



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



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

CULLMAN REGIONAL MEDICAL CENTER, LICENSED FOR 145 BEDS, OPERATES A 115-BED GENERAL ACUTE CARE HOSPITAL FOR THE COMMUNITY OF CULLMAN, ALABAMA AND SURROUNDING AREAS REGARDLESS OF THEIR ABILITY TO PAY

2

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

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

3

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

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 \$ 83,457,420 including grants of \$ 133,680) (Revenue \$ 92,308,800)

CRMC PROVIDES ACUTE CARE PATIENT SERVICES WHICH ARE RENDERED TO ALL MEMBERS OF THE COMMUNITY REGARDLESS OF THEIR ABILITY TO PAY CRMC USES CHARITY APPLICATIONS BASED UPON FEDERAL POVERTY GUIDELINES AND FAMILY SIZE TO DETERMINE ELIGIBILITY FOLLOWING SERVICES PROVIDED CRMC PROVIDES CARE 24 HOURS PER DAY, SEVEN DAYS A WEEK AND HAS PROVIDED 28,739 INPATIENT DAYS CARE, 5% WERE NOT COVERED BY ANY GOVERNMENTAL OR PRIVATE INSURANCE PLAN, 42,619 EMERGENCY ROOM VISITS, 19% WERE NOT COVERED BY ANY GOVERNMENTAL OR PRIVATE INSURANCE PLAN, AND 105,543 OUTPATIENT VISITS, 30% NOT COVERED BY ANY GOVERNMENTAL OR PRIVATE INSURANCE PLAN THE TOTAL UNREIMBURSED COST OF MEDICAL SERVICES PROVIDED TO THOSE NOT COVERED BY ANY GOVERNMENTAL OR PRIVATE INSURANCE PLAN IS REPORTED ON SCHEDULE H CRMC ALSO PROVIDES COMMUNITY EDUCATION AND WELLNESS ACTIVITIES TO THE COMMUNITY AND IS A MAJOR CONTRIBUTOR TO A LOCAL INDIGENT CLINIC SERVICING CULLMAN COUNTY

4b

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

4c

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

4d

Other program services (Describe in Schedule O)

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

4e

Total program service expenses \$ 83,457,420

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	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX. 	11d Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 	12a	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	Yes	
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	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, 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		No
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>			
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance			
Check if Schedule O contains a response to any question in this Part V ☐			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	196
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	1,211
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	No
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter:		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter:		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	AL
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.	NESHA DONALDSON 1912 ALABAMA HWY 157 CULLMAN, AL 35058 (256) 737-2598

Part VII

Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

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

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) JIM WEIDNER CEO	40.00	X		X				87,535	0	13,600
(2) DAVID MCKOY CHAIRMAN	2.00	X		X				0	0	0
(3) TODD MCLEROY VICE-CHAIRMAN	2.00	X		X				0	0	0
(4) HOYT BROWNIE PRICE MD SECRETARY	2.00	X		X				0	0	0
(5) ALAN WOOD TREASURER	2.00	X		X				0	0	0
(6) R CLYNE ADAMS DMD MEMBER	2.00	X						0	0	0
(7) STEVE GLASSCOCK MEMBER	2.00	X						0	0	0
(8) JAY MULLINS MEMBER	2.00	X						0	0	0
(9) DOUG DOGGETT MEMBER	2.00	X						0	0	0
(10) CLINT FREY MEMBER	2.00	X						0	0	0
(11) DEL BROCK MEMBER	2.00	X						0	0	0
(12) ROBIN HALL MD MEMBER	2.00	X						0	0	0
(13) STEPHEN DONALDSON MEMBER	2.00	X						0	0	0
(14) JOHN MORRIS MD MEMBER/PRES	2.00	X						0	0	0
(15) JETE EDMISSON CFO & COO	40.00			X				167,200	0	16,632
(16) CHERYL BAILEY VP-PAT. SVC.	40.00			X				123,959	0	5,157

Part VII

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(17) SUSAN COPELAND VP-AMB	40 00			X				107,350	0	8,563
(18) CHARNA BROWN VP-QUALITY	40 00			X				98,686	0	14,073
(19) WILLIAM GUNTER CRNA	40 00					X		178,589	0	16,858
(20) NORMAN BURKETT CRNA	40 00					X		176,722	0	17,169
(21) LINDA LOVELADY CRNA	40 00					X		174,789	0	16,175
(22) JEFFREY SMITH CRNA	40 00					X		168,630	0	16,850
(23) THOMAS WOOSLEY CRNA	40 00					X		160,977	0	14,509
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								1,444,437		139,586

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▶19

	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>		No
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>	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>	Yes	

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
MEDASSETS P O BOX 405652 ATLANTA, GA 303845652	BUS OFC SVCS	930,377
CPSI 6600 WALL STREET MOBILE, AL 36695	COMPUTER SVCS	617,750
MAYO COLLABORATIVE SERVICES PO BOX 9146 MINNEAPOLIS, MN 55480	LAB SVCS	403,486
NORTHWEST ALABAMA LITHOTRIPSY 237 OXMOOR CIRCLE SUITE 108 BIRMINGHAM, AL 35209	LITHOTRIPSY SVC	390,225
MEDASSIST INC 6455 RELIABLE PARKWAY CHICAGO, IL 60686	OUTSOURCING SVC	382,599
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 ▶20	

Part VIII

Statement of Revenue

			(A)	(B)	(C)	(D)
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a			
	b	Membership dues	1b			
	c	Fundraising events	1c			
	d	Related organizations	1d	421,755		
	e	Government grants (contributions)	1e	101,447		
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	56,655		
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f		579,857		
	Program Service Revenue	2a	PATIENT SERVICE REVENUES	623000	88,440,352	88,440,352
b		OUTREACH LAB SERVICES	621500	746,855		746,855
c		CPAP MEDICAL EQUIPMENT	621990	373,707		373,707
d		CONFERENCE CENTER	532000	52,649		52,649
e		SPORTS FIRST	713940	13,341		13,341
f		All other program service revenue				
g		Total. Add lines 2a-2f		89,626,904		
Other Revenue		3	Investment income (including dividends, interest and other similar amounts)		886,350	
	4	Income from investment of tax-exempt bond proceeds				
	5	Royalties				
	6a	Gross Rents	(i) Real 201,286	(ii) Personal 360,641		
	b	Less rental expenses				
	c	Rental income or (loss)	201,286	360,641		
	d	Net rental income or (loss)		561,927	360,641	201,286
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other 1,259,632		
	b	Less cost or other basis and sales expenses		703,031		
	c	Gain or (loss)		556,601		
	d	Net gain or (loss)		556,601		556,601
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a			
	b	Less direct expenses	b			
	c	Net income or (loss) from fundraising events				
	9a	Gross income from gaming activities See Part IV, line 19	a			
	b	Less direct expenses	b			
c	Net income or (loss) from gaming activities					
10a	Gross sales of inventory, less returns and allowances	a	286,778			
b	Less cost of goods sold	b	166,019			
c	Net income or (loss) from sales of inventory		120,759	120,759		
Miscellaneous Revenue		Business Code				
11a	MANAGEMENT FEES	722210	2,782,292	2,782,292		
b	CAFETERIA/CATERING	561000	632,842		632,842	
c	FITNESS CENTER	713940	459,282		459,282	
d	All other revenue		604,756	604,756		
e	Total. Add lines 11a-11d		4,479,172			
12	Total revenue. See Instructions		96,811,570	92,308,800	1,186,552	2,736,361

