



See a Social Security Number? Say Something!
Report Privacy Problems to <https://public.resource.org/privacy>
Or call the IRS Identity Theft Hotline at 1-800-908-4490



Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation) ▶ The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047 2010 Open to Public Inspection
---	--	---

A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011		
B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization PAULDING MEDICAL CENTER INC Doing Business As Number and street (or P O box if mail is not delivered to street address) 805 Sandy Plains RoadRoom/suite City or town, state or country, and ZIP + 4 Marietta, GA 300666340	D Employer identification number 58-2095884
	F Name and address of principal officer A JAMES BUDZINSKI 805 Sandy Plains Road Marietta, GA 300666340	E Telephone number (770) 792-5023
	H(a) Is this a group return for affiliates? ☐ Yes ☒ No	G Gross receipts \$ 55,636,770
	H(b) Are all affiliates included? ☐ Yes ☐ No If "No," attach a list (see instructions)	
	H(c) Group exemption number ▶	
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () ◀ (insert no) ☐ 4947(a)(1) or ☐ 527		
J Website: ▶ www.wellstar.org		
K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶		L Year of formation 1993
M State of legal domicile GA		

Part I		Summary	
Activities & Governance	1 Briefly describe the organization's mission or most significant activities To deliver world-class charitable healthcare		
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	18
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	14
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	570
6 Total number of volunteers (estimate if necessary)	6	85	
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0	
b Net unrelated business taxable income from Form 990-T, line 34	7b	0	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	889,511	862,003
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	64,682,449	54,476,459
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,182,350	-6,737
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	389,982	298,308
		67,144,292	55,630,033
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	25,156,709	27,888,675
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ ⁰		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	39,837,899	25,991,213
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	64,994,608	53,879,888
	19 Revenue less expenses Subtract line 18 from line 12	2,149,684	1,750,145
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	29,188,765	33,291,391
	21 Total liabilities (Part X, line 26)	11,816,978	11,439,314
	22 Net assets or fund balances Subtract line 21 from line 20	17,371,787	21,852,077

Part II Signature Block					
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.					
Sign Here	▶ Signature of officer			2012-05-15 Date	
	▶ JIMMY SWARTZ VP, ACCOUNTING Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ☐	PTIN
	Firm's name ▶ PricewaterhouseCoopers LLP				Firm's EIN ▶
	Firm's address ▶ 2001 MARKET ST SUITE 1700 PHILADELPHIA, PA 19103				Phone no ▶ (267) 330-3000
May the IRS discuss this return with the preparer shown above? (see instructions)					☒ Yes ☐ No

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

TO CREATE AND DELIVER HIGH QUALITY HOSPITAL, PHYSICIAN AND OTHER HEALTHCARE RELATED SERVICES THAT IMPROVE THE HEALTH AND WELL-BEING OF THE INDIVIDUALS AND COMMUNITIES WE SERVE

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No

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

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

4 Describe the 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 \$)	45,461,103	including grants of \$	(Revenue \$)	54,476,459
		Paulding Medical Center, Inc (an affiliate of Wellstar Health System, Inc) operates as a charitable organization consistent with the requirements of IRS Section 501 (c) (3) and the "community benefit standard" of IRS Revenue Ruling 69-545. In this regard, the governing body of the organization and/or its parent is composed of prominent citizens in the community, medical staff privileges in the hospital are available to all qualified physicians in the area, consistent with the size and nature of the facility, the hospital operates a full-time emergency room open to all regardless of ability to pay, the hospital provides care to needy members of its community consistent with its charity care policy regardless of their ability to pay for these services, and the hospital's excess funds are generally applied to expansion and replacement of existing facilities and equipment, amortization of indebtedness, improvement in patient care, community benefit activities, and charity care. Paulding had \$4.8 million in capital expenditures disbursed during the tax period reviewed. Wellstar Paulding Hospital is a general acute care hospital providing a full range of services to the community. The hospital is licensed to operate 83 beds and is presently staffed to operate 34 beds. Paulding Medical Center, Inc was organized in 1994. In 1994 Northwest Georgia Health System helped form the PROMINA Health System and changed its name to Promina Northwest Health System. In 1998 Promina Northwest changed its name to Wellstar Health System. Paulding Medical Center is subject to the authority and governing board of Wellstar Health System and the Paulding County Hospital Authority. Paulding Hospital provides a full range of inpatient and outpatient services characteristic of a community hospital. Paulding Nursing Home is located on the campus of the hospital and functions as part of the full range of health services provided to the community. The nursing home provides skilled long-term nursing care to persons requiring those services by reason of age or physical impairment. The nursing home is the only such facility in the Wellstar system. The following statistics constitute the overall program services provided for the period ended June 30, 2011: Adult Discharges 2,174; Nursing Facility Days 63,874; Medical & Surgical Short Stay Cases 284; Emergency Room Visits- 37,948; Outpatient Surgical Cases - 1,408; Inpatient Surgical Cases - 729; Outpatient Procedures Non ED OP Radiology 29,171 (15% increase from prior year); GI Laboratory - 380; Total FTEs Paid - 440; Community Benefit Reporting Community Outreach (incl system generated allocation) \$473,426; Unreimbursed Charity Care (at cost) \$4,450,428; Medicaid Shortfalls (at cost) \$2,226,674. As an affiliate of Wellstar Health System, Paulding Hospital participates in many community and educational programs for the overall health and benefit of the area that they serve. Accomplishments and Awards: The Paulding Nursing Home provides both subacute and long term care services to patients in the community. Since the nursing home is one of very few in the area and located on the medical complex campus it is very crucial to an ever expanding service area. Paulding Hospital is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). The parent company, Wellstar Health System, was again honored as one of the top 100 health systems in the country by <i>Verspan</i>. The system was ranked at #9 as listed in the magazine, "Modern Healthcare", and is the highest ranked system in the state. All of Wellstar hospital laboratories including Paulding were awarded "Accreditation with Distinction" by the Commission on Laboratory Accreditation of the College of American Pathologists (CAP). CAP awards are considered one of the most stringent in laboratory quality assurance in the industry. Wellstar Health System ranks in the Top 10 of the Working Mother 100 Best Companies List. Wellstar ranked number 13 in Atlanta's Top 25 Employers by the publication "Atlanta Business Chronicle". Wellstar was recognized as a "Company that Cares" for 2010-2011 which was the fourth year in a row the system was honored. The system began participating in <i>Terrific Tales</i>, a Company that Cares sponsored literacy project. Several Wellstar hospitals took on the challenge of purchasing quality books for local elementary school libraries in underserved areas. Paulding Hospital adopted a local school (Poole Elementary) and helped the system raise funds to purchase books for that and other local schools. Paulding Hospital and Nursing Home embraced the senior community it serves by celebrating National Older People's Month. The hospital has activities that help honor the seniors with events and educational sessions. Wellstar Health System was named to the AARP National Employer Team for its commitment to recruiting older employees. Wellstar also has several partnerships with local colleges to provide clinical training for nursing and therapy students to complement their classroom curriculum in those areas. One of Wellstar's own, Cecilia Byers, was honored by the Governor of Georgia as the Biomedical Engineer of the Year. The award recognized her commitment to education, professional integrity and community involvement. Ms Byers serves the biomedical needs at Paulding, Douglas, Cobb and Windy Hill hospitals and other Wellstar entities. She helps mentor Chattahoochee Technical School students in an internship at Wellstar as well as a local high school Magnet program in Cobb County and Paulding County schools. Paulding Hospital was recognized by VHA, Inc. for sustaining impressive clinical results. VHA "blueprinted" the hospital's practices in reducing ventilator-associated pneumonia and central line catheter-related blood stream infections to zero. These practices were then made available to other VHA member hospitals. Wellstar plans to build a new state-of-the-art 100 bed general acute care hospital in Paulding County by 2014 to replace the current facility. Paulding County is one of the fastest growing counties in not only the state but across the country which makes this endeavor even more crucial for the community. Wellstar's Congregational Health Ministry presented at the 24th Annual Westber Parish Nurse Symposium. The presentation was entitled "Diabetes Prevention for Hispanics/Latinos Using Community Health in Faith-based Setting: A Collaborative Approach." Hispanics/Latinos are at a high risk for Type 2 Diabetes. Through a collaboration with KSU's Ideal Project (Initiative for Diabetes Education Advancement for Latinos), two local parishes and Wellstar, a community health program was developed for Latinos to improve the acceptance of health messages and subsequently prevent or delay the onset of diabetes. The program is gaining acceptance even though the numbers and outcomes are small at this point. Wellstar Health System (including Paulding Hospital) has improved employee safety over the last several years through reporting, education and return to work programs. The results are: employee injury and illness rate decreased from 12.2 to 1.9 over three years; workers compensation claims decreased 89% over the same period, and lost time / indemnity claims decreased 105 to 7 over three years. These safety initiatives translate into improved patient safety. Wellstar opened its Paulding Sleep Medicine location in November of 2010. Wellstar Sleep Medicine is one of the largest programs in the country accredited by the American Academy of Sleep Medicine. This location can accommodate four patients and provide convenient access for patients in the Paulding service area. Paulding Hospital received a Quality and Patient Safety Award from the GHA Partnership for Health and Accountability (PHA) for its project that reduced re-admissions. The project "Redesigning the Discharge Process to Reduce Re-admissions and Improve Patient Safety" won second place in the less than 100 bed category.				

[illegible][illegible]

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

4e	Total program service expenses	\$ 45,461,103
-----------	---------------------------------------	----------------------

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	No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	
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	No
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	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, 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		No
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		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
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		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
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		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	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		No
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> ☐ Yes ☒ No			
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	0			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c				
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	570	2b	Yes	
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).					
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a				No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b				
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a				No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a				No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b				No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c				
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a				No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b				
7	Organizations that may receive deductible contributions under section 170(c).					
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a				No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b				
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c				No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e				No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f				No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g				
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h				
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8				
9	Sponsoring organizations maintaining donor advised funds.					
a	Did the organization make any taxable distributions under section 4966?	9a				
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b				
10	Section 501(c)(7) organizations. Enter:					
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b				
11	Section 501(c)(12) organizations. Enter:					
a	Gross income from members or shareholders.	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b				
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a				
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b				
13	Section 501(c)(29) qualified nonprofit health insurance issuers.					
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a				
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b				
c	Enter the amount of reserves on hand.	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a				No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b				

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.
Check if Schedule O contains a response 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	1a18		
b	Enter the number of voting members included in line 1a, above, who are independent	1b14		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	Yes	
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Does the organization have members or stockholders?	6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		No
b	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?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," 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?	16b		

Section C. Disclosure	
17	List the States with which a copy of this Form 990 is required to be filedGA
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. JAMES M SWARTZ 805 SANDY PLAINS ROAD Marietta, GA 300666340 (770) 792-5023

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

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: 23

		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) Name and business address	(B) Description of services	(C) Compensation
Brasfield Gorrie 1990 Vaughn Rd NW Suite 100 MARIETTA, GA 30144	General Contractor	189,350
HKS Inc PO BOX 731121 DALLAS, TX 753731121	General Contractor	107,991
Progressive Transcription Service I PO Box 1357 BLUE RIDGE, GA 30513	Transcription Serv	143,366
Surgical Operational Service 505 Commerce Park Drive Suite G MARIETTA, GA 30060	SUPPLY CONSULTING	161,228
AIKEN GRADING COMPANY PO BOX 106 DALLAS, GA 30132	General Contractor	119,382
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 ▶6		

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		862,003			512, 513, or 514	
	b	Membership dues	1b						
	c	Fundraising events	1c						
	d	Related organizations	1d						
	e	Government grants (contributions)	1e	862,003					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f						
	g	Noncash contributions included in lines 1a-1f \$							
	h	Total. Add lines 1a-1f							
	Program Service Revenue	2a							Business Code
		HOSPITAL PATIENT REVENUE			621990	54,476,414	54,476,414		
b		MEDICAL RECORDS			621990	45	45		
c									
d									
e									
f		All other program service revenue							
g		Total. Add lines 2a-2f				54,476,459			
Other Revenue		3	Investment income (including dividends, interest and other similar amounts)				0		
	4	Income from investment of tax-exempt bond proceeds . . .				0			
	5	Royalties				0			
	6a	Gross Rents	(i) Real	(ii) Personal	26,031			26,031	
	b	Less rental expenses	26,031						
	c	Rental income or (loss)	26,031						
	d	Net rental income or (loss)							
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other	-6,737			-6,737	
	b	Less cost or other basis and sales expenses		6,737					
	c	Gain or (loss)		-6,737					
	d	Net gain or (loss)							
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18				0			
	b	Less direct expenses	a						
	c	Net income or (loss) from fundraising events . . .							
	9a	Gross income from gaming activities See Part IV, line 19 . . .				0			
	b	Less direct expenses	a						
	c	Net income or (loss) from gaming activities . . .							
	10a	Gross sales of inventory, less returns and allowances				0			
	b	Less cost of goods sold	a						
	c	Net income or (loss) from sales of inventory . . .							
		Miscellaneous Revenue			Business Code				
11a	GROUND LEASE REVENUE			532000	16,000		16,000		
b	CAFETERIA			722210	207,391		207,391		
c	IMMUNIZATIONS			621990	8,645		8,645		
d	All other revenue				40,241		40,241		
e	Total. Add lines 11a-11d				272,277				
12	Total revenue. See Instructions				55,630,033	54,476,459	0	291,571	

