July 1, 2011 are as follows:

	<u>Pension Benefits</u>
Actuarial (gain)/loss	\$ 1,297,067
Prior service (credit)/cost	<u>29,062</u>
Total	\$ <u>1,326,129</u>

Plan Assets

The composition of plan assets at June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Asset Category		
Cash and equivalents	\$ 2,761,625	\$ 4,645,908
Equity securities	36,662,053	25,237,292
Broad fixed income	<u>18,983,644</u>	<u>17,835,876</u>
Total	\$ <u>58,407,322</u>	\$ <u>47,719,076</u>

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

7. Employee Benefit Plan, Continued

The asset allocation at the end of 2011 and 2010, and the target allocation for 2012, by asset category:

<u>Asset Category</u>	<u>Target Allocation</u>	<u>Actual Allocation, End of Year</u>	
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Equity securities	65%	62.8%	52.9%
Broad fixed income	35%	32.5%	37.4%
Other	<u>0%</u>	<u>4.7%</u>	<u>9.7%</u>
Total	<u>100%</u>	<u>100.0%</u>	<u>100.0%</u>

The Corporation's investment strategy with respect to pension plan assets is to provide a secure source of retirement income to Plan beneficiaries. The Corporation's basis used to determine expected return on assets assumption is determined from a strategic asset allocation study undertaken by an investment consultant to identify an appropriate asset mixture likely to produce a moderate growth of total asset value while managing risk through suitable diversification. The study included an analysis of various asset classes, their correlation to one another, and assumptions as to each asset class' risk and return characteristics.

The Corporation has approved the use of the following classes of marketable securities for asset allocation and investment purposes for the Plan:

- Domestic common stocks
- International (non-U.S.) common stocks
- Domestic and foreign government, mortgage-backed and corporate bonds
- Cash equivalents
- Other asset classes that the Committee may from time to time deem prudent

Continued

FLOYD HEALTHCARE MANAGEMENT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

7. Employee Benefit Plan, Continued

The fair values of the Corporation's pension plan assets at June 30, 2011 and 2010, by asset category are as follows:

Fair Value Measurements At June 30, 2011				
<u>Asset Category</u>	<u>Total</u>	Quoted Prices In Active Markets For Identical Assets (<u>Level 1</u>)	Significant Other Observable Inputs (<u>Level 2</u>)	Significant Unobservable Inputs (<u>Level 3</u>)
Cash and cash equivalents	\$ 2,761,625	\$ 2,761,625	\$ -	\$ -
Equity securities	36,662,053	36,662,053	-	-
Broad fixed income	<u>18,983,644</u>	<u>18,983,644</u>	-	-
Total	\$ <u>58,407,322</u>	\$ <u>58,407,322</u>	\$ -	\$ -

Fair Value Measurements At June 30, 2010				
<u>Asset Category</u>	<u>Total</u>	Quoted Prices In Active Markets For Identical Assets (<u>Level 1</u>)	Significant Other Observable Inputs (<u>Level 2</u>)	Significant Unobservable Inputs (<u>Level 3</u>)
Cash and cash equivalents	\$ 4,645,908	\$ 4,645,908	\$ -	\$ -
Equity securities	25,237,292	25,237,292	-	-
Broad fixed income	<u>17,835,876</u>	<u>17,835,876</u>	-	-
Total	\$ <u>47,719,076</u>	\$ <u>47,719,076</u>	\$ -	\$ -

Continued

FLOYD HEALTHCARE MANAGEMENT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

7. Employee Benefit Plan, Continued

Contributions

The Corporation expects to contribute \$3,840,000 to its pension plan in 2012.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid.

<u>Year Ended</u>	<u>Pension Benefits</u>
2012	\$ 1,481,871
2013	1,810,980
2014	2,104,876
2015	2,454,881
2016	2,822,470
Years 2017-2021	22,227,209

Effective December 31, 2005, the Corporation froze future accruals for active participants electing to join the defined contribution plan.

Defined Contribution Plan

Floyd Healthcare Management, Inc. established a 401(k) retirement plan effective January 1, 2006. The plan is a defined contribution 401(k) profit sharing plan covering full-time employees over the age of twenty-one with at least one year of service who are not participating in the defined benefit pension plan. Employees may contribute between 1% and 25% of their salary, subject to the maximum dollar limit allowed by the IRS. The Corporation will match 100% of the employee's contributions up to 3% of their salary plus 50% of the next 2% of the employee's contributions. The employer contributions during the fiscal years ending June 30, 2011 and 2010 were approximately \$1,582,000 and \$1,308,000, respectively.