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	133,680	133,680		
2	Grants and other assistance to individuals in the U S See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	805,126	367,230	437,896	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	38,644,832	34,754,836	3,889,996	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,586,407	1,453,006	133,401	
9	Other employee benefits	6,187,810	5,577,073	610,737	
10	Payroll taxes	2,839,810	2,559,521	280,289	
a	Fees for services (non-employees)				
	Management	3,122,767	2,525,710	597,057	
b	Legal	535,841	35,348	500,493	
c	Accounting	112,780		112,780	
d	Lobbying				
e	Professional fundraising services See Part IV, line 17				
f	Investment management fees	93,290		93,290	
g	Other	7,164,238	6,596,367	567,871	
12	Advertising and promotion	227,801	5,134	222,667	
13	Office expenses	22,973,231	20,892,058	2,081,173	
14	Information technology	23,042	23,042		
15	Royalties				
16	Occupancy	6,485,716	4,288,355	2,197,361	
17	Travel	403,591	379,003	24,588	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	73,671	26,418	47,253	
20	Interest	33,769		33,769	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	4,714,670	3,117,340	1,597,330	
23	Insurance	377,311	377,311		
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 AND MAINT	2,122,753	330,904	1,791,849	
b	DUES AND SUBSCRIPTIONS	131,474		131,474	
c	TAXES AND LICENSE	130,372		130,372	
d	MISCELLANEOUS	75,040	42	74,998	
e	SPECIAL EVENTS	16,875	15,042	1,833	
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	99,015,897	83,457,420	15,558,477	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			93,532	1	1,233,718
	2	Savings and temporary cash investments				2	
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			21,017,321	4	18,022,762
	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			721,807	8	808,482
	9	Prepaid expenses and deferred charges			607,151	9	543,000
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	101,579,874			
	b	Less: accumulated depreciation	10b	61,629,651	41,954,262	10c	39,950,223
	11	Investments—publicly traded securities			31,782,354	11	34,853,873
	12	Investments—other securities. See Part IV, line 11			5,900,260	12	3,001,810
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			5,905,882	15	5,232,254
	16	Total assets. Add lines 1 through 15 (must equal line 34)			107,982,569	16	103,646,122
Liabilities	17	Accounts payable and accrued expenses			11,428,499	17	10,527,411
	18	Grants payable				18	
	19	Deferred revenue			41,849	19	35,040
	20	Tax-exempt bond liabilities			70,756,525	20	69,052,936
	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			335,870	23	279,183
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities. Complete Part X of Schedule D			16,255,180	25	16,583,655
	26	Total liabilities. Add lines 17 through 25			98,817,923	26	96,478,225
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			3,552,787	27	4,793,013
	28	Temporarily restricted net assets			5,611,859	28	2,374,884
	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			9,164,646	33	7,167,897
	34	Total liabilities and net assets/fund balances			107,982,569	34	103,646,122

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	96,811,570
2	Total expenses (must equal Part IX, column (A), line 25)	2	99,015,897
3	Revenue less expenses Subtract line 2 from line 1	3	-2,204,327
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	9,164,646
5	Other changes in net assets or fund balances (explain in Schedule O)	5	207,578
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	7,167,897

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?	Yes	
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	Yes	

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2010

Open to Public Inspection

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.

Department of the Treasury
Internal Revenue Service

Name of the organization
CULLMAN REGIONAL MEDICAL CENTER

Employer identification number
63-1058174

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).

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
CULLMAN REGIONAL MEDICAL CENTER

Employer identification number

63-1058174

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											
		<table><tr><td></td><td>Held at the End of the Year</td></tr><tr><td>a</td><td>Total number of conservation easements</td></tr><tr><td>b</td><td>Total acreage restricted by conservation easements</td></tr><tr><td>c</td><td>Number of conservation easements on a certified historic structure included in (a)</td></tr><tr><td>d</td><td>Number of conservation easements included in (c) acquired after 8/17/06</td></tr></table>		Held at the End of the Year	a	Total number of conservation easements	b	Total acreage restricted by conservation easements	c	Number of conservation easements on a certified historic structure included in (a)	d	Number of conservation easements included in (c) acquired after 8/17/06
	Held at the End of the Year											
a	Total number of conservation easements											
b	Total acreage restricted by conservation easements											
c	Number of conservation easements on a certified historic structure included in (a)											
d	Number of conservation easements included in (c) acquired after 8/17/06											
3	Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶ _____											
4	Number of states where property subject to conservation easement is located ▶ _____											
5	Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes☒ No											
6	Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ▶ _____											
7	Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ \$ _____											
8	Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes☒ No											
9	In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements											

Part III

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

1a	If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items	
b	If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items	
	(i) Revenues included in Form 990, Part VIII, line 1	▶ \$ _____
	(ii) Assets included in Form 990, Part X	▶ \$ _____
2	If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items	
a	Revenues included in Form 990, Part VIII, line 1	▶ \$ _____
b	Assets included in Form 990, Part X	▶ \$ _____

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

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

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

☐ Yes

☒ No

Part IV

Escrow and Custodial Arrangements.

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

1a

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

☐ Yes

☒ No

b

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

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☒ No

b

If "Yes," explain the arrangement in Part XIV

Part V

Endowment Funds.

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations

3a(i)

☐ Yes

☐ No

(ii)

related organizations

3a(ii)

☐ Yes

☐ No

b

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

3b

☐ Yes

☐ No

4

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

Part VI

Investments—Land, Buildings, and Equipment.

See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		2,194,053		2,194,053
b Buildings		44,010,046	18,237,191	25,772,855
c Leasehold improvements		3,730,084	3,290,434	439,650
d Equipment		46,897,715	38,121,664	8,776,051
e Other		4,747,976	1,980,362	2,767,614
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				39,950,223

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
LIABILITY UNDER FIN 48 FOOTNOTE	SCHEDULE D, PAGE 3, PART X	THE HOSPITAL IS A NOT-FOR-PROFIT CORPORATION THAT HAS BEEN RECOGNIZED AS TAX-EXEMPT PURSUANT TO SECTION 501(C)3 OF THE INTERNAL REVENUE CODE. THE HOSPITAL APPLIES ACCOUNTING POLICIES THAT PRESCRIBE WHEN TO RECOGNIZE AND HOW TO MEASURE THE FINANCIAL STATEMENT EFFECTS OF INCOME TAX POSITIONS TAKEN OR EXPECTED TO BE TAKEN ON ITS INCOME TAX RETURNS. THESE RULES REQUIRE MANAGEMENT TO EVALUATE THE LIKELIHOOD THAT, UPON EXAMINATION BY THE RELEVANT TAXING JURISDICTIONS, THOSE INCOME TAX POSITIONS WOULD BE SUSTAINED. BASED ON THAT EVALUATION, THE HOSPITAL ONLY RECOGNIZES THE MAXIMUM BENEFIT OF EACH INCOME TAX POSITION THAT IS MORE THAN 50% LIKELY OF BEING SUSTAINED. TO THE EXTENT THAT ALL OR A PORTION OF THE BENEFITS OF AN INCOME TAX POSITION ARE NOT RECOGNIZED, A LIABILITY WOULD BE RECOGNIZED FOR THE UNRECOGNIZED BENEFITS, ALONG WITH ANY INTEREST AND PENALTIES THAT WOULD RESULT FROM DISALLOWANCE OF THE POSITION. SHOULD ANY SUCH PENALTIES AND INTEREST BE INCURRED, THEY WOULD BE RECOGNIZED AS OPERATING EXPENSES. BASED ON THE RESULTS OF MANAGEMENT'S EVALUATION, NO LIABILITY IS RECOGNIZED IN THE ACCOMPANYING BALANCE SHEET FOR UNRECOGNIZED INCOME TAX POSITIONS. FURTHER, NO INTEREST OR PENALTIES HAVE BEEN ACCRUED OR CHARGED TO EXPENSE AS OF JUNE 30, 2011 AND 2010 OR FOR THE YEARS THEN ENDED. THE HOSPITAL'S OPEN AUDIT PERIODS ARE FOR TAX YEARS ENDED 2008-2010.