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	0			
2	Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	331,881	279,311	52,570	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	22,288,852	18,758,714	3,530,138	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,582,712	1,334,226	248,486	
9	Other employee benefits	2,050,381	1,728,471	321,910	
10	Payroll taxes	1,634,849	1,378,178	256,671	
a	Fees for services (non-employees)				
	Management	0			
b	Legal	73,894	44,336	29,558	
c	Accounting	0			
d	Lobbying	0			
e	Professional fundraising services See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	1,199,648	1,137,753	61,895	
12	Advertising and promotion	1,716	513	1,203	
13	Office expenses	7,239,178	7,036,786	202,392	
14	Information technology	0			
15	Royalties	0			
16	Occupancy	1,022,772	657,888	364,884	
17	Travel	51,050	29,520	21,530	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	41,590	10,977	30,613	
20	Interest	55,410		55,410	
21	Payments to affiliates	11,090,644	9,377,140	1,713,504	
22	Depreciation, depletion, and amortization	3,147,615	2,102,620	1,044,995	
23	Insurance	30,507		30,507	
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	REPAIRS & MAINTENANCE	1,244,564	792,663	451,901	
b	OTHER OPERATING EXPENSE	2,625	2,007	618	
c	NURSING HOME PROVIDER FEES	790,000	790,000		
d					
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	53,879,888	45,461,103	8,418,785	0
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			1,550	1	1,400
	2	Savings and temporary cash investments			36,495	2	64,220
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			4,752,999	4	6,795,542
	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				7	
	8	Inventories for sale or use			988,957	8	1,095,030
	9	Prepaid expenses and deferred charges			616,913	9	358,555
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a	51,711,362			
	b	Less: accumulated depreciation	10b	27,435,831	22,044,961	10c	24,275,531
	11	Investments—publicly traded securities				11	
	12	Investments—other securities. See Part IV, line 11				12	
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			746,890	15	701,113
16	Total assets. Add lines 1 through 15 (must equal line 34)			29,188,765	16	33,291,391	
Liabilities	17	Accounts payable and accrued expenses			4,994,847	17	5,087,405
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities				20	
	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			298,696	23	0
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities. Complete Part X of Schedule D			6,523,435	25	6,351,909
	26	Total liabilities. Add lines 17 through 25			11,816,978	26	11,439,314
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			17,371,787	27	21,852,077
	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			17,371,787	33	21,852,077
34	Total liabilities and net assets/fund balances			29,188,765	34	33,291,391	

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	55,630,033
2	Total expenses (must equal Part IX, column (A), line 25)	2	53,879,888
3	Revenue less expenses Subtract line 2 from line 1	3	1,750,145
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	17,371,787
5	Other changes in net assets or fund balances (explain in Schedule O)	5	2,730,145
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	21,852,077

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
PAULDING MEDICAL CENTER INC

Employer identification number
58-2095884

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 IIIPart 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 section501(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).

Additional Data

Software ID:
Software Version:
EIN: 58-2095884
Name: PAULDING MEDICAL CENTER 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			
Randall Bentley Board Member- Chairman	1 0	X						0	17,242	0
Robert N Cross MD Board Member	1 0	X						0	4,678	0
TE Durham Board Member	1 0	X						0	31,751	1,255
Thomas E Gearhard MD Board Member	1 0	X						0	389,972	28,532
David Hafner MD Board Member	1 0	X						0	16,011	0
Charles J Jones Board Member	1 0	X						0	13,123	0
Connie Kirk Board Member	1 0	X						0	5,044	0
Janie Maddox Board Member -Vice Chair	1 0	X						0	14,609	0
Gary A Miller Board Member	1 0	X						0	2,721	0
Steven W Oweida MD Board Member, Chair	1 0	X						0	17,242	0
Tom Phillips Board Member	1 0	X						0	2,754	0
Walter G Robinson Board Member	1 0	X						0	7,065	0
Otis Brumby III Board Member	1 0	X						0	1,727	0
W Allen Separk Board Member	1 0	X						0	7,984	0
T Fitz Johnson Board Member	1 0	X						0	1,742	0
Jeffery Tharp MD Board Member	1 0	X						0	446,816	28,567
Robert G Warner MD Board Member	1 0	X						0	3,142	0
Charles Pete Wood Board Member	1 0	X						0	12,872	0
A James Budzinski Exec VP and CFO	2 0			X				0	585,666	33,803
Gregory L Simone MD President and CEO	2 0			X				0	3,972,245	172,966
Bonnie Wilson Exec VP and General Counsel	2 0			X				0	1,480,015	71,627
David Anderson Exec VP HR/OL/CCO	2 0			X				0	512,652	29,200
Donald Campbell MD SrVP & Medical Director	2 0			X				0	392,680	24,541
Barbara B Corey Sr VP Managed Care	2 0			X				0	353,270	21,091
Bruce Dean VP & Asst Gen Counsel	2 0			X				0	246,466	19,958

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				
Marcia Delk MD Sr VP Medical Affairs & CQO	2 0			X				0	424,456	33,113	
K Darold Etheridge VP Finance	2 0			X				0	231,132	14,571	
Lee Evins VP Revenue Cycle Mgmt	2 0			X				0	248,506	18,089	
T Mark Haney Sr VP Bus Develop & Hosp Admin	50 0			X				0	331,882	23,979	
Christopher Kane Sr VP Strategic Planning	2 0			X				0	400,365	26,918	
Kenneth Kunze MD Sr VP and Chief Med Officer	2 0			X				0	687,208	37,043	
Lou Little Sr VP Post Acute & Hosp Admin	2 0			X				0	283,210	24,158	
Kimberly Menefee Sr VP Public Affairs & Gov Rel	2 0			X				0	330,316	22,272	
Ronald Strachan Sr VP & CIO	2 0			X				0	417,826	27,923	
ROBERT MANDLER VP Diagnostic Outreach	2 0			X				0	262,785	18,444	
MICHAEL GRAUE EXEC VP COO	2 0			X				0	691,292	44,574	
JONATHAN MORRIS VP & Chief Med Info Officer	2 0			X				0	334,194	23,933	
ELLEN LANGFORD VP & COO PHY GRP	2 0			X				0	228,643	16,661	
Anthony M Trupiano VP Supply Chain	2 0			X				0	285,303	16,534	
Robin Wilson MD VP Medical Management	2 0			X				0	340,020	24,726	
Joseph L Brywcznski Sr VP Health Parks Admin	2 0			X				0	216,142	14,427	
Elizabeth A Hoffmann VP Budget & Analysis	2 0			X				0	230,428	10,860	
Richard T Lopes MD Sr VP & Pres Wellstar Phy Grp	2 0			X				0	513,606	28,822	
James M Swartz VP Accounting	2 0			X				0	169,532	9,148	
Mary L Wesley Sr VP Nursing Services & CNE	2 0			X				0	294,140	14,070	
Barbara G Ballard VP Homecare and Hospice	2 0			X				0	120,827	7,602	
Carol S Edwards VP Cardiac Services	2 0			X				0	117,869	6,022	
Robert D Jansen MD VP Medical Affairs	2 0			X				0	368,959	20,365	
Beth Kost VP Compliance/Ch Privacy Offr	2 0			X				0	244,689	16,135	
Brett Scullen VP Pulmonology Operations	2 0			X				0	80,312	3,785	

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			
Adam C Thompson VP Surgery	2 0			X				0	176,957	9,710
Leo E Reichert Exec VP and General Counsel	2 0			X				0	0	0
Deborah DeVita Roegge VP Women's and Newborn Srvc	2 0			X				0	0	0
John Law Asst VP Operations	50 0					X		165,321	0	12,433
Andrea M Parson Dir Pharmacy	50 0					X		143,531	0	14,687
Michael Ott RN	50 0					X		133,794	0	13,322
Vicky Lynn Hogue AVP CNO Patient Care Srvc	50 0					X		182,762	0	17,100
Bolan Dreher Pharmacist	50 0					X		136,253	0	11,997
Marsha Burke Former Exec VP and CFO	1 0						X	0	190,475	12,395
Linda A Clark Exec VP and COO	1 0						X	0	255,306	10,595
Bruce Harrison Sr VP and CAO	2 0						X	0	455,869	22,304

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
PAULDING MEDICAL CENTER INC

Employer identification number
58-2095884

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
2a	
2b	
2c	
2d	

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

1b

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

1b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

2b

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					
1b Contributions					
1c Investment earnings or losses					
1d Grants or scholarships					
1e Other expenditures for facilities and programs					
1f Administrative expenses					
1g 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

(ii)

related organizations

b

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

	Yes	No
3a(i)		
3a(ii)		
3b		

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		3,170,972		3,170,972
1b Buildings		16,758,839	10,472,370	6,286,469
1c Leasehold improvements		355,612	271,387	84,225
1d Equipment		24,020,605	16,692,074	7,328,531
1e Other		7,405,334		7,405,334
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				24,275,531

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements			
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return			
1	Total revenue, gains, and other support per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
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	
c	Add lines 4a and 4b	4c	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return			
1	Total expenses and losses per audited financial statements	1	
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	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
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	
c	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	

Part XIV Supplemental 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
SCH D PART X, LINE 2-LIABILITIES		The following footnote is taken from the audited financial statements for Wellstar Health System and Affiliates (including Paulding Medical Center): "WellStar and all but one of its affiliates have been recognized as exempt from Federal income tax under Internal Revenue Code Section 501(a) as organizations described in Section Sec 501(c)(3) and, therefore, related income is generally not subject to Federal or state income taxes. CAC is a controlled foreign corporation not subject to Federal tax. WellStar applies FASB ASC 740, Income Taxes, which addresses accounting for uncertainties in income tax positions. It also provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined. There is no impact on WellStar's combined financial statements as a result of the application of ASC 740."

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
PAULDING MEDICAL CENTER INC

Employer identification number
58-2095884

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	
b	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>125. %</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 _____ % 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?	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		No
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? Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			4,450,428		4,450,428	8 230 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			6,656,798	4,430,124	2,226,674	4 120 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			11,107,226	4,430,124	6,677,102	12 350 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			53,563		53,563	0 100 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)						
j Total Other Benefits			53,563		53,563	0 100 %
k Total. Add lines 7d and 7j			11,160,789	4,430,124	6,730,665	12 450 %

Part II

Community 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
1	Physical improvements and housing					
2	Economic development					
3	Community support					
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy					
8	Workforce development					
9	Other					
10	Total					

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes
2	Enter the amount of the organization's bad debt expense (at cost)	2	5,285,894
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	1,311,742
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	10,719,079
6	Enter Medicare allowable costs of care relating to payments on line 5	6	16,881,952
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-6,162,873
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
b	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 IV

Management 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? _____

Name and address	Type of Facility (Describe)
1	
1	
2	
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
Publication of Annual Community Benefit Report	Sch H Part I Line 6a	Paulding Medical Center, Inc is an affiliate of Wellstar Health System, Inc which on an annual basis issues a community benefit report This report is subsequently distributed in and around the five county service area of the health system

Identifier	ReturnReference	Explanation
Cost to Charge Ratio	Sch H Part I Line 7	For purposes of the IRS Form 990 Schedule H, Wellstar Health System and Affiliates (including Paulding Hospital) have estimated the current year cost to charge ratio for each hospital as it is reported in the annual community benefit report and as it will be reported in the state's Annual Hospital Financial Survey

Identifier	ReturnReference	Explanation
Footnote on Bad Debt and Rationale for Community Benefit	Schedule H Part III Line 4	The following footnote is detailed in the Wellstar Health System, Inc. and Affiliates Combined Financial Statements related to bad debt or uncollectible accounts "During 2011, Wellstar adopted the provisions of FASB Accounting Standards Update (2011-07), Healthcare Entities (Topic 954) ASU 2011-07 requires the reclassification of the provision for uncollectible accounts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) " " Wellstar recognizes patient service revenue associated with services provided to patients with third-party payor coverage on the basis of contractual rates for the services rendered For uninsured patients that do not qualify for community financial aid, Wellstar recognizes revenue on the basis of its discounted rates for services provided On the basis of historical experience, a significant portion of Wellstar's uninsured patients are unable or unwilling to pay for the services provided Thus, Wellstar records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided " Subsequent to the end of the reporting period a propensity to pay review of patient accounts often results in prior year bad debt accounts which are deemed eligible for the organization's financial assistance policy Those bad debt accounts are reclassified as charity and thus our rationale for including as community benefit

Identifier	ReturnReference	Explanation
Medicare Shortfalls	Sch H Part III Line 8	Paulding Hospital is a provider of inpatient and outpatient services to Medicare program beneficiaries at determined rates. Without the participation in the Medicare program, these patients may not have had convenient access to those services. The Medicare shortfall on line 7 represents the uncompensated difference between the expected reimbursement and the Medicare charges for those services stated at cost. We determine a cost to charge ratio for Medicare patients as part of the annual filing of the Medicare cost report.