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

8. Self-InsuranceMalpractice

In 1977, the Authority adopted a self-insurance program under which a trust fund was created to be used only for the limited purposes specified. These purposes include, but are not limited to the payment of such sums as the Authority shall become legally obligated to pay any claim up to 2 million dollars and 4.5 million dollars in aggregate for damages resulting from the course of operations. In 1991, a resolution was adopted to provide for payment of settlements and judgments rendered against the Corporation.

Additionally, payment is restricted to expenses incurred in connection with the investigation, adjustment, settlement, and defense of any claim or suit against such, an officer, director, member, trustee of Authority or the Corporation. The management of the trust fund is the responsibility of a bank, functioning as an independent fiduciary. Losses from asserted and unasserted claims are accrued by the Corporation based on claims reported and estimated claims incurred but not reported as derived from the Authority's or the Corporation's risk management program. Also, the Corporation has employed outside consultants to estimate the annual contribution to the fund.

Malpractice claims in excess of the self-insurance retention limits are insured with commercial insurance carriers on a claims-made basis. The policy covers malpractice claims up to 20 million dollars in aggregate.

Employee Hospitalization

The Corporation has a self-insurance program for employee health insurance under which a third party administrator processes and pays claims. The Corporation reimburses the third party administrator monthly for claims incurred and paid to other providers. The charges, less any deductibles and coinsurance for covered services provided to employees by the Corporation, are written off against gross patient service revenue. In addition, the Corporation has entered into a loss financing agreement with ten Georgia hospitals through a program developed by Georgia ADS, LLC. The program is designed to provide for the financing and payment of covered claims between \$150 thousand and \$500 thousand. The program also buys a reinsurance policy to cover claims reaching \$1 million. Further, the Company purchased additional insurance to cover claims up to \$5 million. Payments received from the program must be repaid over a specified period of time with interest. Under this self-insurance program, the Corporation paid or accrued and expensed approximately \$3,322,000 and \$2,708,000 during the years ended June 30, 2011 and 2010, respectively. The Corporation wrote off services to employees net of deductible and coinsurance of approximately \$14,009,000 and \$10,160,000 during the years ended June 30, 2011 and 2010, respectively.

Continued

FLOYD HEALTHCARE MANAGEMENT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

9. Functional Expenses

The Corporation provides general health care services to residents in Northwest Georgia. Expenses related to providing these services are as follows:

	June 30,	
	<u>2011</u>	<u>2010</u>
Health care services	\$ 265,457,821	\$ 234,080,699
General and administrative services	<u>56,679,137</u>	<u>45,520,724</u>
Total	\$ <u>322,136,958</u>	\$ <u>279,601,423</u>

10. Fair Value of Financial Instruments

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

- Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.
- Assets limited as to use: The carrying amount reported in the balance sheet approximates fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.
- Cash surrender value of life insurance policy: The carrying amount reported in the balance sheet approximates fair value.
- Accounts payable and accrued expenses: The carrying amount reported in the balance sheet approximates its fair value.
- Short-term notes payable: The carrying amount reported in the balance sheet approximates its fair value.
- Estimated third-party payor settlements: The carrying amount reported on the balance sheet approximates its fair value.

Continued

FLOYD HEALTHCARE MANAGEMENT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

10. Fair Value of Financial Instruments, Continued

- Due to the Hospital Authority of Floyd County: The carrying amount reported in the balance sheet approximates its fair value.
- Long-term debt: The fair value of the Corporation's long-term debt is estimated using discounted cash flow analyses, based on the Corporation's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Corporation's financial instruments at June 30, 2011 and 2010 are as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Carrying</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>	<u>Carrying</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
Cash and cash equivalents	\$ 10,110,165	\$ 10,110,165	\$ 14,949,311	\$ 14,949,311
Assets limited as to use	\$ 58,449,482	\$ 58,449,482	\$ 55,888,410	\$ 55,888,410
Cash surrender value of life insurance policy	\$ 1,377,424	\$ 1,377,424	\$ 1,130,149	\$ 1,130,149
Accounts payable and accrued expenses	\$ 38,894,382	\$ 38,894,382	\$ 35,454,552	\$ 35,454,552
Short-term notes payable	\$ 7,429,914	\$ 7,429,914	\$ 7,917,000	\$ 7,917,000
Estimated third-party payor settlements (net)	\$ 2,421,103	\$ 2,421,103	\$ 2,104,393	\$ 2,104,393
Due to the Authority	\$ 8,532,887	\$ 8,532,887	\$ 8,621,884	\$ 8,621,884
Long-term debt (excluding capital leases)	\$106,141,364	\$111,973,592	\$107,601,290	\$112,363,136

Continued

FLOYD HEALTHCARE MANAGEMENT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

11. Fair Value Measurement

Fair values of assets measured on a recurring basis at June 30, 2011 and 2010 are as follows:

		<u>Fair Value Measurements At Reporting Date Using</u>		
		<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
		<u>Fair Value</u>		
<u>June 30, 2011</u>				
Assets:				
Capital improvements:				
Cash and cash equivalents	\$ 5,236,820	\$ 5,236,820	\$ -	\$ -
Mutual funds - index	9,623,578	9,623,578	-	-
Corporate bonds	9,877,763	9,722,270	155,493	-
Municipal bonds	1,014,430	-	1,014,430	-
Mortgage backed securities	8,844,055	229,179	8,614,876	-
U.S. Treasury obligations	8,433,954	8,433,954	-	-
Malpractice funds:				
Cash and cash equivalents	717,175	-	717,175	-
Certificates of deposit	4,965,803	-	4,965,803	-
Sinking fund:				
U.S. Treasury obligations	9,735,904	9,735,904	-	-
Cash surrender value of life insurance policy				
	<u>1,377,424</u>	<u>-</u>	<u>1,377,424</u>	<u>-</u>
Total assets	\$ <u>59,826,906</u>	\$ <u>42,981,705</u>	\$ <u>16,845,201</u>	\$ <u>-</u>

Continued

FLOYD HEALTHCARE MANAGEMENT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

11. Fair Value Measurement, Continued

		Fair Value Measurements At Reporting Date Using		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		<u>Fair Value</u>		
<u>June 30, 2010</u>				
Assets:				
Capital improvements:				
Cash and cash equivalents	\$ 8,147,395	\$ 8,147,395	\$ -	\$ -
Mutual funds - index	4,575,619	4,575,619	-	-
Corporate bonds	10,108,474	8,417,615	1,690,859	-
Municipal bonds	1,005,755	-	1,005,755	-
Mortgage backed securities	9,661,368	638,930	9,022,438	-
U.S. Treasury obligations	6,185,573	6,185,573	-	-
Malpractice funds:				
Cash and cash equivalents	585,634	-	585,634	-
Certificates of deposit	6,001,762	-	6,001,762	-
Sinking fund:				
U.S. Treasury obligations	9,616,830	9,616,830	-	-
Cash surrender value of life insurance policy	<u>1,130,149</u>	<u>-</u>	<u>1,130,149</u>	<u>-</u>
Total assets	\$ <u>57,018,559</u>	\$ <u>37,581,962</u>	\$ <u>19,436,597</u>	\$ <u>-</u>

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets.

Continued

FLOYD HEALTHCARE MANAGEMENT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

12. Concentrations of Credit Risk

The Corporation, located in Northwest Georgia, grants credit without collateral to its patients substantially all of whom are local residents of Northwest Georgia and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	<u>2011</u>	<u>2010</u>
Medicare	23%	26%
Medicaid	25%	17%
Other	<u>52%</u>	<u>57%</u>
Total	<u>100%</u>	<u>100%</u>

Management considers the concentrations of credit risk with respect to accounts receivable to be limited due to the large number of patients comprising the receivables base.

The Corporation maintains deposits with financial institutions which exceed the Federal Depository insurance limits. At June 30, 2011, management believes the credit risk associated with these deposits is minimal.

13. Commitments and Contingencies

Operating Leases: The Corporation leases various equipment and facilities under operating leases. Total rental expense in 2011 and 2010 for all operating leases was \$5,404,000 and \$4,721,000, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2011, that have initial or remaining lease terms in excess of one year.

<u>Year Ending</u>	<u>Amount at June 30</u>
2012	\$ 2,703,000
2013	1,755,000
2014	426,000
2015	19,000
2016	-
Thereafter	<u>-</u>
Total	\$ <u>4,903,000</u>

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

13. Commitments and Contingencies, Continued

Litigation: The Corporation is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation's future financial position or results from operations.

Regulatory Compliance: The healthcare industry has recently been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. The Corporation has implemented a compliance plan focusing on such issues. There can be no assurance that the Corporation will not be subjected to future investigations with accompanying monetary damages.

Hospital Authority of Floyd County Pension Plan: Pursuant to the Lease described in Note 1, the Corporation agreed to make an annual payment equal to the contribution which the Authority is required to make to satisfy minimum funding obligations under the Authority's Pension Plan with respect to benefits which had accrued under such plan, prior to the Lease. The pension liability as actuarially determined was approximately \$8,476,000 and \$8,573,000 at June 30, 2011 and 2010, respectively. The liability is included in Due to the Hospital Authority of Floyd County.

14. Health Care Reform

In recent years, there has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare on the national or at the state level. In 2010 legislation was enacted which included cost controls on hospitals, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Corporation.