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
CULLMAN REGIONAL MEDICAL CENTER

Employer identification number
63-1058174

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 _____% 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?		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		
6a	Does the organization prepare a community benefit report during the tax year?	Yes	
6b	If "Yes," did the organization make it available to the public?	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H		

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)		2,192	2,249,088		2,249,088	2 270 %
b Unreimbursed Medicaid (from Worksheet 3, column a)		17,084	8,987,874	5,482,774	3,505,100	3 530 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs		19,276	11,236,962	5,482,774	5,754,188	5 800 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	21	50,928	372,592	2,000	370,592	0 370 %
f Health professions education (from Worksheet 5)	1	3,500	1,275		1,275	
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)	3	65	11,398		11,398	0 010 %
j Total Other Benefits	25	54,493	385,265	2,000	383,265	0 390 %
k Total. Add lines 7d and 7j	25	73,769	11,622,227	5,484,774	6,137,453	6 190 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development	1	1	2,470		2,470	
3Community support	13	6,443	74,106		74,106	0.070 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development	1	875	425		425	
9Other						
10Total	15	7,319	77,001		77,001	0.080 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes
2	Enter the amount of the organization's bad debt expense (at cost)	2	5,757,736
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	
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	36,698,247
6	Enter Medicare allowable costs of care relating to payments on line 5	6	35,574,541
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	1,123,706
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☒ Cost accounting system ☐ Cost to charge ratio ☐ Other		

Section C. Collection Practices

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

Part IVManagement Companies and Joint Ventures

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1HERITAGE DIAGNOSTICS	IMAGING SERVICES	21.000 %		79.000 %
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? 1

Name and address		Type of Facility (Describe)
1	HOSPICE OF CULLMAN COUNTY 402 4TH AVENUE NE CULLMAN,AL 35055	HOSPICE
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
OTHER TESTING METHODS FOR FREE OR DISCOUNTED CARE	PART I LINE 3C	FEDERAL POVERTY GUIDELINES 150 ARE USED TO DETERMINE ELIGIBILITY FOR FREE OR DISCOUNTED CARE DISCOUNTED CARE WILL BE BASED ON MEDICARE REIMBURSEMENT

Identifier	ReturnReference	Explanation
EXCLUSIONS FROM PERCENT OF TOTAL EXPENSE	PART I LINE 7 COLUMN F	IN DERIVING THE DENOMINATOR TO BE USED FOR COLUMN F THE FOLLOWING ADJUSTMENTS WERE MADE TO THE TOTAL EXPENSES REPORTED ON FORM 990 PART IX LINE 25 FORM 990 PART IX LINE 25 99015897 ADD EXPENSES REPORTED IN PART VIII 166019 DENOMINATOR FOR COLUMN F 99181916

Identifier	ReturnReference	Explanation
COSTING METHODOLOGY EXPLANATION	PART I LINE 7	THE DATA REPORTED IN THIS AREA IS REPORTED AS INSTRUCTED BY CATHOLIC HEALTH ASSOCIATIONS A GUIDE FOR PLANNING AND REPORTING COMMUNITY BENEFITS 2008 SEE ALSO THE DESCRIPTION FOR PART III LINE 4

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE EXPLANATION	PART III LINE 4	COST IS DETERMINED USING THE HOSPITALS INTERNAL COST ACCOUNTING SYSTEM THIS SYSTEM ALLOCATES COSTS USING A STEP DOWN METHOD SIMILAR TO BUT MORE DETAILED THAN MEDICARES COST REPORTING METHODOLOGY OVERALL COST IS DEVELOPED AT THE CHARGE LEVEL BY PATIENT ACCOUNT AND THEN AGGREGATED TO CALCULATE COSTTOCHARGE RATIOS BY PAYOR CATEGORY THE RATIOS ARE APPLIED TO THE CHARGES TO ARRIVE AT COST PAYMENTS ARE THEN SUBTRACTED FROM THESE COSTS TO DETERMINE LOSSES ON PARTICULAR PAYOR GROUPS THE COSTING METHODOLOGY USED FOR THE SYSTEMS COMMUNITY BENEFIT IS CONSISTENT FOR ANY PAYOR GROUPINGS CHARITY BAD DEBT MEDICAID THE FOLLOWING IS AN EXCERPT FROM THE AUDITED FINANCIAL STATEMENTS THE HOSPITAL PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED ON THE EVALUATION OF THE OVERALL COLLECTIBILITY OF THE ACCOUNTS RECEIVABLE AS ACCOUNTS ARE KNOWN TO BE UNCOLLECTIBLE THE ACCOUNT IS CHARGED AGAINST THE ALLOWANCE

Identifier	ReturnReference	Explanation
MEDICARE EXPLANATION	PART III LINE 8	THE HOSPITAL UTILIZES LYONS SOFTWARE FOR COST ACCOUNTING PURPOSES ALTHOUGH THE MEDICARE COST REPORT WAS USED TO GATHER INFORMATION RELATED TO MEDICARE CHARGES AND REIMBURSEMENT MEDICARE COST WAS CALCULATED USING THE LYONS SOFTWARE

Identifier	ReturnReference	Explanation
COLLECTION PRACTICES EXPLANATION	PART III LINE 9B	THE HOSPITAL PROVIDES CARE TO PATIENTS WHO MEET CERTAIN CRITERIA UNDER ITS CHARITY CARE POLICY WITHOUT CHARGE OR AT AMOUNTS LESS THAN ITS ESTABLISHED RATES BECAUSE THE HOSPITAL DOES NOT PURSUE COLLECTION OF AMOUNTS DETERMINED TO QUALIFY AS CHARITY CARE THEY ARE NOT REPORTED AS REVENUE

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	PART VI	THE HOSPITAL PARTICIPATES IN THE CULLMAN COUNTY HEALTH COALITION THIS ORGANIZATION COMPRISED OF VARIOUS HEALTH CARE PROVIDERS AND COMMUNITY LEADERS ASSESSES THE HEALTH CARE NEEDS OF THE COMMUNITY AND STRIVES TO PROVIDE RESOURCES THAT BEST MEET THOSE NEEDS

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	PART VI	THE HOSPITAL HAS CLEARLY WRITTEN FINANCIAL AID POLICIES THAT ARE AVAILABLE ON THE ORGANIZATION WEB SITE AND THROUGH THE BUSINESS OFFICE SIGNS ARE PROMINENTLY POSTED IN THE ER ABOUT THE AVAILABILITY OF FINANCIAL AID A REPRESENTATIVE IS ALSO AVAILABLE TO DISCUSS ELIGIBILITY TO GOVERNMENT PROGRAMS

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	PART VI	THE HOSPITAL DRAWS PATIENTS PRINCIPALLY FROM CULLMAN COUNTY AND THE NEIGHBORING COUNTIES OF WALKER WINSTON MARSHALL MORGAN AND BLOUNT CRMC IS THE ONLY HOSPITAL IN ITS PRIMARY SERVICE AREA THE PRIMARY SERVICE AREA INCLUDES THE CITY OF CULLMAN POPULATION 15000 AND CULLMAN COUNTY POPULATION 81000 PER CAPITA INCOME FOR THIS AREA IS SLIGHTLY BELOW THE PER CAPITA INCOME FOR THE STATE OF ALABAMA CULLMAN IS SERVED BY I65 AND IS LOCATED BETWEEN HUNTSVILLE AND BIRMINGHAM