Identifier	ReturnReference	Explanation
Collection Practices	Sch H Part III Sec C Line 9b	The policy written for collection practices that applies to all Wellstar Health System entities incorporates guidelines for personnel in the admissions and patient access areas to be trained in identifying patients that might qualify for financial assistance. It is also the policy of all Wellstar facilities to have at least one employee or contractor available at all times, especially in the hospitals with emergency rooms, who can provide assistance with the paperwork necessary to help patients who would qualify for governmental and other assistance programs.

Identifier	ReturnReference	Explanation
Hospital Description	Schedule H Part V	Wellstar Paulding Hospital is a general acute care hospital providing a full range of services. It is licensed to operate 83 beds by the State of Georgia but is staffed to operate 34 beds. The hospital is located on 50-acre campus in Dallas, Georgia in a complex of commercial buildings containing approximately 230,000 square feet. The original hospital was built in 1958 and since that time has seen at least five major structural additons and renovations. A new state of the art replacement hospital is planned to open in 2014.

Identifier	ReturnReference	Explanation
Needs Assessment	Schedule H Part VI Line 2	Wellstar Health System (and affiliates) is a key stakeholder in MAPP, Mobilizing for Action through Planning and Partnerships MAPP, developed by the National Association of County and City Health Officials (NACCHO) in collaboration with the CDC, provides a structured guidance on creating and implementing a community-wide strategic planning process focused on improving the health and safety of our population Through MAPP, a broad collection of community partners and residents come together to identify and prioritize health and safety issues and to identify resources for addressing them The process results in an actionable community health improvement plan (CHIP) for measurable improvements in the community's health and quality of life as well as a scorecard for implementation and evaluation The resulting community plan does not focus on one agency or community health challenge, rather, MAPP provides a long-term strategy that addresses the multiple factors that affect health in the community Community involvement throughout the creation and the implementation of a health improvement plan results in creative solutions to community health problems with an improved focus on priorities, reduced duplication of services, increased collaboration on projects and activities, and increased capacity to garner additional resources Moreover, continous community involvement leads to community ownership of the process Community ownership, in turn, increases the credibility and sustainability of the health improvement efforts

Identifier	ReturnReference	Explanation
Patient Education of Eligibility for Assistance	Schedule H Part VI Line 3	Paulding Hospital provides its patients with hospital personnel or contracted personnel who are trained in all aspects of governmental programs, payments plans, charity discounts, and other financial assistance offered to assist them in their hospital bills. If the patient is eligible for federal or state assistance programs, a staff member is knowledgeable in the steps necessary to qualify those individuals. If a patient is indigent or charity eligible they will be offered assistance through the hospital's charity and indigent care policy including the state's indigent care trust fund. If the patient has no other insurance and fails to qualify for indigent care assistance, the financial counselor can then offer the patient an opportunity to accept a payment plan with discounted payment options based on their ability to pay immediately or over time. All patient are afforded these opportunities.

Identifier	ReturnReference	Explanation
Community Information	Schedule H Part VI Line 4	Paulding Hospital is one of five hospitals that are affiliated with the parent corporation, Wellstar Health System. The primary service area of the system is located in the Northwest Georgia area and receives the majority of its patients from one of five counties (Cherokee, Cobb, Douglas, Bartow and Paulding). Generally about 85% to 90% of the patient volume comes from this service area although other health systems have a presence in the area as well. Demographically the region is one of the fastest growing in the state as well as the country and the expansion of the services for the patient population reflects a desire to offer healthcare "closer to home" since Wellstar is considered a part of a larger metropolitan Atlanta market. Economically the region is strong in per capita income but given recent trends a rise in the uninsured and indigent population has occurred.

Identifier	ReturnReference	Explanation
Affiliated Health Care System Roles	Schedule H Part VI Line 7	As stated in the Wellstar Health System, Inc and Affiliates audited financial statments for the period ended June 30, 2011, Paulding Hospital (an affiliate of Wellstar Health System, Inc) operates as a charitable organization consistent with the requirements of Internal Revenue Code Sect 501 (c) (3) and the "community benefit standard" of IRS Ruling 69-545 In this regard the governing body of the organization and/or ist parent is composed of prominent citizens in the community, medical staff privileges in the hospital are available to all qualifed physicians in the area consistent with the size and nature of the facility, the hospital operates a full-time emergency room open to all regardless of ability to pay, and the hospital provides care to the needy members of the community consistent with its charity care policy The hospital's excess funds are genrally applied to expansion and replacement of existing facilities and equipment, amortization of indebtedness, improvement fo patient care, community benefit activities, and charity care Paulding Hospital committed approximately \$4 8 million in capital expenditures for the year to meet those needs

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
PAULDING MEDICAL CENTER INC

Employer identification number

58-2095884

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		No
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?	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?	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?		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?		No
b	Any related organization?		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?		No
b	Any related organization?		
	If "Yes," to line 6a or 6b, describe in Part III		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	Yes	
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		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?		

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
SEVERANCE BENEFITS	SCHEDULE J	Pursuant to their respective employment agreements, the following groups of officers are entitled to severance payments based on their base salary and wages at that time in the event of certain identified circumstances. The officers with a severance payment period of 24 months as per their contractual agreement are David Anderson, Marsha Burke, Linda Clark, Gregory Simone MD, and Bonnie Wilson. The officers with a severance payment period of 18 months as per their respective agreements are Joseph Brywczyński, A James Budzinski, Donald Campbell MD, Barbara Corey, Marcia Delk MD, Michael Graue, T Mark Haney, Bruce Harrison, Robert Jansen MD, Christopher Kane, Kenneth Kunze MD, Lou Little, Richard Lopes MD, Kimberly Menefee, Craig Owens, Tarey Ray, Leo E Reichert, Ron Strachan, Mary L Wesley. The officers with a severance payment period of 12 months as per their agreement: Barbara Ballard, Bruce Dean, Carol Edwards, Darold Etheridge, Lee Evins, Robert Hamilton, Elizabeth Hoffmann, Beth Kost, Ellen Langford, Robert Mandler, Jonathan Morris MD, Deborah Roegge DeVita, C Brett Scullen, James Swartz, Mary L Tavernaro, Adam Thompson, Anthony Trupiano, Robin Wilson MD. During the calendar year, the following individuals received a payout in the amounts listed in accordance with their severance agreements as set forth above: Marsha Burke \$ 190,475; Linda Clark \$ 255,306; Teresa Ray \$ 99,120; Bruce Harrison \$ 455,868; Gregory L Simone \$ 3,518,524; Bonnie Wilson \$ 1,124,436.
Non-Fixed Payments to Officers	Form 990 Schedule J Line 7	Wellstar has instituted an annual incentive plan for key leaders in the company. On an annual basis performance measures are proposed by management and recommended and approved by the Compensation Committee of the Board. The plan is designed to retain and reward leaders with incentives that keep them competitive with the market and comparable health systems. The criteria used to measure the performance consists of weighted factors in the areas of financial performance, customer service, employee engagement and quality indicators. Upon successful achievement in various targeted levels for each factor an overall performance measurement is developed for each individual. Based on that measurement a performance payout is recommended and approved by the Board of Trustees after the annual financial audit is completed.
Other Compensation	Form 990, Schedule J, Part 1B & 2	While Wellstar Health System and its affiliates do not have a written policy regarding payment or reimbursement of the items listed in Part 1 Line 1a, the organization follows IRS guidelines in the payment of any of these items to individuals listed in Form 990 Part VII Section A. These items are added as taxable wages on the individual's Form W-2 as appropriate.
Compensation Exceptions		On Schedule J of IRS Form 990 the following individuals were employed by Wellstar Health System, Inc. as officers during the fiscal year reporting period but had no salary and benefits reported during the calendar year for which this schedule applies: LEO E REICHERT, DEBORAH ROEGGE DE VITA.

Software ID:

Software Version:

EIN: 58-2095884

Name: PAULDING MEDICAL CENTER INC

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Thomas E Gearhard MD	(i)	0	0	0	0	0	0	0
	(ii)	242,155	139,755	8,062	21,262	7,270	418,504	0
Jeffery Tharp MD	(i)	0	0	0	0	0	0	0
	(ii)	275,580	119,178	52,058	23,584	4,983	475,383	0
A James Budzinski	(i)	0	0	0	0	0	0	0
	(ii)	434,410	138,539	12,717	29,307	4,496	619,469	0
Marsha Burke	(i)	0	0	0	0	0	0	0
	(ii)	190,475	0	0	10,655	1,740	202,870	0
Linda A Clark	(i)	0	0	0	0	0	0	0
	(ii)	255,306	0	0	10,595	0	265,901	0
Gregory L Simone MD	(i)	0	0	0	0	0	0	0
	(ii)	814,552	372,600	2,785,093	169,533	3,433	4,145,211	0
Bonnie Wilson	(i)	0	0	0	0	0	0	0
	(ii)	414,885	126,556	938,574	66,357	5,270	1,551,642	0
David Anderson	(i)	0	0	0	0	0	0	0
	(ii)	379,036	118,871	14,745	25,947	3,253	541,852	0
Donald Campbell MD	(i)	0	0	0	0	0	0	0
	(ii)	304,092	77,660	10,928	21,047	3,494	417,221	0
Barbara B Corey	(i)	0	0	0	0	0	0	0
	(ii)	271,931	70,439	10,900	19,591	1,500	374,361	0
Bruce Dean	(i)	0	0	0	0	0	0	0
	(ii)	197,308	39,928	9,230	14,509	5,449	266,424	0
Marcia Delk MD	(i)	0	0	0	0	0	0	0
	(ii)	326,735	86,581	11,140	22,854	10,259	457,569	0
K Darold Etheridge	(i)	0	0	0	0	0	0	0
	(ii)	191,995	30,437	8,700	13,630	941	245,703	0
Lee Evins	(i)	0	0	0	0	0	0	0
	(ii)	183,954	36,757	27,795	14,120	3,969	266,595	0
T Mark Haney	(i)	0	0	0	0	0	0	0
	(ii)	250,475	67,625	13,782	18,815	5,164	355,861	0
Bruce Harrison	(i)	0	0	0	0	0	0	0
	(ii)	283,156	4,564	168,149	20,737	1,567	478,173	0
Christopher Kane	(i)	0	0	0	0	0	0	0
	(ii)	308,673	80,630	11,062	21,648	5,270	427,283	0
Kenneth Kunze MD	(i)	0	0	0	0	0	0	0
	(ii)	532,359	142,962	11,887	33,411	3,632	724,251	0
Lou Little	(i)	0	0	0	0	0	0	0
	(ii)	219,648	52,762	10,800	16,822	7,336	307,368	0
Kimberly Menefee	(i)	0	0	0	0	0	0	0
	(ii)	252,707	66,022	11,587	18,694	3,578	352,588	0
Ronald Strachan	(i)	0	0	0	0	0	0	0
	(ii)	278,129	73,374	66,323	21,239	6,684	445,749	0
John Law	(i)	135,650	21,244	8,427	9,516	2,917	177,754	0
	(ii)	0	0	0	0	0	0	0
Andrea M Parson	(i)	130,805	12,626	100	8,573	6,114	158,218	0
	(ii)	0	0	0	0	0	0	0
Vicky Lynn Hogue	(i)	150,245	23,467	9,050	10,764	6,336	199,862	0
	(ii)	0	0	0	0	0	0	0
ROBERT MANDLER	(i)	0	0	0	0	0	0	0
	(ii)	195,977	37,704	29,104	14,866	3,578	281,229	0
MICHAEL GRAUE	(i)	0	0	0	0	0	0	0
	(ii)	513,657	164,927	12,708	33,859	10,715	735,866	0
JONATHAN MORRIS	(i)	0	0	0	0	0	0	0
	(ii)	256,833	50,211	27,150	18,905	5,028	358,127	0
ELLEN LANGFORD	(i)	0	0	0	0	0	0	0
	(ii)	182,066	37,877	8,700	14,188	2,473	245,304	0
Anthony M Trupiano	(i)	0	0	0	0	0	0	0
	(ii)	230,311	45,692	9,300	16,534	0	301,837	0
Robin Wilson MD	(i)	0	0	0	0	0	0	0
	(ii)	277,804	53,016	9,200	14,456	10,270	364,746	0
Joseph L Brywcznski	(i)	0	0	0	0	0	0	0
	(ii)	167,838	0	48,304	12,397	2,030	230,569	0
Elizabeth A Hoffmann	(i)	0	0	0	0	0	0	0
	(ii)	171,895	15,669	42,864	9,605	1,255	241,288	0
Richard T Lopes MD	(i)	0	0	0	0	0	0	0
	(ii)	405,473	0	108,133	26,209	2,613	542,428	0
James M Swartz	(i)	0	0	0	0	0	0	0
	(ii)	147,399	14,973	7,160	7,113	2,035	178,680	0
Mary L Wesley	(i)	0	0	0	0	0	0	0
	(ii)	214,845	19,059	60,236	12,190	1,880	308,210	0
Robert D Jansen MD	(i)	0	0	0	0	0	0	0
	(ii)	311,389	48,653	8,917	15,337	5,028	389,324	223,267
Beth Kost	(i)	0	0	0	0	0	0	0
	(ii)	209,311	30,428	4,950	14,503	1,632	260,824	0
Adam C Thompson	(i)	0	0	0	0	0	0	0
	(ii)	148,759	16,996	11,202	7,351	2,359	186,667	0