Continued

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

15. Contribution From Floyd Healthcare Resources, Inc.

Floyd Healthcare Resources, Inc., a Georgia not for profit organization, was organized for the purpose of benefiting the healthcare needs of the citizens of Floyd County and the Northwest Georgia region. During 2010, Floyd Healthcare Resources, Inc. made a contribution to the Corporation of \$2,000,000 to be used at the discretion of the Corporation. The contribution is included as nonoperating income. Additionally, a contribution of land and a building was made to the Corporation in the amount of \$468,000 in 2010.

16. Subsequent Event

On August 30, 2011, the Authority and the Company entered into a Memorandum of Understanding with Cedartown-Polk County Hospital Authority (Lessor) to lease all of Lessor's assets associated with the current Polk Medical Center by the Authority. The day-to-day operations of Polk Medical Center will be managed by a Georgia nonprofit corporation to be called Polk Medical Center, Inc. (PMCI). The Company will be the sole member of PMCI. Through this affiliation, the Authority and the Lessor will make additional facilities and care available in the Lessor's service area. The Company and PMCI will enter into agreements with the Lessor to construct a new hospital to be owned by the Lessor to replace the current facilities of Polk Medical Center at no cost to the Lessor.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
Floyd Healthcare Management, Inc.
Rome, Georgia

We have audited the combined financial statements of Floyd Healthcare Management, Inc. as of and for the years ended June 30, 2011 and 2010, and our report thereon dated October 24, 2011, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The information included in this report on pages 38 to 51, inclusive, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the combined financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Draffin & Tucker, LLP

Albany, Georgia
October 24, 2011

FLOYD HEALTHCARE MANAGEMENT INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND
RESULTS OF OPERATIONS
Fiscal Year Ended June 30, 2011
(Unaudited)

Summary of Financial Condition and Results of Operation

The financial results for Floyd Healthcare Management Inc. for the fiscal year ended June 30, 2011 reflect several positive events. These events helped produce excess of revenues over expenses in the amount of \$11.9 million on total revenues, gains and other support of \$330 million. Management's Discussion and Analysis of Financial Condition and Results of Operations will review the financial results for fiscal year 2011 the significant events impacting financial performance and management's outlook.

Floyd Healthcare Management Inc. recorded gross patient revenues during fiscal year 2011 of \$926 million, up 10.7% over the previous year. Revenue deductions (including contractual adjustments for Medicare, Medicaid and managed care plus provisions for indigent and charity care) and bad debt expenses for the fiscal year totaled \$633 million, an increase of 8.9% or 68.3% of gross patient revenues. Operating expenses for the fiscal year were \$267.1 million, an increase of 15.2% over the previous year, a result of increased volume and Cerner electronic medical records implementation costs. Operating expenses as a percent of total revenues, gains and other support increased from 80.3% to 80.9% in fiscal year 2011.

The operating gain on earnings before interest, depreciation and amortization (EBIDA) increased to \$33.2 million in fiscal year 2011 from \$30.1 million in the prior year. The EBIDA margin for fiscal year 2011 was 10.1% compared to 10.4% in the previous year. Capital expenses, including depreciation, amortization and interest were up 19.4% to \$25.2 million. Total expenses for fiscal year 2011 were \$322.1 million, an increase of 15.2% over fiscal year 2010. Non-operating income and expenses included investment gains of \$3.7 million.

See independent auditor's report
on supplemental information.

FLOYD HEALTHCARE MANAGEMENT INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND
RESULTS OF OPERATIONS, Continued
Fiscal Year Ended June 30, 2011
(Unaudited)

The financial performance during the fiscal year continued to be strongly influenced by uncontrollable external and internal issues. Unreasonably low Medicare payments for inpatient and outpatient services continued to impact Floyd Healthcare Management Inc. during fiscal year 2011. Additionally, the State of Georgia's managed care program continued to reimburse Floyd at below cost. Medicare and Medicaid patients make up approximately 57% of Floyd Healthcare Management Inc.'s patient base. In spite of challenges, Floyd Healthcare Management Inc.'s positive financial performance for fiscal year 2011 is the result of continued process improvements and an increase in market share.

Floyd Healthcare Management Inc. has been and will continue to be a vital health care resource for Rome, northwest Georgia and northeast Alabama. Management remains optimistic that the programs completed, in progress and planned will insure the long-term growth and viability of the health care system.

The following sections of Management's Discussion and Analysis of Financial Condition and Results of Operations will provide expanded information on the financial results and significant events.