Identifier	ReturnReference	Explanation
HEALTH OF COMMUNITY IN RELATION TO EXEMPT PURPOSE	PART VI	THE ORGANIZATION AND ITS VOLUNTEER BOARDS ARE COMPOSED OF COMMUNITY MEMBERS WITH DIVERSE PROFESSIONAL AND COMMUNITY SERVICE BACKGROUNDS AS WELL AS PHYSICIAN MEMBERS THE EMERGENCY DEPARTMENT IS OPEN 24 HOURS PER DAY 7 DAYS PER WEEK AND IS OPEN TO ALL PERSONS REGARDLESS OF THEIR ABILITY TO PAY HOSPITAL EMPLOYEES IN CONJUNCTION WITH OUR LOCAL JUDGES HAVE DEVELOPED A TRAUMA PREVENTION PROGRAM THIS PROGRAM IS PROVIDED BY CRMC EMPLOYEES ON A VOLUNTARY BASIS OUR LOCAL JUDGES REFER TEENAGE DRIVING OFFENDERS TO THE PROGRAM TO TEACH THEM THE IMPORTANCE OF VEHICLE SAFETY WHILE THEY ARE HERE THEY ACTUALLY GET TO WITNESS THE VARIOUS STAGES OF A TRAUMA ACCIDENT FROM THE TIME THEY ARRIVE AT THE ER UNTIL THEY LEAVE THE HOSPITAL COMMUNITY BUILDING ACTIVITIES ALSO INCLUDE PROVIDING AMBULANCE SUPPORT FOR VARIOUS COMMUNITY ACTIVITIES AND PROVIDING COMMUNITY SUPPORT GROUPS THESE SUPPORT GROUPS ALZHEIMERS BREAST CANCER ETC PROMOTE THE PHYSICAL AND MENTAL HEALTH OF THE COMMUNITY THAT WE SERVE CRMC PROVIDES WOMENS FIRST AND SENIOR CHOICE PROGRAMS THE WOMENS FIRST PROGRAM OFFERS SEMINARS AND EDUCATION ON HEALTH AND LIFESTYLE ISSUES SUCH AS STRESS MANAGEMENT PMS MENOPAUSE AND HEART DISEASE IT ALSO GIVES DISCOUNT ADMISSION TO WORKSHOPS AND HEALTH SCREENINGS SENIOR CHOICE PROVIDES SERVICES TO PROMOTE EMOTIONAL SOCIAL AND PHYSICAL WELL BEING FOR COMMUNITY MEMBERS WHO ARE 50 AND OVER THESE PROGRAMS CURRENTLY HAVE 8459 MEMBERS CRMC ALSO PROVIDES A COMMUNITY EDUCATION CENTER WHICH OFFERS MEETING ROOMS AND CATERING SERVICES FOR LOCAL BUSINESSES CHURCHES CIVIC ORGANIZATIONS AND EDUCATIONAL GROUPS ALL OF OUR AMBULANCES ARE EQUIPPED WITH 12 LEAD EKG TECHNOLOGY WHICH TRANSMITS THE INFORMATION DIRECTLY TO THE EMERGENCY ROOM PHYSICIAN ALLOWING THEM TO GET THE INFORMATION WHILE THE PATIENT IS IN TRANSIT THIS PROGRAM HAS REDUCED THE TIME FROM DOOR TO ANGIOPLASTY BY GETTING THE CARDIOLOGY TEAM IN PLACE BEFORE THE PATIENT ARRIVES

**Grants and Other Assistance to Organizations,
Governments and Individuals in the United States**
Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

2010

Open to Public Inspection

Name of the organization
CULLMAN REGIONAL MEDICAL CENTER

Employer identification number
63-1058174

Part I General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No
- 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

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

[illegible]

- | | | | |
|----------|--|---|----------|
| 2 | Enter total number of section 501(c)(3) and government organizations | ▶ | <u>1</u> |
| 3 | Enter total number of other organizations | ▶ | |

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
PROCEDURES FOR MONITORING THE USE OF GRANT FUNDS INSIDE THE UNITED STATES	SCHEDULE I, PAGE 1, PART I, LINE 2	THE HOSPITAL CONTINUOUSLY EVALUATES COMMUNITY ORGANIZATIONS (AS IDENTIFIED IN PART II ABOVE) PROVIDING HEALTHCARE NEEDS TO THE MEDICALLY UNDERSERVED WHO ALSO ARE MOST LIKELY UNABLE TO PAY THE HOSPITAL EVALUATES THE NEEDS ON AN INDIVIDUAL BASIS BASED ON DOCUMENTED REQUESTS FOR SERVICES PROVIDED

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 CULLMAN REGIONAL MEDICAL CENTER	Employer identification number 63-1058174
---	--

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) JIM WEIDNER	(i) (ii)	87,356		179	13,600		101,135	
(2) JETE EDMISSON	(i) (ii)	166,866		334	16,632		183,832	
(3) WILLIAM GUNTER	(i) (ii)	178,026		563	16,858		195,447	
(4) NORMAN BURKETT	(i) (ii)	176,544		178	17,169		193,891	
(5) LINDA LOVELADY	(i) (ii)	174,273		516	16,175		190,964	
(6) JEFFREY SMITH	(i) (ii)	168,457		173	16,850		185,480	
(7) THOMAS WOOSLEY	(i) (ii)	160,153		824	14,509		175,486	
(8)								
(9)								
(10)								
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

Part III

Supplemental Information

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

Identifier	Return Reference	Explanation
FRINGE OR EXPENSE EXPLANATION	SCHEDULE J, PAGE 1, PART I, LINE 1A	SOCIAL CLUB DUES A MEMBERSHIP TO THE LOCAL COUNTRY CLUB IS PROVIDED BY MEANS OF CONTRACTUAL AGREEMENT TO CERTAIN OFFICERS. AS THE MEMBERSHIP IS CONSIDERED TO PROMOTE AND FURTHER THE ORGANIZATION'S TAX-EXEMPT MISSION AND IS INTENDED TO BE USED FOR BUSINESS PURPOSES ONLY, THE AMOUNT IS NOT INCLUDED IN TAXABLE WAGES.
OTHER ADDITIONAL INFORMATION	SCHEDULE J, PART III	AN UNRELATED ORGANIZATION, PITTS MANAGEMENT, PROVIDES THE FILING ORGANIZATION'S CEO, JIM WEIDNER, UNDER A MANAGEMENT CONTRACT, UNTIL AUGUST 31, 2010. EFFECTIVE SEPTEMBER 1, 2010, MR. WEIDNER BECAME AN EMPLOYEE OF THE ORGANIZATION. FEES CHARGED BY THE MANAGEMENT ENTITY FOR ADMINISTRATIVE MANAGEMENT SERVICES TOTALLED APPROXIMATELY 170,000.