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
PAULDING MEDICAL CENTER INC

Employer identification number

58-2095884

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

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
See Additional Data Table					

Part V

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

Identifier	Return Reference	Explanation
Business Transactions with Interested Parties	Form 990 Schedule L Part IV	All transactions listed in Schedule L Part IV are for interested parties or in this case family members of either trustees or officers of Kennestone Hospital, Inc or its related organizations The transactions all represent payment of services as employees of Wellstar Health System

Additional Data

Software ID:
Software Version:
EIN: 58-2095884
Name: PAULDING MEDICAL CENTER INC

Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(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
PAMELA ETHERIDGE	WIFE OF OFFICER	53,737	WELLSTAR EMPLOYEE		No
GREG FORTGANG	SON-IN-LAW OF BD MEMBER	102,382	WELLSTAR EMPLOYEE		No
GEORGE FLEMING	BROTHER OF OFFICER	59,478	WELLSTAR EMPLOYEE		No
AMY SIMONE	DAUGHTER OF OFFICER	72,052	WELLSTAR EMPLOYEE		No
MATTHEW MADDOX	SON OF BOARD MEMBER	38,489	WELLSTAR EMPLOYEE		No
BONNIE MILLER	WIFE OF BOARD MEMBER	28,417	WELLSTAR EMPLOYEE		No
GREG SEPAK	SON OF BOARD MEMBER	25,847	WELLSTAR EMPLOYEE		No

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 PAULDING MEDICAL CENTER INC	Employer identification number 58-2095884
--	---

Identifier	Return Reference	Explanation
Tax Compliance 990T Explanation	Part V Line 3a & b UBIT	Paulding Medical Center, Inc had no unrelated business income for the reporting period but is filing a 990-T to supplement discovery of that income in future periods

Identifier	Return Reference	Explanation
Conflict of Interest Policy	Part VI Policies Line 12a, b & c	Our Conflict of Interest Policy requires all covered persons to annually review the policy and complete, sign and return the conflicts of interest survey and attestation to the Compliance Office. The policy requires an on-going disclosure obligation in the event a conflict arises during the year. The following is our process to regularly and consistently monitor and enforce the policy. Compliance identifies all covered persons who must complete the Survey and Attestation. Compliance verifies that the survey and attestation is distributed to these persons. Compliance verifies that these persons return a fully completed and signed survey and attestation. Compliance reviews each completed and signed survey to identify all conflicts listed in the document. All conflicts, potential conflicts and incidences of non-compliance are referred to the Chief Compliance Officer. The CCO takes appropriate action to completely resolve all identified conflicts and incidences of non-compliance.

Identifier	Return Reference	Explanation
Process for Determining Executive Compensation	Part VI Section B Policies Line 15A & B	Wellstar engages the Hay Group to work with the governing board to review and recommend executive compensation. The executive compensation process at Wellstar is overseen by a committee of independent trustees, which follows a board-approved executive compensation philosophy. The current members of the Wellstar committee are Pete Wood, Janie Maddox, Al Separk, Board Chairman, Ex Officio CEO, Ex Officio. In committee discussions about the compensation for the Chief Executive Officer, the CEO will recuse himself from that process but is a non-voting committee member for discussions on all other officers. The executive compensation philosophy empowers the committee to oversee the executive compensation process and administer the executive compensation program on behalf of the full board of trustee of Wellstar, provided, however, the full Board of Trustees evaluates and approves the compensation of the Chief Executive Officer. The philosophy requires annual disclosure of the committee's actions and decisions to the full board, which it has done. The committee is guided by the board-approved philosophy. Overall, the philosophy is intended to reward for organizational and individual performance. When performance is at a predetermined targeted level, the compensation is intended to be at or around the median of compensation paid to similar positions at similar organizations (the "market"). Wellstar's executive compensation philosophy defines the market as being comprised of comparable not-for-profit health care delivery systems, i.e., not-for-profit organizations similar in complexity and scale to Wellstar. To assist the committee in fulfilling its duties, the committee engaged the Hay Group to provide market compensation data to compare to the Wellstar positions whose compensation the committee oversees. The committee uses this data to provide context when making decisions in administering the compensation program. Accurate minutes of the committee's discussion and decisions are recorded during each committee meeting, and reviewed and approved at the following committee meeting.

Identifier	Return Reference	Explanation
Consolidated Financial Statements	Form 990 Part IV Line 12 & Part XI Line 2b	Paulding Medical Center, Inc is audited on an annual basis by an outside auditing firm, KPMG, and as part of that audit a consolidated financial statement is issued for all of WellStar Health System, Inc and its Affiliates "The independent auditors report includes the accounts of Wellstar and its controlled affiliates, Kennestone Hospital, Inc , Cobb Hospital, Inc , Douglas Hospital, Inc , Paulding Medical Center, Inc , Wellstar Foundation, Inc CHS Foundation, Inc , Community Assurance Company, Ltd , various Wellstar owned physician practices, a hospice facility, a nursing facility, home health business, and entities for infusion therapy and durable medical equipment All significant intercompany accounts and transactions have been eliminated in combination The Board of Trustees of Wellstar has the authority to approve appointments of the members of the board of trustees of all affiliate corporations "

Identifier	Return Reference	Explanation
Tax-Exempt Bonds Allocation	Form 990 Part IV Line 24a & Part X	For purposes of the Form 990 reporting, Wellstar Health System, Inc EIN 58-1649541 will list all tax-exempt bonds issued since January 1, 2003 on Schedule K as it typically allocates the proceeds of the bonds to members of the Obligated Group (including the hospitals and physician group) Paulding Medical Center, Inc will report this tax exempt bond liability on Part X, Line 25 Other Liabilities Paulding Medical Center, Inc has also restated its beginning balance sheet with respect to tax exempt bond liabilities as the amounts allocated to tax exempt bond liabilities are now included on Line 25

Identifier	Return Reference	Explanation
Compensation Reported on Form 990	Form 990 Part X Lines 5-10 & Schedule J, J-1 & J-2	All compensation amounts reported on Form 990 Part IX Lines 5-10 and Schedules J, J-1 & J-2 represent compensation provided to individuals that provide services to Paulding Medical Center, Inc Likewise the number of employees reported on Part V Line 2a represent the number of individuals providing services to the organization All Federal Employment Tax responsibilities for those individuals are handled by Wellstar Health System, Inc (EIN 58-1649541)

Identifier	Return Reference	Explanation
Organizational Structure	Form 990 Part VI Section A Lines 6, 7a & 7b	As per the articles of incorporation, the sole member of the organization is Wellstar Health System, Inc , a GA nonprofit corporation. As sole member, Wellstar Health System holds certain powers of election an approval in connection with the governing body of the organization. These powers are presented in detail in the governing documents which the company makes available to the public upon request.

Identifier	Return Reference	Explanation
Form 990 Copy to Board of Directors	Form 990 Part VI Line 11A	Internal staff prepare the organization's Form 990. Before filing the return with the Internal Revenue Service an external accounting firm, PricewaterhouseCoopers, reviews and sign-offs on the completed return of each organization. The current year Form 990 is then reviewed by the Finance Committee along with a question and answer session. A motion is then made by the Finance committee to approve the returns and present to the full board copies of the forms in an electronic (pdf format) version as well as a hard copy. The organization's CFO or designee subsequently signs the return for either manual or electronic filing by the appropriate due date.

Identifier	Return Reference	Explanation
Officers Hours Worked	Form 990 General Statement & Schedule J	The officers devote their time to all of the organizations with Wellstar Health System that are listed in Schedule R, Part II. As such, the total hours worked by the officers across all of the organizations exceeds 40 hours per week.

Identifier	Return Reference	Explanation
Current Officers/Directors Relationships	FORM 990 PART VI, SECTION A LINE 2	For a portion of the tax year two officers and directors for WellStar Health System, Inc --EIN 58-1649541 are related to each other through family Lou Little, Sr VP Post Acute Services and Administrator of Windy Hill Hospital is the brother-in-law of Gregory Simone, former President and CEO for the system

Identifier	Return Reference	Explanation
Disclosure of Financial Documents	FORM 990 PART VI SECTION C Line 19	The organization and its subsidiaries are subject to the Open Records Law in the State of Georgia. Therefore, by law, citizens are permitted to inspect and copy its governing documents, policies and financial statements as may be requested from time to time. Additionally, the organization's Form 990 is made readily available on the Guidestar website. Periodically, the organization publishes its financial performance in the local newspaper for citizens to review, and it also publishes a community benefit report once a year for distribution to the public.

Identifier	Return Reference	Explanation
Bylaws Changes	Form 990, Line VI, Line 4	In November 2010 the bylaws of Wellstar Health System were amended to reflect that any retired trustees be provided benefits upon their retirement from service on the Board

Identifier	Return Reference	Explanation
SCHEDULE L PART IV TRANSACTIONS WITH INTERESTED PARTIES		Several transactions with interested parties of Paulding Medical Center Inc all fall below the \$100,000 threshold in business transactions

Identifier	Return Reference	Explanation
Changes In Net Assets	Form 990 Part XI Line 5	For the reporting period Paulding Medical Center, Inc had a change in net assets of \$2,730,145 related to transfers to affiliates as part of the allocation of income statement and balance sheet transactions over the year

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Thomas E Gearhard, MD TITLE Board Member HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Jeffery Tharp MD TITLE Board Member HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME A James Budzinski TITLE Exec VP and CFO HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Gregory L Simone, MD TITLE President and CEO HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Bonnie Wilson TITLE Exec VP and General Counsel HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME:David Anderson TITLE:Exec VP HR/OL/CCO HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Donald Campbell, MD TITLE SrVP & Medical Director HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Barbara B Corey TITLE Sr VP Managed Care HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Bruce Dean TITLE VP & Asst Gen Counsel HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Marcia Delk, MD TITLE Sr VP Medical Affairs & CQO HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME K Darold Etheridge TITLE VP Finance HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Lee Evins TITLE VP Revenue Cycle Mgmt HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Christopher Kane TITLE Sr VP Strategic Planning HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Kenneth Kunze, MD TITLE Sr VP and Chief Med Officer HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Lou Little TITLE Sr VP Post Acute & Hosp Admin HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Kimberly Menefee TITLE Sr VP Public Affairs & Gov Rel HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Ronald Strachan TITLE Sr VP & CIO HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME ROBERT MANDLER TITLE VP Diagnostic Outreach HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME MICHAEL GRAUE TITLE EXEC VP COO HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME JONATHAN MORRIS TITLE VP & Chief Med Info Officer HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME ELLEN LANGFORD TITLE VP & COO PHY GRP HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME:Anthony M Trupiano TITLE:VP Supply Chain HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Robin Wilson, MD TITLE VP Medical Management HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Joseph L Bryw cznski TITLE Sr VP Health Parks Admin HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Elizabeth A Hoffmann TITLE VP Budget & Analysis HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Richard T Lopes, MD TITLE Sr VP & Pres Wellstar Phy Grp HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME James M Swartz TITLE VP Accounting HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Mary L Wesley TITLE Sr VP Nursing Services & CNE HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Barbara G Ballard TITLE VP Homecare and Hospice HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Carol S Edwards TITLE VP Cardiac Services HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Robert D Jansen, MD TITLE VP Medical Affairs HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Beth Kost TITLE VP Compliance/Ch Privacy Offr HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Brett Scullen TITLE VP Pulmonology Operations HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Adam C Thompson TITLE VP Surgery HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Leo E Reichert TITLE Exec VP and General Counsel HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Deborah DeVita Roegge TITLE VP Women's and New born Srvcs HOURS 50