Patient Volume, Gross Revenue and Net Revenue

During fiscal year 2011, Floyd Healthcare Management Inc. recorded total inpatient admissions of approximately 15,975, a decrease of 216 admissions over the previous year. The total is comprised of 14,117 patients admitted to the main campus facility and 1,858 admitted to Floyd Behavioral Health Center. Total inpatient days for fiscal year 2011 increased 1,794 days or 2.5% to 72,922. The average length of stay reduced .1 days to 4.5 days from 2010. Overall outpatient volumes of 411,057 for the System showed an increase of 45,874 or 12.6% when compared to the prior year. Included in the total is Floyd Outpatient Services with 160,891 visits and Floyd Primary Care with 215,409 visits during fiscal year 2011.

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Gross patient revenues for Floyd Healthcare Management Inc. for the fiscal year increased to \$926 million, an increase of 10.7% over the previous year. Outpatient gross revenues increased \$45.1 million, an increase of 10.2% over the previous year, and represented 52.4% of gross patient revenues at year-end, down from 52.6% in the prior year. Gross patient revenues by major payer sources included Medicare, commercial insurance and Medicaid representing 37%, 29%, and 20%, respectively, for fiscal year 2011. Medicare and Medicaid revenues combined for 57% of gross patient revenues, which is up slightly from the prior year. Revenue deductions and bad debt expense combined to account for over \$633.0 million in reductions from gross patient revenues during fiscal year 2011 compared to \$581.3 million in fiscal year 2010. Expressed as a percent of gross patient revenue, total revenue deductions and bad debt expense for fiscal year 2011 consumed 68.3% of each gross patient revenue dollar, down from 69.5% in the prior year. Net patient service revenue, excluding bad debt expense, increased 14.7% to \$323.4 million.

Expenses

Operating expense increased 15.2% to \$267.1 million in fiscal year 2011 from \$231.8 million in the prior year. The ratio of operating expense to total operating revenue increased slightly to 80.9% during fiscal 2011 from 80.3% in the prior year. Staffing expense, including salary, wages and employee benefit programs, increased 16.7% to \$157.2 million. Staffing expenses represent 58.9% of the operating expenses, up from 58.1% in the prior year. Staffing expense continues to reflect sustained or growing service needs for patient care; growing pressures on the availability and costs of selected technical personnel; and overall upward market pressures on wages and employee benefit levels. Operating expenses less staffing expenses for fiscal year 2011 account for approximately \$109.9 million. Depreciation and amortization expenses totaled \$19.4 million, up from \$15.3 million in 2010 due to the implementation of the Cerner electronic medical record. Interest expense on short term and long term debt totaled \$5.7 million, down from \$5.8 million in the previous year due to the Series 2009 bond interest. Total capital expenses for fiscal year 2011 were \$25.2 million, up 19.4% from the prior year. The ratio of capital expense to total revenue increased to 7.6%, up from 7.3% in the prior year.

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Liquidity, Investment and Debt

Unrestricted cash resources consisted of approximately \$43.0 million in short and intermediate term investments and \$10.1 million in operating cash for a total of \$53.1 million. For fiscal year 2011, Floyd Healthcare Management Inc. recognized investment income in the amount of \$3.7 million. Operating cash as of June 30, 2011 was \$10.1 million, a decrease of \$4.8 million over the prior year. The number of days cash on hand, measuring the equivalent days of operating expenses contained in Floyd Healthcare Management Inc.'s unrestricted cash resources, including cash, cash equivalents, temporary investments and funded depreciation were 71.1 days as of June 30, 2011 compared to 83.9 days as of June 30, 2010. The reduction in days was due to property and equipment being purchased with cash. During fiscal year 2012 a tax exempt bond issue is expected to occur which will be used to replenish capital reserves as well as pay for several major hospital renovation projects. As a result of this issue, days in cash are expected to increase by approximately 10 days. Had this issue been finalized in FY 2011 as expected, days in cash would have been approximately 81.1 days, a slight decrease from FY 2010.

The cumulative investment in property, plant and equipment, based on acquisition cost, was \$329.2 million at June 30, 2011. Accumulated depreciation for these assets at the end of fiscal year 2011 is \$161 million, yielding net property, plant and equipment of \$168.2 million. The average age of plant, an accounting measurement of overall plant and equipment age, decreased to 8.3 years at June 30, 2011 from 10.4 years at the end of fiscal year 2010. As of June 30, 2011, Floyd Healthcare Management Inc. was responsible for \$112.5 million in long-term debt, which includes \$40 million for the 2009 revenue certificates, \$30.1 million for the 2003 certificates, and \$35 million for the 2002 certificates. The debt service coverage ratio for fiscal year 2011 was 4.42, calculated in accordance with the revenue certificate covenant requirements.

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Mission

On July 4, 1942, Floyd Medical Center opened its doors with a commitment to provide high quality, cost-effective healthcare to all the citizens of Floyd County. Through the years Floyd has responded to the changing needs of its growing communities, including Floyd County and the surrounding region, by increasing capacity, updating facilities, obtaining state-of-the-art technologies and developing new services.