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
CULLMAN REGIONAL MEDICAL CENTER

Employer identification number
63-1058174

Part I Bond Issues											
(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A HEALTHCARE AUTHORITY OF CULLMAN CTY	63-1149220	230186AMO	12-03-2009	68,624,416	DEFEASE 1993/2007 BONDS		X	X			X

Part II Proceeds									
		A		B		C		D	
1	Amount of bonds retired	1,703,589							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	68,624,416							
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow	61,819,381							
7	Issuance costs from proceeds	1,352,854							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds	5,452,182							
10	Capital expenditures from proceeds								
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2009							
		Yes	No						
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

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

Part IIIPrivate Business Use (Continued)

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

Part IVArbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2	Is the bond issue a variable rate issue?		X						
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X							
b	Name of provider	MERRILL LYNCH							
c	Term of hedge	26 0							
d	Was the hedge superintegrated?		X						
e	Was a hedge terminated?		X						
4a	Were gross proceeds invested in a GIC?		X						
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X						
6	Did the bond issue qualify for an exception to rebate?		X						

Part VSupplemental Information

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

Identifier	Return Reference	Explanation

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 CULLMAN REGIONAL MEDICAL CENTER	Employer identification number 63-1058174
--	---

Identifier	Return Reference	Explanation
FIRST ACHIEVEMENT DESCRIPTION	FORM 990, PAGE 2, PART III, LINE 4A	COMMUNITY EDUCATION AND WELLNESS ACTIVITIES TO THE COMMUNITY AND IS A MAJOR CONTRIBUTOR TO A LOCAL INDIGENT CLINIC SERVICING CULLMAN COUNTY

Identifier	Return Reference	Explanation
MANAGEMENT DELEGATED	FORM 990, PAGE 6, PART VI, LINE 3	THE ORGANIZATION CONTRACTED WITH PITTS MANAGEMENT WHICH PROVIDES THE CEO FOR THE ENTITY UNTIL AUGUST 31, 2010 BEGINNING SEPTEMBER 1, 2010, THE CEO BECAME THE EMPLOYEE OF THE ORGANIZATION

Identifier	Return Reference	Explanation
ELECTION OF MEMBERS AND THEIR RIGHTS	FORM 990, PAGE 6, PART VI, LINE 7A	THE HEALTH CARE AUTHORITY OF CULLMAN COUNTY APPOINTS THE VOTING MAJORITY OF THE ORGANIZATION'S BOARD AND CONTROLS THE OPERATIONS AS WELL

Identifier	Return Reference	Explanation
DECISIONS SUBJECT TO APPROVAL OF MEMBERS	FORM 990, PAGE 6, PART VI, LINE 7B	THE HEALTH CARE AUTHORITY OF CULLMAN COUNTY APPOINTS THE VOTING MAJORITY OF THE ORGANIZATION'S BOARD AND CONTROLS THE OPERATIONS OF THE ORGANIZATION

Identifier	Return Reference	Explanation
ORGANIZATION'S PROCESS USED TO REVIEW FORM 990	FORM 990, PAGE 6, PART VI, LINE 11B	MANAGEMENT ASSISTS IN PREPARING SCHEDULES, REVIEWS THE ENTIRE DRAFT OF THE FORM 990 FOR CONTENT, AND RECOMMENDS CHANGES, IF ANY PRIOR TO FILING, THE FINANCE COMMITTEE REVIEWS THE FORM THE FINAL FORM, AS IT IS ULTIMATELY FILED WITH ALL SCHEDULES AND ATTACHMENTS, IS POSTED TO THE BOARD WEBSITE PRIOR TO FILING AND AN E-MAIL ALERTS EACH VOTING MEMBER OF ITS AVAILABILITY

Identifier	Return Reference	Explanation
ENFORCEMENT OF CONFLICTS POLICY	FORM 990, PAGE 6, PART VI, LINE 12C	ANNUALLY, BOARD MEMBERS MUST IDENTIFY ANY CONFLICT, MANAGEMENT MONITORS AND MAY SUGGEST ANY AREAS OF CONFLICT THE BOARD CHAIRMAN REVIEWS ACTUAL AND PERCEIVED CONFLICTS OF INTEREST IN THE EVENT OF A CONFLICT, THE MEMBER OR OFFICER WITH THE CONFLICT WILL DISMISS THEMSELVES FROM THE DISCUSSION AND ANY VOTES ON THE ISSUE

Identifier	Return Reference	Explanation
COMPENSATION PROCESS FOR TOP OFFICIAL	FORM 990, PAGE 6, PART VI, LINE 15A	ANNUALLY THE BOARD (OR A COMMITTEE CHARGED WITH THE RESPONSIBILITY AND AUTHORITY TO DO SO ON BEHALF OF THE BOARD) REVIEWS THE COMPENSATION PACKAGE AND PROPOSED CONTRACT OF THE CEO. THE REVIEW IS CONDUCTED BY INDEPENDENT BOARD MEMBERS, IS BASED UPON REVIEW OF COMPARABILITY DATA PROVIDED BY OUTSIDE CONSULTANTS, AND IS DOCUMENTED IN THE RECORDS OF THE BOARD REFLECTING THE BASIS OF THE DETERMINATION BY THE THE BOARD (OR AUTHORIZED COMMITTEE)

Identifier	Return Reference	Explanation
COMPENSATION PROCESS FOR OFFICERS	FORM 990, PAGE 6, PART VI, LINE 15B	ANNUALLY THE BOARD (OR A COMMITTEE CHARGED WITH THE RESPONSIBILITY AND AUTHORITY TO DO SO ON BEHALF OF THE BOARD) REVIEWS THE COMPENSATION PACKAGE OF THE CFO AND OTHER OFFICERS. THE REVIEW IS CONDUCTED BY INDEPENDENT BOARD MEMBERS, IS BASED UPON REVIEW OF COMPARABILITY DATA PROVIDED BY OUTSIDE CONSULTANTS, AND IS DOCUMENTED IN THE RECORDS OF THE BOARD REFLECTING THE BASIS OF THE DETERMINATION BY THE THE BOARD (OR AUTHORIZED COMMITTEE).

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

Identifier	Return Reference	Explanation
RELATED ORGANIZATIONS	FORM 990, PAGE 7, PART VII	AVERAGE WEEKLY HOURS DEVOTED TO RELATED ORGANIZATIONS CLINT FREY - 1 HOUR DEL BROCK - 1 HOUR JIM WEIDNER - 2 HOURS JETE EDMISSION - 2 HOURS

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS EXPLANATION	FORM 990, PART XI, LINE 5	INCREASES FOUNDATION IN UNRESTRICTED ASSETS OF AFFILIATE 253,556 UNREALIZED GAINS ON INVESTMENTS 2,743,079 CHANGE IN VALUE OF INTEREST RATE SWAP 590,151 DECREASES CHANGE IN PLAN ASSETS AND PBO 227,202 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS OF AFFILIATE 3,152,006 NET INCREASE 207,578

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
CULLMAN REGIONAL MEDICAL CENTER

Employer identification number
63-1058174

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) CULLMAN REGIONAL MEDICAL CTR FNDN 1912 ALABAMA HIGHWAY 157 CULLMAN, AL 35056 63-0727880	FOUNDATION	AL	501C3	11C	NA		No
(2) HEALTHCARE AUTHORITY OF CULLMAN CO 1912 ALABAMA HIGHWAY 157 CULLMAN, AL 35056 63-1149220	AUTHORITY	AL	501C3	6	NA		No

Part III

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

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

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership

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

Yes

Yes

Yes

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
------------	------------------	-------------

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

CULLMAN, ALABAMA

FINANCIAL STATEMENTS

for the years ended June 30, 2011 and 2010

C O N T E N T S

	<u>Pages</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Financial Statements:	
Balance Sheets	11-12
Statements of Revenues, Expenses and Changes in Net Assets	13-14
Statements of Cash Flows	15-16
Notes to Financial Statements	17-51
Independent Auditor's Report on Supplemental Information	52
Members of Board of Directors	53
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	54-55



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Health Care Authority of Cullman County
Cullman, Alabama

We have audited the accompanying balance sheets of the Health Care Authority of Cullman County (a component unit of Cullman County, Alabama) as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Health Care Authority of Cullman County as of June 30, 2011 and 2010, and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Continued