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
PAULDING MEDICAL CENTER INC

Employer identification number
58-2095884

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

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) CHS Foundation 805 Sandy Plains Road Marietta, GA 30066 58-1649540	Foundation	GA	501 (C) (3)	11	NA	Yes	
(2) Cobb Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-0968382	Healthcare	GA	501 (C) (3)	3	NA	Yes	
(3) Douglas Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-2026750	Healthcare	GA	501 (c) (3)	3	NA	Yes	
(4) Kennestone Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-2032904	Healthcare	GA	501 (c) (3)	3	NA	Yes	
(5) Wellstar Foundation 805 Sandy Plains Road Marietta, GA 30066 58-1627413	Foundation	GA	501 (c) (3)	11	NA	Yes	
(6) Wellstar Health System 805 Sandy Plains Road Marietta, GA 30066 58-1649541	Healthcare	GA	501 (c) (3)	11	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) Disproprtionate 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	
(1) Cobb Hospital Parking Company LLC 805 Sandy Plains Road Marietta, GA300666340 75-2999669	Parking	GA	NA	INVESTMENT	26,313	808,030		No			No	
(2) Kennestone East Parking Deck LLC 805 Sandy Plains Road Marietta, GA300666340 20-0537100	Parking	GA	NA	INVESTMENT	-64,045	2,719,346		No			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) Community Assurance Co 3rd Fl Barclays House Shedden Rd George Town, Grand Cayman, BWI CJ 58-1649541	Insurance	CJ	WHS Inc	C		58,594,428	100 000 %

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)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

2

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)			
(2)			
(3)			
(4)			
(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
------------	------------------	-------------

Software ID:
Software Version:
EIN: 58-2095884
Name: PAULDING MEDICAL CENTER INC

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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
CHS Foundation 805 Sandy Plains Road Marietta, GA 30066 58-1649540	Foundation	GA	501 (C) (3)	11	NA	Yes	
Cobb Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-0968382	Healthcare	GA	501 (C) (3)	3	NA	Yes	
Douglas Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-2026750	Healthcare	GA	501 (c) (3)	3	NA	Yes	
Kennestone Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-2032904	Healthcare	GA	501 (c) (3)	3	NA	Yes	
Wellstar Foundation 805 Sandy Plains Road Marietta, GA 30066 58-1627413	Foundation	GA	501 (c) (3)	11	NA	Yes	
Wellstar Health System 805 Sandy Plains Road Marietta, GA 30066 58-1649541	Healthcare	GA	501 (c) (3)	11	NA		No



WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2000
303 Peachtree Street, N E
Atlanta, GA 30308-3210

Independent Auditors' Report

The Board of Trustees
WellStar Health System, Inc

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WellStar's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 WellStar Health System, Inc and affiliates as of June 30, 2011 and 2010, and the results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 1(n), WellStar adopted the provisions of FASB Accounting Standards Update No. 2011-07, *Healthcare Entities (Topic 954)* during 2011. As discussed in note 1(k), WellStar has adopted the provisions of FASB Accounting Standards Codification 958, *Not-for-Profit Entities*, as it relates to subsequent accounting for goodwill and other intangible assets acquired in an acquisition, during 2011.

KPMG LLP

October 6, 2011

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Balance Sheets

June 30, 2011 and 2010

Assets	<u>2011</u>	<u>2010</u>
	(In thousands)	
Current assets		
Cash and cash equivalents	\$ 21,981	45,218
Patient accounts receivable, less allowance for uncollectible accounts of approximately \$187.6 million and \$139.3 million at June 30, 2011 and 2010, respectively	215,196	174,374
Assets limited as to use – required for current liabilities	5,294	3,920
Other current assets	45,164	41,611
Total current assets	287,635	265,123
Assets limited as to use	733,346	610,263
Property and equipment, net	607,541	584,503
Other assets	62,919	70,515
Total assets	\$ 1,691,441	1,530,404
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 61,524	55,084
Accrued salaries, wages, and benefits	41,149	57,480
Other accrued expenses	23,230	24,430
Current installments of long-term debt and capital lease obligations	7,857	4,418
Total current liabilities	133,760	141,412
Long-term debt and capital lease obligations, excluding current installments	341,685	349,526
Self-insurance reserves	64,933	69,103
Accrued pension liability	102,380	161,432
Other long-term liabilities	23,700	22,015
Total liabilities	666,458	743,488
Net assets		
Unrestricted	1,013,739	778,199
Temporarily restricted	7,544	5,024
Permanently restricted	3,700	3,693
Total net assets	1,024,983	786,916
Commitments and contingencies		
Total liabilities and net assets	\$ 1,691,441	1,530,404

See accompanying notes to combined financial statements

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Operations

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Unrestricted revenue, gains, and other support		
Patient service revenue, net of contractual allowances and discounts	\$ 1,571,455	1,509,805
Provision for uncollectible accounts	(241,303)	(229,629)
Net patient service revenue	1,330,152	1,280,176
Other revenue	27,263	27,286
Total unrestricted revenue, gains, and other support	1,357,415	1,307,462
Expenses		
Salaries and employee benefits	791,722	740,397
Supplies and other expenses	380,803	382,657
Depreciation and amortization	70,597	70,999
Interest	15,404	16,102
Total expenses	1,258,526	1,210,155
Operating income, before loss from unusual winter storm	98,889	97,307
Loss from unusual winter storm	(3,342)	—
Operating income	95,547	97,307
Nonoperating gains (losses)		
Investment income, net	79,908	44,878
Change in fair value of interest rate swap	3,291	(3,126)
Loss on extinguishment of long-term debt	—	(495)
Unrestricted revenue, gains, and other support in excess of expenses and losses	178,746	138,564
Accrued pension liability adjustments	58,562	(68,513)
Contributed property	—	3,000
Other	(1,768)	(1,897)
Increase in unrestricted net assets	\$ 235,540	71,154

See accompanying notes to combined financial statements

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Changes in Net Assets

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Permanently restricted net assets		
Contributions	\$ 24	19
Inflation adjustment to corpus as required by donor	10	18
Other	(27)	(8)
	<u>7</u>	<u>29</u>
Increase in permanently restricted net assets		
Temporarily restricted net assets		
Contributions	2,711	2,083
Net assets released from restrictions	(723)	(1,037)
Net investment income	566	230
Other	(34)	(48)
	<u>2,520</u>	<u>1,228</u>
Increase in temporarily restricted net assets		
Increase in unrestricted net assets	<u>235,540</u>	<u>71,154</u>
Increase in net assets	238,067	72,411
Net assets, beginning of year	<u>786,916</u>	<u>714,505</u>
Net assets, end of year	<u>\$ 1,024,983</u>	<u>786,916</u>

See accompanying notes to combined financial statements

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Cash Flows

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Cash flows from operating activities		
Increase in net assets	\$ 238,067	72,411
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	70,597	70,999
Amortization of bond discount, premium, and issue costs	541	454
Loss (gain) on sale of property and equipment	17	(82)
Net unrealized gains on trading investments	(38,911)	(13,177)
Change in fair value of interest rate swap	(3,291)	3,126
Loss on extinguishment of long-term debt	—	495
Contributed property	—	(3,000)
Restricted contributions and related investment income received	(34)	(29)
Changes in operating assets and liabilities		
Patient accounts receivable	(40,822)	(7,861)
Other current assets	(3,553)	(6,094)
Other assets	7,594	(6,749)
Accounts payable, accrued salaries, wages and benefits, and other accrued expenses	(14,509)	19,154
Self-insurance reserves	(4,170)	7,308
Accrued pension liability	(59,052)	48,992
Other long-term liabilities	4,976	6,712
Net cash provided by operating activities	<u>157,450</u>	<u>192,659</u>
Cash flows from investing activities		
Purchases of property and equipment	(89,209)	(78,627)
Net increase in assets limited as to use	(85,546)	(113,989)
Distributions from partnerships	209	345
Proceeds from sale of property and equipment	20	98
Healthcare business acquisitions	(1,855)	(311)
Net cash used in investing activities	<u>(176,381)</u>	<u>(192,484)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	—	60,759
Principal repayments of long-term debt and capital lease obligations	(4,306)	(8,227)
Refunding of long-term debt	—	(60,000)
Payment of bond issuance costs	(34)	(897)
Restricted contributions and related investment income received	34	29
Net cash used in financing activities	<u>(4,306)</u>	<u>(8,336)</u>
Net decrease in cash and cash equivalents	(23,237)	(8,161)
Cash and cash equivalents, beginning of year	<u>45,218</u>	<u>53,379</u>
Cash and cash equivalents, end of year	<u>\$ 21,981</u>	<u>45,218</u>

See accompanying notes to combined financial statements

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

(1) Summary of Significant Accounting Policies

WellStar Health System, Inc. (WellStar) is a multidimensional healthcare organization, headquartered in Marietta, Georgia, which provides inpatient, outpatient, physician care, and emergency services for residents of northwest Georgia. The significant accounting policies used by WellStar in preparing and presenting its combined financial statements follow:

(a) *Organization and Business*

The combined financial statements include the accounts of WellStar and its controlled affiliates, including Kennestone Hospital, Inc., Cobb Hospital, Inc., Douglas Hospital, Inc., Paulding Medical Center, Inc., WellStar Foundation, Inc. (WellStar Foundation), CHS Foundation, Inc., Community Assurance Company, Ltd. (CAC), and various WellStar owned physician practices.

All significant intercompany accounts and transactions have been eliminated in combination.

The Board of Trustees (the Board) of WellStar has the authority to approve appointments of the members of the boards of trustees of all affiliate corporations. The Board includes at least one representative from each of its affiliate corporations.

(b) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenue, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items subject to such estimates and assumptions include the determination of the allowances for uncollectible accounts and contractual adjustments, self-insurance reserves, estimated third-party payor settlements, and the actuarially determined benefit liability related to WellStar's pension plan. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs will change by a material amount in the near term.

(c) *Cash Equivalents*

WellStar considers investments in highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

(d) *Investments and Investment Income*

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the combined balance sheets. Fair value is measured in accordance with relevant accounting literature and discussed in note 16 to the combined financial statements.

Investment income items (including unrealized gains and losses, realized gains and losses on investments, interest, and dividends) are included in unrestricted revenue, gains, and other support in

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

excess of expenses and losses in the combined statements of operations, unless restricted by the donor or law

(e) *Assets Limited as to Use*

Assets limited as to use primarily 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 trustees under indenture agreements, assets held under self-insurance funding arrangements and donor restricted assets. Amounts required to meet related current liabilities of WellStar are classified as current assets in the accompanying combined balance sheets

(f) *Costs of Borrowing*

Bond issuance costs and bond discounts and premiums are amortized over the terms of the related bond issues using the straight-line method, which is not materially different from the interest method

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. Capitalized interest specifically related to tax-exempt borrowings is recorded net of income earned on related trusteed assets

(g) *Property and Equipment*

Property and equipment are stated at cost. Provisions for depreciation are computed using the straight-line method based on the estimated useful lives of the assets. Equipment under capital lease obligations is amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the combined financial statements

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from unrestricted revenue, gains, and other support in excess of expenses and losses. 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 into service. Contributions restricted to the purchase of property and equipment or other restricted purposes which restrictions are met within the same year as received are reported as increases in unrestricted net assets in the accompanying combined financial statements

(h) *Inventories*

Inventories, consisting principally of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out method) or replacement market

(i) *Other Assets*

Other assets include, among other things, investments in joint ventures and costs in excess of the fair value of the net tangible assets of certain acquired businesses (goodwill). Intangible assets are being amortized on a straight-line basis over lives ranging from one to 40 years through June 30, 2010 and

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

annually assessed for impairment effective July 1, 2010 (See note 1(k)) Investments in partnerships are accounted for using the equity method

(j) *Impairment of Long-lived Assets*

Long-lived assets, such as property and equipment and purchased intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized to the extent that the carrying amount of the asset exceeds its fair value.

(k) *Goodwill*

During 2011, WellStar adopted the provisions of FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, as it relates to subsequent accounting for goodwill and other intangible assets acquired in an acquisition.

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is reviewed for impairment at least annually. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the WellStar must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using the market approach. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

WellStar performs its annual impairment review of goodwill each July 1, and when a triggering event occurs between annual impairment tests.