In FY 2011 Floyd continued to respond to the changing needs of its growing communities. Floyd opened an Urgent Care center in Cherokee County, Alabama to provide after hours and immediate care to residents in this adjacent county. In addition, Floyd opened a larger replacement Urgent Care center in Bartow County that includes a Primary Care practice to better meet the growing needs of this burgeoning metro Atlanta county.

During 2011 Floyd continued its support of several initiatives aimed at improving the health status of low-income patients and to address the growing burden and cost of uncompensated care.

Floyd County Clinic and We Care Program

The Floyd County Clinic, which Floyd Medical Center operates through the Family Medicine Residency program, had 2,522 outpatient visits in FY 2011. The Clinic provides assistance to financially and medically indigent patients in an effort to reduce their need for emergency and inpatient hospital care. During fiscal year 2011 there were 510 outpatient visits through Floyd's We Care program. We Care, which is aimed at controlling and improving chronic conditions with preventive care, assists low-income patients without health insurance or governmental benefits.

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Indigent Outpatient Pharmacy Program

Floyd provides prescription pharmaceuticals to qualified low income uninsured outpatients at no cost to the patient through its hospital-based retail pharmacy. Qualifying low-income patients under the care of a Floyd physician, including Floyd Family Medicine residents, Floyd Emergency Care Center physicians, or Floyd Primary Care physicians are eligible to receive the prescribed medications. In FY 2011 Floyd provided over \$1.5 million in prescription pharmaceuticals to low income uninsured outpatients.

Financial Counseling

Financial Counselors in the Emergency Care Center and outpatient services departments assisted over 2,294 low-income patients seeking eligibility for Medicaid, PeachCare and other programs. In total 20,799 individual Medicaid and PeachCare patients were treated during the year for a total of 42,891 encounters.

Free Clinic of Rome

Floyd helped to create, contributed supplies and provided seed money to fund the Free Clinic of Rome, a local organization that provides free primary medical care to low income, uninsured patients in our community. The Free Clinic traces its roots to a volunteer mission effort to provide basic medical care services to Floyd County's homeless community. Now housed at the Floyd County Health Department, patients schedule appointments with volunteer physicians, dentists and nurses and receive free lab tests (via the Floyd Medical Center laboratory) and assistance with prescription medications.

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Northwest Georgia Dental Clinic

In caring for low-income, uninsured patients through our clinics and the We Care program, it became apparent that there is also a need for dental care for low-income, uninsured families in Rome and Floyd County. To help meet this need, Floyd partnered with the District Public Health office to plan and fund (in part by a Federal grant) the construction and operation of a comprehensive dental clinic for low-income residents of the region. In addition, Floyd makes its Outpatient Surgery Center facilities and staff available at no cost to dental clinic dentists to perform dental surgery on high risk patients.

Mobile Mammography

Floyd's mobile mammography coach, equipped with state-of-the-art digital mammography equipment, seeks to reach out to the mostly rural and underserved areas around Rome. This outreach program, which began service in November 2008, provided 2,378 mammograms to women in our service area in fiscal year 2011. Of those, 1,189 patients were past due for a mammogram, 594 women had never had a mammogram before and 315 screenings revealed an abnormality that required further testing. Eight women were diagnosed with cancer as a result of their visit to the mobile mammography coach. The goal of this program is to reach women who have never had a mammogram, in hope of reducing the breast cancer mortality rate in our region, which is among the highest in the nation. The coach traveled 7,776 miles in FY 2011 to women in four counties to make mammography and clinical breast exams convenient for them. This program seeks to provide services and education to these women in hopes of reducing that mortality rate and improving the lives of these women and their families.

Community Benefits

The Floyd Healthcare System, which includes Floyd Medical Center, Floyd Behavioral Health Center, Floyd Primary Care, Floyd Urgent Care, Floyd Outpatient Surgery Center, Floyd Physical Therapy and Rehab, Heyman HospiceCare of Floyd and a host of ancillary services, is a vital contributor to Rome, Floyd County and the entire Coosa Valley. In addition to health care services in over 40 specialties, Floyd serves as an economic force and civic leader in the region.

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Community Benefits, Continued

The Georgia Hospital Association estimates that Floyd, through its \$128.3 million annual payroll and benefits, as well as its purchases and other business relationships, generates more than \$457.7 million in economic activity in the state. The organization also is Floyd County's largest employer, with over 2,400 employees.

Services

Floyd's health care system provides a complete continuum of medical care to serve the healthcare needs of individuals in northwest Georgia and northeast Alabama through 38 physician offices, including 7 Urgent Care facilities, 21 Primary Care locations, diagnostic services, hospice, behavioral health and hospital services.