1

P.O. BOX 6
2617 GILLIONVILLE ROAD
ALBANY, GEORGIA 31702-0006
(229) 883 7878
FAX (229) 435-3152

PARTNERS
LINTON A. HARRIS, CPA
STEPHEN M. BEDSOLE, CPA
CYNTHIA R. DUPREE, CPA
JIM L. CREAMER, SR., CPA
JEFFREY S. WRIGHT, CPA
MILES V. ESPY, SR., CPA
MICHAEL L. REESE, CPA

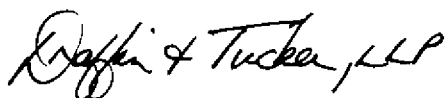
SANDRA D. CANNON, CPA
WILSON E. JOINER, III, CPA
C. BERT BENNETT, CPA
CHARLES P. HORNE, CPA
JIMMIE D. RICHTER, JR., CPA
R. WES STERNENBERG, CPA

MEMBERS:
THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

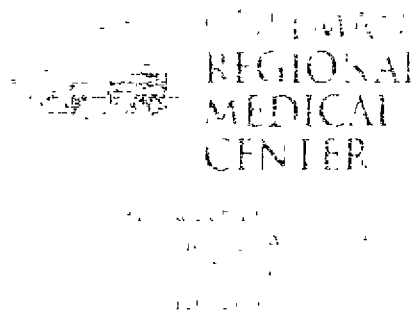
THE GEORGIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011, on our consideration of the Health Care Authority of Cullman County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussions and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Daffin & Tucker, LLP". The signature is written in a cursive, flowing style.

Albany, Georgia
October 27, 2011



**HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit Of Cullman County, Alabama)**

CULLMAN, ALABAMA

**Management's Discussion and Analysis
For The Year Ending June 30, 2011**

We are pleased to present the financial statements of the Health Care Authority of Cullman County (the "Authority"). As described in the summary of significant accounting policies, operations of the Authority include Cullman Regional Medical Center, Inc. (CRMC) and Cullman Emergency Management Services (CEMS). Activities of these entities will be referred to interchangeably in this discussion. The Authority completed a transaction on November 30, 2005 to purchase 50% ownership Baptist Health System, Inc. held in Cullman Regional Medical Center, Inc. (CRMC). This required a bridge loan that was eliminated in FY 2008 with the issuance of 2007A Bonds by CRMC. A subsequent total debt refinancing (2009A Bonds) was issued in December 2009 by the Authority to refund all prior bond issues, and to minimize the derivative risks tied to the 2007A issue.

During fiscal year 2010 the Health Care Authority of Cullman County bought its local competitor, 100-bed Woodland Medical Center, from Capella Health Care, in Franklin, Tennessee. The Authority consolidated operations and transferred 30 acute care bed licenses to the CRMC campus. On July 15, 2010 the Authority sold the 20 psychiatric beds purchased in the transaction and leased the Woodland Campus to USA Healthcare, a local long-term care facility operator to establish a psychiatric hospital in Cullman County. The 50 remaining licensed beds from the acquisition were returned to the state leaving CRMC as the sole acute care provider in Cullman County under Alabama Certificate of Need regulations.

During fiscal year 2011 the Health Care Authority completed the expansion/renovation of the emergency department solely funded by community contributions and grants totaling over \$5 million through the CRMC Foundation. The expansion will allow the Hospital to treat approximately 55,000 patients annually.

Our discussion and analysis of the Health Care Authority of Cullman County and Cullman Regional Medical Center's financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Authority's financial statements.

Management's Discussion and Analysis For The Year Ending June 30, 2011

Financial Highlights

Statement of Revenues, Expenses

- The Authority generated an excess of expenses over revenues from fiscal year 2011 operations of approximately \$2.3 million. This was a decrease of approximately \$5.7 million from 2010. The Authority showed a decrease in net patient service revenue of approximately \$0.7 million due to low flu volume compared to FY 2010's H1N1 flu surge and a physician's purchase of the radiation oncology department as part of a contract from the Baptist management days.
- Although salaries and wages remained neutral, benefits increased primarily due to health claims and a full year of defined contribution pension plan payments.
- Supplies increased approximately \$1 million due to drug availability, inflation on supplies and food, and related transportation costs.
- Leases increased with the additional space in the new Professional Office Building III (POB III) built on the CRMC campus by physicians and private investors. Except for the expanded Sleep Diagnostic Center, the space occupied in POB III by the Authority is now subleased to physicians.

Change in Net Assets

- A change in unrealized gains and losses due to market performance created an increase of approximately \$2.7 million in 2011 compared to an increase of \$1.5 million in 2010.
- The CRMC Foundation Board initiated a \$5 million capital campaign during the last quarter of 2007. This campaign focused on an addition and renovation of the emergency department allowing CRMC to better serve its community and avoid additional debt. The capital campaign exceeded expectations, with over \$6 million in pledges. Construction started March 22, 2010. CRMC occupied the new addition on September 16, 2010 and began the renovation phases. The certificate of occupancy was approved on February 3, 2011. The increase of contributions from the Foundation offset the Hospital's interest in the temporarily restricted net assets of the Foundation due to this project.
- Market conditions, combined with \$1,050,000 in contributions on the defined benefit pension plan produced a "change in plan assets and projected obligation recognition" of approximately \$227,000 as of June 30, 2011 compared to approximately \$970,000 in 2010.
- The change in net assets for fiscal year 2011 was an increase of approximately \$1.5 million compared to fiscal year 2010's increase of approximately \$8.3 million. FY 2010 increase was driven by the debt refinancing, 2009A issue, and the related swaps.

Management's Discussion and Analysis For The Year Ending June 30, 2011

Using This Annual Report

The Authority's financial statements consist of three statements – a balance sheet; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Authority.

The Statement of Cash Flows

The final required statement is the "Statement of Cash Flows". The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" and "What was the change in cash balance during the reporting period?"

The Authority's Net Assets

The Authority's net assets are the difference between its assets and liabilities reported in the balance sheet. The Authority's net assets increased in fiscal 2011 by approximately \$1.5 million due to the items described in the financial highlights.

**Management's Discussion and Analysis
For The Year Ending June 30, 2011**

Table 1: Assets, Liabilities and Net Assets (In Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets:			
Current assets	\$ 31,399	\$ 34,264	\$ 29,429
Noncurrent cash and investments	30,603	27,506	25,204
Capital assets, net	48,432	46,897	44,110
Other noncurrent assets	<u>9,977</u>	<u>13,185</u>	<u>10,905</u>
Total assets	\$ <u>120,411</u>	\$ <u>121,852</u>	\$ <u>109,648</u>
Liabilities:			
Current liabilities	\$ 13,644	\$ 14,604	\$ 10,750
Long-term liabilities	<u>84,952</u>	<u>86,934</u>	<u>86,910</u>
Total Liabilities	\$ <u>98,596</u>	\$ <u>101,538</u>	\$ <u>97,660</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 4,981	\$ 1,443	\$ 800
Temporarily restricted net assets of Foundation	2,375	5,612	6,044
Unrestricted	<u>14,459</u>	<u>13,259</u>	<u>5,144</u>
Total net assets	\$ <u>21,815</u>	\$ <u>20,314</u>	\$ <u>11,988</u>

Operating revenues decreased in 2011 by approximately \$0.6 million or 0.6% due to the sale of the radiation oncology unit. The Hospital experienced a decrease of approximately 1.4% in bad debt expense due to current economic conditions of our community. CRMC's collection processes are adapting to the volume from the Woodland acquisition with patient accounts receivable, net of estimated uncollectible accounts decreasing by approximately \$6.6 million (25.9%) at fiscal year-end.