During 2011, WellStar did not identify any material reporting unit at risk of failing step one of the goodwill impairment test. The fair value of all reporting units is substantially in excess of their carrying value and therefore no impairment loss was recorded in fiscal 2011.

(l) *Temporarily and Permanently Restricted Net Assets*

Temporarily restricted net assets are those whose use by WellStar is restricted by donors for a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by WellStar in perpetuity.

FASB ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that are subject to an enacted version of

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds

WellStar has historically and to-date received a limited amount of donor-restricted endowment funds. The Board has interpreted Georgia's State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. Income from WellStar's donor-restricted endowment funds is generally restricted to specific donor-directed purposes, and is therefore accounted for within temporarily restricted net assets until expended in accordance with the donor's wishes. WellStar oversees individual donor-restricted endowment funds to ensure that the fair value of the original gift is preserved.

WellStar invests donor-restricted endowment funds within the framework of WellStar's overall investment management program.

(m) *Unrestricted Revenue, Gains, and Other Support in Excess of Expenses and Losses*

The combined statements of operations include unrestricted revenue, gains, and other support in excess of expenses and losses. Changes in unrestricted net assets which are excluded from unrestricted revenue, gains, and other support in excess of expenses and losses include permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets, and the recognition of pension and post retirement liability adjustments arising during the current period.

(n) *Net Patient Service Revenue*

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 due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

During 2011, WellStar adopted the provisions of FASB Accounting Standards Update (ASU) 2011-07, *Healthcare Entities (Topic 954)*. ASU 2011-07 requires the reclassification of the provision for uncollectible accounts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). ASU 2011-07 also requires enhanced disclosure about healthcare entities' policies for recognizing revenue and assessing uncollectible accounts, and disclosures of patient service revenue and qualitative and quantitative information about changes in the allowance for uncollectible accounts. The amendments to the presentation of the provision for uncollectible accounts related to patient service revenue in the combined statement of operations have been applied retrospectively to the prior period presented.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

(o) Charity Care

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

(p) Income Taxes

WellStar and all but one of its affiliates have been recognized as exempt from Federal income tax under Internal Revenue Code Section 501(a) as organizations described in Section 501(c)(3) and, therefore, related income is generally not subject to Federal or state income taxes. CAC is a controlled foreign corporation not subject to Federal tax.

WellStar applies FASB ASC 740, *Income Taxes*, which addresses accounting for uncertainties in income tax positions. It also provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined. There is no impact on WellStar's combined financial statements as a result of the application of ASC 740.

(q) Contributions

Unconditional promises to give cash and other assets to WellStar are reported at estimated fair value at the date the promise is received. Conditional promises to give are recognized when the conditions are substantially met while indications of intentions to give are not recorded. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use or timing of 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 as net assets released from restrictions.

(r) Derivative Instruments and Hedging Activities

At the effective date of any hedge accounting election, WellStar designates the associated derivative as either (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge) or (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). WellStar formally assesses, both at inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, WellStar discontinues hedge accounting prospectively. To the extent that hedge ineffectiveness is associated with these changes in fair value, it is recognized in unrestricted revenue, gains, and other support in excess of expenses and losses. WellStar monitors the effectiveness of interest rate swaps designated as hedges on a quarterly basis.

Should hedge accounting be discontinued because it is determined that the derivative no longer qualifies as an effective cash flow hedge, WellStar continues to carry the derivative on the combined balance sheet at its fair value with subsequent changes in fair value included in unrestricted revenue, gains, and other support in excess of expenses and losses. Gains and losses that were accumulated in unrestricted net assets are amortized on a straight-line basis over the remaining life of the derivative.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

in the determination of unrestricted revenue, gains, and other support in excess of expenses and losses

WellStar does not currently apply hedge accounting to its derivative instrument

(s) *Asset Retirement Obligations*

WellStar recognizes the fair value of its liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, WellStar capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the recorded liability is recognized as a gain or loss in the combined statements of operations.

(t) *Retirement Benefits*

WellStar applies the recognition, measurement, and disclosure provisions of FASB ASC 715, *Compensation – Retirement Benefits*. ASC 715, which requires that WellStar recognize the unfunded status of its defined benefit pension plan and post retirement plan on its combined balance sheet, measure plan assets and benefit obligations as of fiscal year-end and apply the applicable disclosure requirements.

ASC 715, provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The effective date for disclosures about plan assets is the beginning of the period subsequent to December 15, 2009 (WellStar's fiscal 2011). The application of the disclosure provisions of ASC 715 on disclosures of plan assets resulted in expanded footnote disclosure in note 10.

(u) *Recently Issued Accounting Standards*

The FASB issued ASU 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure* in August 2010. ASU 2010-23 amends ASC Subtopic 954-605, *Health Care Entities – Revenue Recognition* to require that cost be used as the measurement basis for charity care disclosure purposes. The method used to estimate such costs as well as any funds received to offset or subsidize charity services provided should also be disclosed. WellStar expects to adopt this ASU in fiscal year 2012.

The FASB issued ASU 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries* in August 2010. ASU 2010-24 amends ASC Subtopic 954-450, *Health Care Entities – Contingencies*, to clarify that a health care entity should not net insurance recoveries against a related liability and that the claim liability should be determined without consideration of insurance recoveries. The ASU is effective for WellStar's fiscal year 2012 and is not expected to have a significant financial reporting impact.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

(v) *Subsequent Events*

WellStar has evaluated subsequent events through October 6, 2011, the date the combined financial statements were issued

(iv) *Reclassifications*

Certain reclassifications have been made to the 2010 combined financial statements to conform to the current year presentation

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

(2) Assets Limited as to Use

The composition of assets limited as to use follows

	<u>2011</u>	<u>2010</u>
	(In thousands)	
By the Board for capital improvements and other system needs		
Cash and cash equivalents	\$ 44,718	32,955
Asset backed securities	41,079	36,189
Mortgage backed securities	134,492	110,044
Obligations of the U S government and its agencies	13,746	23,874
Corporate debt securities domestic	155,101	121,145
Corporate debt securities international	14,843	14,456
Corporate equity securities domestic	238,318	176,780
Corporate equity securities international	17,425	12,069
Mutual funds	4,322	2,849
	<u>664,044</u>	<u>530,361</u>
Under self-insurance funding arrangements		
Cash and cash equivalents	3,489	11,724
Asset backed securities	1,569	286
Mortgage backed securities	11,938	7,973
Obligations of the U S government and its agencies	15,911	24,193
Corporate debt securities domestic	21,323	22,484
Foreign investments	3,828	4,525
	<u>58,058</u>	<u>71,185</u>
By donor stipulation		
Cash and cash equivalents	5,573	2,396
Foreign investments	912	956
Corporate debt securities domestic	520	614
Corporate equity securities domestic	3,026	2,256
Other	1,213	2,495
	<u>11,244</u>	<u>8,717</u>
Under bond indenture agreements – held by trustee		
Cash and cash equivalents	5,294	3,920
	<u>738,640</u>	<u>614,183</u>
Less amounts classified as current assets	<u>5,294</u>	<u>3,920</u>
	<u>\$ 733,346</u>	<u>610,263</u>

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

The composition of net investment income follows

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Interest income included in other revenue	\$ —	22
Net investment income included in nonoperating gains		
Net realized gains on sales of investments	28,011	19,308
Interest and dividend income	12,986	12,393
Net unrealized gain on trading investments	38,911	13,177
	79,908	44,878
Temporarily and permanently restricted net investment income	576	248
	\$ 80,484	45,148

Subsequent to June 30, 2011 and through August 31, 2011, Wellstar investments sustained net unrealized losses of \$20.7 million

(3) Other Current Assets

The composition of other current assets follows

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Inventories	\$ 24,771	22,133
Prepaid expenses and other current assets	12,141	10,633
Other receivables	8,252	8,845
	\$ 45,164	41,611

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

(4) Property and Equipment

A summary of property and equipment follows

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Land and land improvements	\$ 91,937	86,640
Buildings and fixtures	591,503	581,672
Equipment	697,545	638,720
	<u>1,380,985</u>	<u>1,307,032</u>
Less accumulated depreciation and amortization	810,909	741,965
	570,076	565,067
Construction in progress	37,465	19,436
	<u>\$ 607,541</u>	<u>584,503</u>

Construction in progress at June 30, 2011 is principally comprised of costs incurred to complete expansion and renovation projects at various affiliates' facilities. The estimated remaining cost to complete projects in progress through August 2012 is approximately \$133.1 million at June 30, 2011.

(5) Other Assets

The composition of other assets follows

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Goodwill and other intangible assets	\$ 31,000	30,190
Other long-term receivables	19,172	26,842
Investments in partnerships	5,378	5,522
Bond issuance costs	5,564	6,167
Prepaid expenses, long term	1,805	1,794
	<u>\$ 62,919</u>	<u>70,515</u>

Other long-term receivables largely consist of a portfolio of patient accounts in process of qualifying for Medicaid eligibility. These receivables are carried at net realizable value based on WellStar's historical experience with such accounts.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

(6) Long-term Debt and Capital Lease Obligations

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Hospital authority revenue and refunding certificates issued in January 1999. Interest rates range from 4.7% to 5.0% per annum. interest payments due semiannually on April 1 and October 1. principal payments due annually on April 1 through 2026	\$ 50,840	51,130
Hospital authority revenue anticipation certificates issued in September 2001. Interest rate is 5.0% per annum. interest payments due semiannually on April 1 and October 1. principal payments due annually October 1, 2002 through 2016	3,130	3,570
Hospital authority revenue anticipation refunding and improvement certificates issued in April 2003. Interest rates range from 4.0% to 5.25% per annum. interest payments due semiannually on April 1 and October 1. principal payments due annually April 1, 2004 through 2032	120,460	121,010
Hospital authority revenue anticipation certificates issued in April 2004. Variable weekly interest rates. interest payments due monthly. principal payments due annually April 1, 2032 through 2034	25,000	25,000
Hospital authority revenue anticipation improvement certificates issued in October 2005. Variable weekly interest rates. interest payments due weekly. principal payments due annually April 1, 2037 through 2040	60,000	60,000

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Hospital authority revenue anticipation improvement certificates issued in October 2005. Interest rates range from 4.0% to 6.25% per annum. Interest payments due semiannually on April 1 and October 1. Principal payments due annually April 1, 2012 through 2037.	\$ 60,000	60,000
Hospital authority revenue anticipation certificates issued in April 2006. Variable weekly interest rates. Interest payments due monthly. Principal payments due annually April 1, 2034 through 2036.	25,000	25,000
	344,430	345,710
Add unamortized premium	2,248	2,405
Less unamortized discount	(985)	(1,045)
Total hospital revenue certificates	345,693	347,070
Various other notes payable and capital lease obligations, with interest rates ranging from 5.00% to 7.92%. Interest and principal payments made monthly or annually, maturing through June 2015.	3,849	6,874
Total long-term debt and capital lease obligations	349,542	353,944
Less current installments	7,857	4,418
	<u>\$ 341,685</u>	<u>349,526</u>

During the first quarter of fiscal 2010, WellStar executed a plan to convert, as permitted under the original indenture agreement, \$60 million of the Series 2005 Certificates through a mandatory tender option from variable rate demand obligations to fixed rate certificates. The converted certificates bear interest at a fixed rate and are supported by bond insurance. WellStar still maintains \$60 million of this issue in variable rate demand certificates that bear interest at a variable rate and are supported by stand-by bond purchase agreements, bond insurance, and a letter of credit facility expiring August 2012. WellStar anticipates renewal of the letter of credit facility at expiration under substantially the same terms and conditions as the existing facility. In accordance with relevant accounting literature, WellStar recognized a \$495 thousand loss on extinguishment resulting from the write-off of associated bond issuance costs, which is included in unrestricted revenue, gains, and other support in excess of expenses and losses in the accompanying 2010 combined statement of operations.

The 2004 and 2006 revenue certificates bear interest at variable rates and are secured by direct-pay letters of credit expiring August 2014. Interest rates are set weekly by the remarketing agent based upon prevailing rates for the contract period related to the remarketed tranche. In the event a market for variable rate instruments is not sustained, the letter of credit agreements require the bank to purchase the certificates.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

The average annual interest rate on WellStar's variable rate obligations approximated 0.26% and 0.77% for the years ended June 30, 2011 and 2010, respectively.

Certain trust assets described in note 2 and the future net revenue of WellStar are pledged as security for payment of the various series of hospital revenue certificates outlined above. Substantially all of WellStar's long-term debt agreements subject WellStar to certain debt covenants typical of such obligations.