At the hub is Floyd Medical Center, a 304 bed, full-service acute care hospital and regional referral center that includes a Primary Stroke Center and Joint Replacement Program that have received the Joint Commission Gold Seal of Approval[®], a Bariatric Surgery Center of Excellence, a Breast Imaging Center of Excellence, a state-designated level II Trauma Center, a level II Neonatal Intensive Care Unit as well as specialty centers for Pediatrics, Wound Care and Hyperbarics and breast care. Floyd is uniquely positioned to provide the full circle of care from prenatal care to grief support, and including the following medical specialties:

- Alcohol and Chemical Dependency Services
- Bariatric Medicine, Surgery and Aftercare
- Behavioral Health
- Cardiac Catheterization
- Cardiology
- Diabetes Care
- Diagnostic Radiology
- ICAEL-accredited Echocardiography
- Emergency Care
- Family Medicine

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- Family Medicine Residency Program
- Gynecology
- Hospice
- Hospitalist
- Hyperbarics and Wound Care
- Intensive Care
- Interventional Cardiology
- IV Therapy
- Laboratory Services
- Level II Neonatal Intensive Care Unit
- Level II Trauma Care
- Maternity Services
- Neurology
- Neuropsychology
- Neurosurgery
- Neonatal care, intermediate and intensive
- Occupational Medicine
- Oncology
- Orthopedics
- Pediatrics
- Pediatric Intermediate Care
- Pharmacy, Inpatient and Outpatient
- Radiology
- CARF-accredited inpatient Rehabilitation Services
- Outpatient Rehabilitation Services
- Sleep Disorders
- Surgery, Inpatient and Outpatient
- Urgent Care
- Vascular Surgery

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Technology

Floyd is committed to incorporating technology into the medical setting to enhance screening and diagnostics and to improve and protect patient safety. In FY 2011 Floyd completed the second of three phases to bring electronic medical records fully into the organization. Our customized computer-based modules ensure patients are properly identified, that appropriate medicines are dispensed, that the correct services are ordered and performed and that bills accurately reflect the services provided. The result is instantly accessible information that already has impacted the areas of quality and safety. Now, the organization is working to bring the third phase of this initiative to fruition by fully incorporating our physicians into the process. Our website, www.floyd.org, serves as an instant reference to the community, providing access to information about health concerns through our health library as well as information about Floyd services, and we have begun to use social media such as YouTube, Facebook, Twitter and Linked In to find new ways to talk to our customers and direct them to quality health care.

Industry Leader

Floyd is a recognized state and national leader in customer satisfaction and employee satisfaction, and our comprehensive health care services have earned Floyd regional, state and national accolades:

- American Stroke Association Gold Plus Performance Award
- 2011 VHA Georgia Regional Leadership Award for Most Transferable Clinical Improvement process
- 2011 VHA Georgia Regional Leadership Award for Best Clinical Results and Outcomes
- 2011 VHA Georgia Regional Leadership Award for Most Sustainable Clinical Improvement process
- 2011 VHA Georgia Regional Leadership Award for Best Overall Clinical Improvement process
- 2011 VHA Georgia Regional Leadership Award for Most Innovative Operations process
- 2011 VHA Georgia Regional President's Award for winning an award in all categories.

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- 2011 Georgia Society for Healthcare Marketing and Public Relations. Three Target Awards from the Georgia Society for Healthcare Marketing and Public Relations.
- Advanced Disease-Specific Certification from The Joint Commission for Inpatient Diabetes care.
- 2011 Spirit of Philanthropy award from Georgia Association of Development Professionals for Kiki's Programs for Youth with Diabetes.

Community Service

Individually and corporately, Floyd continues to be actively involved in the communities where we have a presence, lending leadership, time and other valuable resources to efforts to improve the quality of life for families in Northwest Georgia and Northeast Alabama.

In fiscal year 2011, the organization's outreach into the community, along with the provision of trauma and neonatal intensive care services touched more than 74,513 people through educational programs and screenings, physical examinations for athletes, childbirth classes, support groups and publications. Floyd co-workers and volunteers contributed 128,397 hours to community endeavors at an expense of \$994,279:

- 211 individuals learned about pregnancy, labor, delivery and newborn care through Floyd Medical Center's childbirth classes at a cost to the organization of \$6,083.
- 3,778 people received free or discounted services at community health fairs at a cost of \$16,503.
- Floyd staff members provided assistance to organizations like Toys for Tots and the Alzheimer's Association, spending 79 hours at a cost of \$6,904.
- Floyd staff members worked 622 hours at community events, football games, athletic events, environmental clean-up projects, fairs and festivals, providing medical coverage at these events at a cost of \$14,730.
- The Nutrition Services department worked with 290 patients, providing 500 hours of nutritional counseling at a cost of \$34,560.
- 5,250 students learned about automobile safety and safe play from Buckle Bear; Floyd, the Little Green Ambulance; and emergency personnel at a cost of more than \$7,361.