Operating Results and Changes in the Authority's Net Assets

In 2011 the Authority's net assets increased by approximately \$1.5 million as shown in Table 2. This increase is primarily based on gains recognized in the market conditions impacting the unrealized gains on investments and the continued impact of the Woodland Medical Center acquisition.

**Management's Discussion and Analysis
For The Year Ending June 30, 2011**

Table 2: Operating Results and Changes in Net Assets (In Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues:			
Net patient service revenue	\$ 92,815	\$ 93,563	\$ 87,878
Other operating revenues	<u>2,418</u>	<u>2,244</u>	<u>2,098</u>
Total operating revenues	<u>95,233</u>	<u>95,807</u>	<u>89,976</u>
Operating Expenses:			
Salaries and benefits	50,064	49,319	46,591
Medical supplies and drugs	35,304	34,266	30,960
Depreciation and amortization	4,715	4,930	5,294
Other operating expenses	<u>5,051</u>	<u>4,170</u>	<u>4,364</u>
Total operating expenses	<u>95,134</u>	<u>92,685</u>	<u>87,209</u>
Operating income	<u>99</u>	<u>3,122</u>	<u>2,767</u>
Nonoperating Revenues and Expenses:			
Investment income	910	1,213	1,232
Interest expense	(4,818)	(4,657)	(4,224)
Other nonoperating revenues and expenses, net	<u>1,544</u>	<u>3,756</u>	<u>438</u>
Total nonoperating revenues (expenses)	<u>(2,364)</u>	<u>312</u>	<u>(2,554)</u>
Excess of revenues (expenses)	<u>(2,265)</u>	<u>3,434</u>	<u>213</u>
Change in unrealized gains and losses on other than trading securities	2,743	1,474	(3,083)
Effective change in interest rate swap	236	4,161	(2,458)
Change in interest in unrestricted net assets of Foundation and capital grants and contributions	4,251	660	737
Other changes in plan assets and projected benefit obligation recognized in net assets	(227)	(970)	(3,384)
Increase (decrease) in unrestricted net assets	<u>4,738</u>	<u>8,759</u>	<u>(7,975)</u>
Change in interest in temporarily restricted net assets of Foundation	(3,237)	(432)	<u>2,237</u>
Change in net assets	<u>\$ 1,501</u>	<u>\$ 8,327</u>	<u>\$(5,738)</u>

Management's Discussion and Analysis For The Year Ending June 30, 2011

Operating Income (Loss)

The first component of the overall change in the Authority's net assets is its operating income (loss) – generally, the difference between net patient service revenue and the expenses incurred to perform those services.

The primary components are:

- Challenges of the collection efforts by external vendors. The Hospital is currently evaluating a transition to vendors providing full service versus electronic billing.
- Staffing expenses remained neutral, however CRMC employees' health claims usage and full year of defined contribution pension plan payments increased benefits by 7.6%.
- An increase of 3.0% in supply expenses for drugs, food, implants and transportation costs.
- Fixed costs and other expenses saw an increase of 21.1% from fiscal year 2010 related to temporary office leases in new POB III; physician recruitment and startup support for interventional cardiology and hospitalist programs.

Nonoperating Revenues and Expenses

Nonoperating revenues typically consist of investment income, rental income and sales tax proceeds. However, the Hospital incurred several unusual transactions in 2010. A gain from bond defeasance was recognized when the 2009A Bonds were issued to defease all previous issues. A significant portion of the derivative was paid off, and a gain from the bargain purchase was recognized from the 30 beds added from the Woodland acquisition.

The Authority's Cash Flow

Changes in the Authority's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses, discussed earlier, with one exception and that is the impact of management's continued efforts on patient accounts receivable. In January 2010 CRMC changed its billing company to a nationally recognized leader in healthcare billing; however, the collection efforts following this change are not reaping the expected return and a business office consultant has been brought in to evaluate the current vendors for possible change. CRMC contributed \$1,050,000 to the defined benefit pension in FY 2011, and this was offset by a \$600,000 required adjustment to the actuarial calculation. Lastly, the Foundation's efforts on the Golden Window Campaign for the ER expansion and renovation allowed management to minimize capital purchases in FY 2011.

Management's Discussion and Analysis For The Year Ending June 30, 2011

Capital Asset and Debt Administration

Capital Assets

At the end of 2011, the Authority had approximately \$48.4 million invested in capital assets, net of accumulated depreciation as detailed in Note 5. The most significant portion was the ER Expansion and Renovation project which was totally funded by contributions to the CRMC Foundation.

Debt

At year-end, the Authority had approximately \$69.9 million in bonds and notes payable outstanding as detailed in Note 9 to the financial statements, which includes \$3.5 million for the Woodland acquisition. The lease of the Woodland property to USA HealthCare covers all debt service on the loan. In FY 2010 CRMC issued approximately \$70.2 million to refund all previous issues. The Authority uses derivative financial instruments as detailed in Note 7 to the financial statements.

Other Economic Factors

The Authority had a small competitor, Woodland Medical Center, in the city of Cullman, Alabama. In July 2009 the Authority purchased Woodland Medical Center from Capella Healthcare. The Authority borrowed \$3.5 million in a short term note until it determined the disposition of the property. CRMC was granted 50 (30 acute and 20 psych) beds by the Alabama CON Board to move to its license. Effective July 31, 2009 the Woodland campus was closed and all operations moved to the CRMC campus.

On July 15, 2010, the Authority sold to USA Healthcare the 20 psychiatric beds purchased with the acquisition of Woodland Medical Center. In connection with this sale a lease was entered into with USA Healthcare for the Woodland property with the goal of developing a psychiatric hospital on the south side of Cullman.

With the acquisition and closure of Woodland Medical Center, the Health Care Authority's primary opportunity is the continued efforts to reduce the out migration to Birmingham, Alabama which is approximately 60 minutes south. During FY 2007 CRMC established a clinical affiliation with University of Alabama Birmingham (UAB) to assist in the development of several of its strategic planning initiatives. During this reporting period, UAB has placed an interventional cardiologist in CRMC to meet the needs of the community. Management anticipates additional clinical affiliations with UAB and other providers.

Construction was completed in May 2010 for Professional Office Building III. A local physician group and a developer shouldered all the construction costs. This brings 90% of the active staff on CRMC's campus. CRMC obligated to lease several offices and expand its Sleep Disorders Center into the new building with the goal of sub-leasing physician office space to new providers. At this time only the Sleep Disorders Center and a small retail area are occupied by CRMC, the balance have been sublet.

**Management's Discussion and Analysis
For The Year Ending June 30, 2011**

Contacting the Authority's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority Chief Financial Officer's Office at Cullman Regional Medical Center, P.O. Box 1108, Cullman Alabama 35056-1108.