On August 31, 2011, WellStar provided notice to the Trustee that it intends to redeem on October 7, 2011 the remaining outstanding Series 2001 Certificates as provided in the related Master Trust Indenture.

WellStar contemplates (but has not consummated) the issuance of approximately \$75.0 million in Series 2011 revenue bonds in the fourth calendar quarter of 2011. The proceeds from the issuance, if consummated, will be used to finance certain WellStar capital projects.

WellStar maintains a \$21.0 million revolving line of credit with a bank for routine working capital needs. The facility is secured by deposits with the bank and expires February 15, 2012. WellStar anticipates renewal of this facility at expiration under substantially the same terms and conditions as the existing facility. There were no amounts outstanding under this facility at June 30, 2011 or 2010.

WellStar paid interest of approximately \$15.4 million and \$16.1 million in 2011 and 2010, respectively. Interest capitalized on capital projects was approximately \$695 thousand and \$523 thousand in 2011 and 2010, respectively.

Future maturities of long-term debt and capital lease obligations follow (in thousands):

2012	\$	7.857
2013		7.807
2014		6.741
2015		6.789
2016		7.105
Thereafter		311.980
		348.279
Add unamortized premium		2.248
Less unamortized discounts		(985)
	\$	349.542

(7) Derivative Instruments

WellStar synthetically converted \$60.0 million (the notional amount) of the 2005 Certificates (see note 6) from variable rate debt to fixed rate debt through an interest rate swap agreement with a counterparty. In general, the swap obligates WellStar to pay interest at a fixed rate of 3.45% and receive interest at 67% of LIBOR. The notional amount amortizes in the same fashion, and the swap matures at the same date, as the related 2005 Certificates.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

WellStar's credit risk involves the possible default of the counterparty. Collateral may be required in the future based on WellStar's credit rating, the insurer's credit rating, or market valuations of the swaps. At June 30, 2011 and through the date of these combined financial statements, no such collateral was required.

The swap's fair value, if positive, is included in other assets in the accompanying combined balance sheets. If negative, the swap's fair value is included in other long-term liabilities in the accompanying combined balance sheets. The following is a summary of the derivative outstanding at June 30, 2011 and 2010 (dollar amounts in thousands):

2011						
Related bond issuance	Notional amount	Maturity date	Average variable rate received	Fixed rate paid	Increase in interest expense	Swap fair value
2005	\$ 60,000	April 2040	0.17%	3.45%	\$ 1,863	(7,567)
2010						
Related bond issuance	Notional amount	Maturity date	Average variable rate received	Fixed rate paid	Increase in interest expense	Swap fair value
2005	\$ 60,000	April 2040	0.18%	3.45%	\$ 2,091	(10,858)

(8) Net Patient Service Revenue and Patient Accounts Receivable

Certain affiliates of WellStar have agreements with governmental and other third-party payors that provide for reimbursement to such affiliates at amounts different from established rates. Contractual adjustments under third-party reimbursement programs represent the difference between billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- Medicare** – Inpatient and outpatient services rendered to Medicare program beneficiaries are generally paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, payments for certain other reimbursable items are made at tentative rates, with final settlements determined after submission of annual cost reports and audits by the Medicare fiscal intermediary. The cost reports of all WellStar affiliates have been audited and substantially settled for all fiscal years through June 30, 2007. Net revenue from the Medicare program accounted for approximately 36% and 37% of WellStar's net patient service revenue for the years ended June 30, 2011 and 2010, respectively.
- Medicaid** – Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services are generally paid based upon cost reimbursement methodologies. WellStar's Medicaid cost reports have been final settled through June 30, 2007 for all WellStar affiliates, except for one affiliate hospital that is final settled through June 30, 2006. Net revenue from the Medicaid program accounted for approximately 12% and 14% of WellStar's net patient service revenue for the years ended June 30, 2011 and 2010, respectively.

During 2011, net patient service revenue increased by approximately \$2.7 million due to changes in estimates for open Medicare and Medicaid cost reports and removal of allowances previously estimated.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

that are no longer necessary as a result of final settlements. During 2010, net patient service revenue increased by approximately \$2.9 million due to changes in estimates for open Medicare and Medicaid cost reports and removal of allowances previously estimated that are no longer necessary as a result of final settlements. WellStar has incorporated the most current and relevant data received from Medicaid in the preparation of associated estimates at both June 30, 2011 and 2010.

WellStar's affiliate hospitals participate in the Georgia Medicare Upper Payment Limit (UPL) program for providers participating in the State Medicaid program. WellStar's net reimbursement benefit associated with the program, totaling approximately \$2.2 million and \$3.0 million in fiscal years 2011 and 2010, respectively, is recognized as a reduction in related contractual adjustments in the accompanying combined statements of operations. There can be no assurance that WellStar will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

WellStar's affiliate hospitals participate in the Georgia Indigent Care Trust Fund (ICTF). Under the provisions of the ICTF, Medicaid disproportionate share hospitals (DSH) may contribute funds to be used by the State in the Medicaid Program that are supplemented by Federal funds (combination dollars). The combination dollars are returned to DSH as additional Medicaid inpatient reimbursement. WellStar's net reimbursement benefit associated with the program, totaling approximately \$9.5 million and \$7.9 million in fiscal years 2011 and 2010, respectively, is recognized as additional Medicaid reimbursement and, therefore, are reflected as a reduction in associated contractual adjustments in the accompanying combined statements of operations.

The State's determination related to WellStar's participation in the fiscal year 2012 plan is currently in process, and the terms of the fiscal year 2012 plan have not been finalized. Accordingly, contributions to the State plan during 2012 and related amounts to be potentially received from Medicaid during 2012 have not been established. There can be no assurance that WellStar will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

Certain affiliates of WellStar have also entered into other reimbursement arrangements providing for payment methodologies, which include prospectively determined rates per discharge, capitated payment arrangements, discounts from established charges, and prospectively determined per diem rates.

The composition of net patient service revenue follows:

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Gross patient service revenue, net of charity care charges foregone	\$ 4,187,422	3,819,038
Less provisions for contractual and other adjustments	2,615,967	2,309,233
Less provision for uncollectible accounts	241,303	229,629
Net patient service revenue	<u>\$ 1,330,152</u>	<u>1,280,176</u>

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

WellStar recognizes patient service revenue associated with services provided to patients with third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for community financial aid, WellStar recognizes revenue on the basis of its discounted rates for services provided. On the basis of historical experience, a significant portion of WellStar's uninsured patients are unable or unwilling to pay for the services provided. Thus, WellStar records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources, is as follows:

	<u>Third Party Payors</u>	<u>Self Pay</u> (In thousands)	<u>Total</u>
Patient service revenue, net of contractual allowances and discounts	\$ 1,359,952	211,503	1,571,455

(9) Community Benefits

WellStar maintains records to identify and monitor the level of charity care it provides through its affiliates. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone, based on established rates, and provider payment assessments totaled approximately \$222.8 million and \$170.3 million in 2011 and 2010, respectively.

During 2010, the State of Georgia adopted into law the Provider Payment Agreement Act. The Act provides that each hospital shall be assessed a provider payment in the amount of 1.45% of net patient service revenue of the hospital based on the annual financial survey filed with the State of Georgia Department of Community Health and such payments be recognized as a community benefit. In fiscal 2011, WellStar affiliate hospitals made \$14.0 million in provider payments and recognized such payments as a reduction in net patient service revenue in the accompanying combined financial statements.

WellStar owns and operates two indigent clinics located on the campuses of two of their hospitals. In addition, WellStar provides free lab and medical imaging services for a local community clinic as well as funding for nurse practitioner services for a disadvantaged population within the community.

WellStar also participates in certain governmental insurance programs, including Medicare and Medicaid. Under these programs, WellStar provides care to patients at payment rates, which are determined by the Federal and state governments, regardless of WellStar's actual charges. In some cases, these programs pay WellStar at amounts, which are less than its cost of providing services.

WellStar offers many wellness and educational services at little or no cost to the community. Health fairs are held throughout the year at convenient locations, providing various health screenings, such as mammograms, bone density, blood pressure, and cholesterol checks. A large number of educational programs are offered for all ages. These programs include bicycle safety, car seat safety, defensive driving, CPR, and first-aid classes. Flu shots are available to the community during flu season and health screenings, medical supplies, and immunizations are provided to children through local health departments and health fairs. The costs of these services are included in unrestricted revenue, gains, and other support in excess of expenses and losses in the accompanying combined statements of operations.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

WellStar promotes health education and activities for students, parents, and teachers through its Partner-in-Education program. The physicians of WellStar make significant contributions to improve the health status of the community, including involvement in many community activities promoting health awareness and improvement, emergency room care, and delivery of care to the indigent population of WellStar's service area.

WellStar has also made significant contributions to the nursing programs at two local universities. This financial support has helped to grow the programs, which further benefits the community.

(10) Employee Benefit Plans

(a) Pension Plan

WellStar sponsors a defined benefit pension plan covering all employees who have attained the age of 21 and completed one year of service as defined in the Plan. WellStar contributes an amount sufficient to fund the Plan as determined by consulting actuaries.

The changes in the projected benefit obligation as of June 30, 2011 and 2010 follow:

	2011	2010
	(In thousands)	
Projected benefit obligation, beginning of year	\$ 466,511	342,402
Service cost	25,278	20,561
Interest cost	26,306	24,021
Actuarial (gain) loss	(4,160)	87,694
Benefits paid	(10,444)	(8,167)
Projected benefit obligation, end of year	<u>\$ 503,491</u>	<u>466,511</u>

The accumulated benefit obligation at June 30, 2011 and 2010 is \$431.7 million and \$397.6 million, respectively.

The changes in the fair value of plan assets, funded status of the plan, and the status of amounts recognized in WellStar's combined balance sheets as of June 30, 2011 and 2010 follow:

	2011	2010
	(In thousands)	
Fair value of plan assets, beginning of year	\$ 305,079	229,962
Actual return on plan assets	67,976	30,651
Employer contributions	38,500	52,633
Benefits paid	(10,444)	(8,167)
Fair value of assets, end of year	<u>\$ 401,111</u>	<u>305,079</u>
Accrued pension liability – funded status	<u>\$ (102,380)</u>	<u>(161,432)</u>

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

The components of net periodic pension cost for 2011 and 2010 follow

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Service cost	\$ 25,278	20,561
Interest cost	26,306	24,021
Expected return on plan assets	(25,952)	(19,183)
Amortization of prior service cost	206	460
Amortization of net loss	12,172	7,254
	<u>\$ 38,010</u>	<u>33,113</u>

The amounts accumulated in unrestricted net assets in the combined balance sheets follow

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Prior service cost	\$ 2	208
Actuarial loss	95,414	153,772
	<u>\$ 95,416</u>	<u>153,980</u>

The following are expected to be amortized from unrestricted net assets into net periodic pension cost during fiscal 2012 (in thousands)

Prior service cost	\$ 3
Net loss	5,564

Weighted average assumptions used to determine benefit obligations in the accompanying combined balance sheets at June 30

	<u>2011</u>	<u>2010</u>
Discount rate	5.91%	5.70%
Rate of compensation increase	3.50	3.50

Weighted average assumptions used to determine net periodic pension cost for years ended June 30

	<u>2011</u>	<u>2010</u>
Discount rate	5.70%	6.78%
Expected return on plan assets	8.00	8.00
Rate of compensation increase	3.50	4.00

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

Plan Assets

The Plan's investment objectives are to protect long-term asset value by applying prudent, low-risk, high-quality investment disciplines and to enhance the values by maximizing investment returns through active security management within the framework of the Plan's investment policy. Asset allocation strategies and investment management structure are designed to meet the Plan's investment objectives.

WellStar's pension plan target and weighted average asset allocations follow:

	Target allocation	Plan assets at June 30	
		2011	2010
Plan assets			
Cash and cash equivalents	0%	4%	11%
Equity securities	50	51	39
Debt securities	40	39	41
International	10	6	9
	100%	100%	100%

The expected long-term rate of return assumption is based on the targeted asset allocation and the average return to be earned over the period of payment of the expected benefits included in the benefit obligation. In developing the expected returns, consideration is given to actual returns earned on the components of pension plan assets, projection of returns, current economic conditions, and historical rates of return, volatilities, and interactions of asset classifications.

In accordance with FASB ASC 820, Wellstar has categorized its pension assets, based on the priority of inputs used in related valuation techniques, into a three-level fair value hierarchy as described in note 16.

Cash Flows

WellStar expects to contribute approximately \$30 million to the Plan in fiscal 2012.