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- Medical residents provided free sports physicals for 1,025 area high school and college athletes at a cost of \$2,378.
- Support groups for individuals experiencing grief and those learning to live productive lives after bariatric surgery reached 528 people at a cost of \$9,212.
- Floyd's Breast Health Advocates volunteered 277 hours and employees from The Breast Center worked another 77 hours at Floyd to provide breast health education to 1,248 women at a cost of \$16,375.
- Staff members spent 78 hours teaching cardiopulmonary resuscitation to 312 people in our community.
- Floyd.org, Floyd's website, was a resource with 4,877 unique visitors seeking health information at a cost of \$15,206.
- Working with 455 nursing students, Floyd staff members provided 61,367 hours of clinical education at a cost of \$356,791 to the organization. Many of these students eventually accept jobs in our service area, providing much-needed medical expertise in our primary and secondary service areas.
- Working with 372 clinical students in such areas as physical therapy, nutrition services and the pharmacy, Floyd staff members provided 39,580 hours of clinical education at a cost of \$232,090.
- Working with 103 medical students studying to become physicians, Floyd staff members provided 22,143 hours of clinical education at a cost of \$128,717.

Members of the Floyd team are committed to the community in many ways. In fiscal year 2011 Floyd co-workers loaned their talents and leadership skills to school, civic and professional organizations. A partial list of the leadership roles Floyd and our employees held during 2011 includes:

- President, Rome Middle School Parent-Teacher Organization
- Board Member, Action Ministries-Rome
- Board Member, Rome-Floyd Communities in Schools Board
- Board Member, Rome-Floyd County Toys for Tots
- Board Member, Georgia Healthcare Financial Management Association
- President, Toastmasters Club, Floyd Medical Center chapter

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- Chairman, Partners Cooperative, Inc.
- Past-President, Georgia Society for Healthcare Marketing and Public Relations
- Board of Visitors, Shorter University
- Vice President, Georgia Organization of Nurse Leaders
- President-elect, Georgia Organization of Nurse Leaders, Northwest Georgia District
- Volunteer Coordinator, Forsyth County Special Olympics
- Board Member, Rome Area History Museum
- Treasurer, American Case Management Association, Georgia Chapter
- President, Georgia Society of Physician Recruiters
- Co-Captain, Georgia Hospice and Palliative Care Organization, Northwest Region
- Membership Committee, Georgia Hospice and Palliative Care Organization
- Chairman, Rome-Floyd County Emergency Planning Committee
- Chairman, Polk School District Board of Education
- Member, Polk Strategic Visioning Committee
- President-elect, American Academy of Professional Coders, Rome Chapter
- Lecturer, Shorter University Nursing program and Georgia Northwestern Technical College
- Nurse Preceptor, Georgia Northwestern Technical College, Georgia Highlands College, Shorter University, University of Alabama (Birmingham) and Emory University
- Advisory Council, Georgia Northwestern Technical College
- District Director, Georgia Society for Directors of Volunteer Services
- Georgia Representative, Southeastern Directors of Volunteer Services of Healthcare Organizations
- Vice President, Northwest Georgia Dietetic Association
- President, Greater Chattanooga Association for Professionals in Infection Control and Epidemiology
- Secretary, Georgia Organization of Nurse Leaders
- Participant, leadership Gordon/Calhoun County (Gordon County Chamber of Commerce)
- Chairperson, National Guard's Family Readiness Group for 148th Delta Company
- Participant, Leadership Rome (Greater Rome Chamber of Commerce)

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- Member, Rome High School Council
- Vice President, Georgia Society for Respiratory Care
- Member Midway School Governance Committee
- Co-chair Swing for Kids Tennis Social for Rome Floyd Commission on Children and Youth
- Member Planning Committee, Georgia Hospital Association Compliance Officers retreat
- Participant, Leadership Polk County
- Member, Floyd County School Governance Committee

Perhaps of most significance is the continuing commitment of Floyd to provide comprehensive health care services to all individuals regardless of ability to pay. In fiscal year 2011, \$63.7 million in care was delivered to individuals either in the form of indigent and charity care, medically indigent care or other unreimbursed care.

While these statistics represent our best efforts to quantify the myriad services Floyd and its employees provide, the numbers in this report cannot fully tell the story of Floyd and its community service.

As Floyd begins fiscal year 2012, the organization does so with high expectations of moving patient, employee and physician satisfaction to even higher levels.

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