Expected Future Benefit Payments

Benefit payments are expected to be paid as follows (in thousands):

2012	\$	12,516
2013		13,775
2014		15,219
2015		17,082
2016		19,216
2017 – 2021		139,178

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

Other Items

WellStar uses the straight-line method to amortize prior service cost

(b) Other Benefits

WellStar also has a 403(b) plan, which covers substantially all employees. Eligible employees may contribute up to 20% of compensation in any one year, subject to a regulatory limit. WellStar makes matching contributions equal to 50% of employees' contributions, not to exceed 4% of total compensation. Employees vest in WellStar contributions on a "cliff" basis after three years of service. WellStar contributed approximately \$6.8 million and \$6.5 million to the plan during the years ended June 30, 2011 and 2010, respectively.

WellStar also sponsors an unfunded postretirement medical plan covering members' of the Board of Trustees and their dependents upon retirement from completion of 12 years of Board service. The unfunded status of the plan at June 30, 2011 and 2010 is \$7.3 million and \$4.2 million, respectively, and is included in other long term liabilities in the accompanying combined balance sheets. The plan is measured as of June 30 using a discount rate of 5.91% at June 30, 2011. The assumed healthcare trend rate is 9.5% initially decreasing to an ultimate rate of 5.0%.

(11) Business and Credit Concentrations

WellStar grants credit to patients, substantially all of whom reside in the service areas of WellStar's affiliates. WellStar generally does not require collateral or other security in extending credit to patients, however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Managed Care, capitated, and other preferred provider arrangements and commercial insurance policies).

The mix of net receivables from patients and third-party payors follows:

	2011	2010
Managed care	37%	37%
Medicare	27	22
Medicaid	24	30
Patients	8	6
Other third-party payors	4	5
	100%	100%

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, WellStar analyzes its past history and identifies trends for each of its major payor sources of revenue along with current economic factors to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Management routinely reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, WellStar analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for uncollectible accounts, if necessary. For receivables associated with self-pay patients,

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

WellStar records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts. WellStar did not change its community financial aid policy (which is inclusive of both charity care and discounts for qualifying patients) during fiscal 2011. WellStar does not maintain a material allowance for uncollectible accounts from third party payors nor did it have material write-offs from third party payors.

(12) Self-Insurance Programs

WellStar has established a wholly owned captive insurance company, CAC, for the purpose of self-insuring first-dollar coverage related to general liability, professional liability, and workers' compensation risks on claims made basis. WellStar funds CAC in amounts as determined by consulting actuaries. General and professional liability risks are self-insured at an underlying annual coverage layer totaling \$4.0 million and \$7.0 million per individual loss, respectively, and \$35.0 million for aggregate claims. Workers' compensation coverage is self-insured for individual claims up to \$500 thousand.

CAC also provides first-dollar coverage for Directors and Officers, property, and automobile policies. WellStar is also self-insured through other arrangements for employee group health insurance, generally up to \$1.0 million of lifetime coverage per employee.

Losses for all self-insured coverages are managed through the Risk Management and Claims Committee process. Identified and incurred but not reported losses are accrued based on estimates that incorporate WellStar's past experience, as well as other considerations such as the nature of each claim or incident, relevant trend factors, and advice from consulting actuaries. The identified and estimated incurred but not reported losses included in the accompanying combined balance sheets at both June 30, 2011 and 2010 have been discounted at 2.5%.

WellStar also maintains substantial excess liability coverage for amounts in excess of the above-described limits through the provisions of certain claims-made insurance policies. To the extent that any claims-made coverage is not renewed or replaced with equivalent insurance, claims based on occurrences during the term of such coverage, but reported subsequently, would be uninsured. Management believes, based on incidents identified through WellStar's incident reporting system and other reporting procedures, that any such claims would not have a material effect on WellStar's operations or financial position. In any event, management anticipates that the claims-made coverages currently in place will be renewed or replaced with equivalent insurance as the terms of these coverages expire.

(13) Asset Retirement Obligations

Asset retirement obligations arise primarily from contractual commitments to remove asbestos in WellStar facilities at the time of major renovation or demolition and removal of underground fuel tanks.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

The following table presents the activity for WellStar's asset retirement obligations and additional cost basis of related assets for the years ended June 30, 2011 and 2010

	2011	2010
	(In thousands)	(In thousands)
Balance at beginning of year	\$ 2,922	2,846
New obligations	82	44
Accretion expense	156	32
Balance at the end of year (included in other long-term liabilities)	<u>\$ 3,160</u>	<u>2,922</u>

	2011	2010
	(In thousands)	(In thousands)
Additional cost basis	\$ 1,399	1,317
Accumulated depreciation	(944)	(901)
Balance at the end of year (included in property and equipment)	<u>\$ 455</u>	<u>416</u>

(14) Leases

WellStar leases certain property, buildings, and equipment under cancelable and noncancelable operating leases expiring through June 30, 2025. Future minimum rental payments required under noncancelable leases having an initial or remaining term of more than one year follow (in thousands)

Fiscal year	
2012	\$ 15,438
2013	12,984
2014	10,822
2015	10,087
2016	8,553
Thereafter	64,798
	<u>\$ 122,682</u>

Rental expense was approximately \$16.2 million and \$14.2 million for fiscal years 2011 and 2010, respectively.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

(15) Functional Expenses

WellStar provides healthcare services to individuals generally residing within its geographic location. Expenses related to providing these services are characterized functionally as follows:

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Healthcare services	\$ 905,500	855,644
General and administrative	<u>353,026</u>	<u>354,511</u>
	<u>\$ 1,258,526</u>	<u>1,210,155</u>

(16) Fair Value of Financial Instruments

In accordance with FASB ASC 820, Wellstar has categorized its financial instruments, based on the priority of inputs used in related valuation techniques, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

When available, Wellstar generally uses quoted market prices to determine fair value, and classifies such items as Level 1. Wellstar's Level 2 securities are bonds and other debt securities whose fair values are determined by independent vendors. The vendors compile prices from various sources and may apply matrix pricing for similar bonds or loans where no price is observable in an actively traded market. If available, the vendor may also use quoted prices for recent trading activity of assets with similar characteristics to the bond being valued. Wellstar does not consider any of its investment holdings to be Level 3 securities.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

The fair value hierarchy of assets limited as to use at June 30 follows

		2011		
		Level 1	Level 2	Total
			(In thousands)	
By the Board for capital improvements and other system needs				
Cash and cash equivalents	\$	44,718	—	44,718
Asset backed securities		—	41,079	41,079
Mortgage backed securities		—	134,492	134,492
Obligations of the U S government and its agencies		13,746	—	13,746
Corporate debt securities domestic		—	155,101	155,101
Corporate debt securities international		—	14,843	14,843
Corporate equity securities domestic		238,318	—	238,318
Corporate equity securities international		17,425	—	17,425
Mutual funds		4,322	—	4,322
		318,529	345,515	664,044
Under self-insurance funding arrangement				
Cash and cash equivalents		3,489	—	3,489
Asset backed securities		—	1,569	1,569
Mortgage backed securities		—	11,938	11,938
Obligations of the U S government and its agencies		1,059	14,852	15,911
Corporate debt securities domestic		—	21,323	21,323
Foreign investments		—	3,828	3,828
		4,548	53,510	58,058
By donor stipulation				
Cash and cash equivalents		5,573	—	5,573
Foreign investments		—	912	912
Corporate debt securities domestic		—	520	520
Corporate equity securities domestic		3,026	—	3,026
Other		—	1,213	1,213
		8,599	2,645	11,244
Under bond indenture agreements – held by trustee				
Cash and cash equivalents		5,294	—	5,294
	\$	336,970	401,670	738,640

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

		2010	
	Level 1	Level 2	Total
		(In thousands)	
By the Board for capital improvements and other system needs			
Cash and cash equivalents	\$ 32,955	—	32,955
Asset backed securities	—	36,189	36,189
Mortgage backed securities	—	110,044	110,044
Obligations of the U S government and its agencies	23,874	—	23,874
Corporate debt securities domestic	—	121,145	121,145
Corporate debt securities international	—	14,456	14,456
Corporate equity securities domestic	176,780	—	176,780
Corporate equity securities international	12,069	—	12,069
Mutual funds	2,849	—	2,849
	<u>248,527</u>	<u>281,834</u>	<u>530,361</u>
Under self-insurance funding arrangement			
Cash and cash equivalents	11,724	—	11,724
Asset backed securities	—	286	286
Mortgage backed securities	—	7,973	7,973
Obligations of the U S government and its agencies	8,663	15,530	24,193
Corporate debt securities domestic	—	22,484	22,484
Foreign investments	—	4,525	4,525
	<u>20,387</u>	<u>50,798</u>	<u>71,185</u>
By donor stipulation			
Cash and cash equivalents	2,396	—	2,396
Foreign investments	—	956	956
Corporate debt securities domestic	—	614	614
Corporate equity securities domestic	2,256	—	2,256
Other	—	2,495	2,495
	<u>4,652</u>	<u>4,065</u>	<u>8,717</u>
Under bond indenture agreements – held by trustee			
Cash and cash equivalents	3,920	—	3,920
	<u>\$ 277,486</u>	<u>336,697</u>	<u>614,183</u>

The carrying amounts of all applicable asset and liability financial instruments reported in the combined balance sheets (except various debt and derivative instruments) approximate their estimated fair values, in all material respects, at June 30, 2011 and 2010. Fair value of a financial instrument is defined as the amount, which would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

The fair values of WellStar's various debt instruments have been estimated using Level 2 inputs, such as interest rates currently available to WellStar for borrowings having similar character, collateral, and duration. The aggregate fair value of such instruments approximates \$349.0 million and \$352.9 million at June 30, 2011 and 2010, respectively. No adjustment for such fair value measurements is reflected or required in the accompanying combined balance sheets.

WellStar has categorized its derivative instrument into the three-level fair value hierarchy. The interest rate swap entered into by WellStar is executed over the counter and valued using the net present value of the cash flow streams as no quoted market prices exist for such instruments. The System also employs an independent third party to perform a mark-to-market valuation assessment on the swap to assess the reasonableness of the valuation otherwise received by WellStar. The derivative instrument entered into above is classified by WellStar as Level 2 within the fair value hierarchy.

The fair value hierarchy of pension plan assets at June 30, 2011 follows:

	2011		Total
	Level 1	Level 2 (In thousands)	
Cash and cash equivalents	\$ 16,312	—	16,312
Mortgage and other asset-backed securities	—	39,391	39,391
Obligations of the U.S. government and its agencies	42,011	291	42,302
Corporate debt securities domestic	—	73,167	73,167
Corporate debt securities international	—	2,336	2,336
Corporate equity securities domestic	206,060	—	206,060
Corporate equity securities international	21,543	—	21,543
	<u>\$ 285,926</u>	<u>115,185</u>	<u>401,111</u>

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

	2010		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 34,239	—	34,239
Mortgage and other asset-backed securities	—	27,173	27,173
Obligations of the U S government and its agencies	33,059	—	33,059
Corporate debt securities domestic	—	60,056	60,056
Corporate debt securities international	—	3,179	3,179
Corporate equity securities domestic	132,309	—	132,309
Corporate equity securities international	15,064	—	15,064
	<u>\$ 214,671</u>	<u>90,408</u>	<u>305,079</u>

(17) Endowment

WellStar Foundation has two separate endowments. The Hodges Fund and the Tranquility Angel Fund. The Hodges Fund is comprised of one investment account established for providing nursing scholarships. Related investment income is temporarily restricted until scholarships are appropriated for expenditure by the WellStar Foundation Board. The related donor documents also call for an annual CPI adjustment to the corpus balance each year. The Tranquility Angel Fund consists of 2 separate investment accounts established for providing support to Hospice care patients and supporting functions. Related investment income is classified as temporarily restricted net assets until such amounts are appropriated for expenditure in accordance with the donor's intent.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2011 and 2010

Endowment net assets and classification of related unappropriated income at June 30, 2011 and 2010 follow (in thousands)

2011				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted net assets	\$ —	687	3,700	4,387
2010				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted net assets	\$ (64)	181	3,693	3,810

The change in endowment net assets and related income classifications for the year ended June 30, 2011 and 2010 follows (in thousands)

2011				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Beginning of year	\$ (64)	181	3,693	3,810
Contributions	—	—	24	24
Other	—	(43)	(27)	(70)
Investment return				
Interest and dividend income	—	94	—	94
Net appreciation (depreciation)	64	484	10	558
	64	578	10	652
End of year	\$ —	716	3,700	4,416
2010				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Beginning of year	\$ (86)	—	3,664	3,578
Contributions	—	—	19	19
Other	—	—	(8)	(8)
Investment return				
Interest and dividend income	—	226	—	226
Net appreciation (depreciation)	22	(45)	18	(5)
	22	181	18	221
End of year	\$ (64)	181	3,693	3,810