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

BALANCE SHEETS
June 30, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 3,501,668	\$ 1,794,632
Short-term investments	4,250,929	4,276,708
Patient accounts receivable, net of estimated uncollectibles of \$10,155,000 in 2011 and \$8,330,000 in 2010	18,737,028	25,296,807
Supplies	808,483	721,808
Prepaid expenses	543,000	607,151
Other current assets	<u>3,558,125</u>	<u>1,567,298</u>
Total current assets	<u>31,399,233</u>	<u>34,264,404</u>
Noncurrent cash and investments:		
Internally designated for capital improvements	25,165,734	21,528,180
Held by trustee under indenture agreement	4,655,896	4,985,824
Internally designated for self-insurance	<u>781,313</u>	<u>991,643</u>
Total noncurrent cash and investments	<u>30,602,943</u>	<u>27,505,647</u>
Capital assets:		
Land	2,994,053	3,024,053
Construction in progress	5,471,815	2,582,024
Depreciable capital assets, net of accumulated depreciation	<u>39,966,003</u>	<u>41,291,221</u>
Total capital assets, net of accumulated depreciation	<u>48,431,871</u>	<u>46,897,298</u>
Other assets:		
Goodwill and intangibles	5,391,276	5,391,276
Unamortized bond issue costs	1,258,878	1,310,261
Beneficial interest in Foundation	3,001,809	5,900,260
Investment in affiliated companies	-	66,667
Other assets	<u>325,499</u>	<u>516,630</u>
Total other assets	<u>9,977,462</u>	<u>13,185,094</u>
Total assets	\$ <u>120,411,509</u>	\$ <u>121,852,443</u>

	<u>2011</u>	<u>2010</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 1,228,571	\$ 1,167,957
Accounts payable	3,532,867	3,808,123
Accrued expenses	2,987,319	3,689,438
Accrued salaries and benefits	4,023,471	3,964,639
Accrued interest	1,836,388	1,932,167
Deferred revenue	<u>35,040</u>	<u>41,848</u>
Total current liabilities	13,643,656	14,604,172
Long-term debt, net of current maturities	68,682,369	69,913,109
Accrued pension	13,349,020	13,509,445
Derivative financial instruments	<u>2,921,178</u>	<u>3,511,329</u>
Total liabilities	<u>98,596,223</u>	<u>101,538,055</u>
Net assets:		
Invested in capital assets, net of related debt	4,981,650	1,443,037
Temporarily restricted net assets of Foundation	2,374,884	5,611,859
Unrestricted	<u>14,458,752</u>	<u>13,259,492</u>
Total net assets	<u>21,815,286</u>	<u>20,314,388</u>
 Total liabilities and net assets	 \$ <u>120,411,509</u>	 \$ <u>121,852,443</u>

See accompanying notes and auditor's report.

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

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

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of \$21,166,000 in 2011 and \$21,471,000 in 2010)	\$ 92,814,652	\$ 93,563,476
Other revenue	<u>2,418,262</u>	<u>2,243,934</u>
Total operating revenues	<u>95,232,914</u>	<u>95,807,410</u>
Operating expenses:		
Salaries and wages	39,401,042	39,413,592
Employee benefits	10,662,942	9,905,974
Professional fees	1,731,143	1,401,530
Supplies and other	35,303,562	34,266,166
Lease expense	3,320,715	2,768,672
Depreciation and amortization	<u>4,714,671</u>	<u>4,929,530</u>
Total operating expenses	<u>95,134,075</u>	<u>92,685,464</u>
Operating income	<u>98,839</u>	<u>3,121,946</u>
Nonoperating revenues (expenses):		
Investment income	909,616	1,213,038
Interest	(4,817,711)	(4,656,550)
Rental income	201,287	133,934
Gain on sale or disposal of fixed assets	285,848	39,827
Tobacco taxes	75,947	60,996
Sales tax proceeds	400,000	400,000
Change in fair value of interest rate swap	354,074	(5,789,906)
Noncapital grants and contributions	226,520	198,587
Gain on bond defeasance	-	5,506,967
Gain from bargain purchase	<u>-</u>	<u>3,204,667</u>
Total nonoperating revenues (expenses)	<u>(2,364,419)</u>	<u>311,560</u>
Excess of revenues (expenses)	<u>(2,265,580)</u>	<u>3,433,506</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS, Continued
for the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Change in unrealized gains and losses on other than trading securities	\$ 2,743,079	\$ 1,474,448
Change in interest rate swap	236,077	4,161,170
Other changes in plan assets and projected benefit obligation recognized in net assets	(227,202)	(970,436)
Change in interest in unrestricted net assets of Foundation	338,524	558
Capital grants and contributions	<u>3,912,975</u>	<u>659,800</u>
Increase in unrestricted net assets	4,737,873	8,759,046
Change in interest in temporarily restricted net assets of Foundation	(<u>3,236,975</u>)	(<u>432,420</u>)
Change in net assets	1,500,898	8,326,626
Net assets, beginning of year	<u>20,314,388</u>	<u>11,987,762</u>
Net assets, end of year	\$ <u><u>21,815,286</u></u>	\$ <u><u>20,314,388</u></u>

See accompanying notes and auditor's report.

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

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

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 101,792.693	\$ 91,895.039
Payments to suppliers and contractors	(42,452.896)	(37,127.502)
Payments to employees	(51,197.485)	(46,175.846)
Net cash provided by operating activities	<u>8,142.312</u>	<u>8,591.691</u>
Cash flows from noncapital financing activities:		
Tax proceeds received	475,947	460,996
Proceeds from debt issuances	16,283.392	14,944.000
Principal paid on short-term debt	(16,283.392)	(14,944.000)
Interest paid on short-term debt	(17,344)	(33,017)
Rental income	201,287	133,934
Proceeds from noncapital grants and contributions	<u>226,520</u>	<u>198,587</u>
Net cash provided by noncapital financing activities	<u>886,410</u>	<u>760,500</u>
Cash flows from capital and related financing activities:		
Proceeds from debt issuances	-	72,124,416
Cost of bond issue	-	(794,061)
Principal paid on long-term debt	(1,231,687)	(64,150,890)
Interest paid on long-term debt	(4,800,367)	(4,574,019)
Payment on interest rate swap	-	(5,452,182)
Proceeds from disposal of property and equipment	988,198	62,444
Purchase of property and equipment	(6,771,983)	(7,585,792)
Proceeds from capital grants and contributions	<u>3,912,975</u>	<u>659,800</u>
Net cash used by capital and related financing activities	<u>(7,902,864)</u>	<u>(9,710,284)</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

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

	<u>2011</u>	<u>2010</u>
Cash flows from investing activities:		
Interest and dividends on investments	\$ 909,616	\$ 1,213,038
Purchase of long-term investments	(17,154,144)	(24,798,339)
Sale of long-term investments	16,825,706	22,313,557
Change in investment in affiliate	<u>-</u>	<u>5,159</u>
Net cash provided (used) by investing activities	<u>581,178</u>	<u>(1,266,585)</u>
Increase (decrease) in cash and cash equivalents	1,707,036	(1,624,678)
Cash and cash equivalents at beginning of year	<u>1,794,632</u>	<u>3,419,310</u>
Cash and cash equivalents at end of year	\$ <u>3,501,668</u>	\$ <u>1,794,632</u>
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 98,839	\$ 3,121,946
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	4,714,671	4,929,530
Net periodic pension costs	662,373	530,978
Change in operating assets and liabilities:		
Patient accounts receivable	6,559,779	(3,912,371)
Prepaid expenses	64,151	(112,179)
Supplies	(86,675)	126,664
Other current assets	(1,990,827)	(181,584)
Other assets	191,131	404,476
Accounts payable	(275,256)	1,071,489
Accrued expenses and deferred revenues	(745,874)	2,612,742
Accrued pension	<u>(1,050,000)</u>	<u>-</u>
Net cash provided by operating activities	\$ <u>8,142,312</u>	\$ <u>8,591,691</u>

See Note 4 for noncash activity related to unrealized gains and losses. Additionally, see Note 19 for noncash activity related to the purchase of Woodland Medical Center in 2010.

See accompanying notes and auditor's report.

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity

The Health Care Authority of Cullman County was reincorporated on November 15, 1984 under the Alabama Health Care Authority Act of 1982 pursuant to the provision of Act Number 82-418 as a public hospital corporation. It was created by the Board of County Commissioners of Cullman County, Alabama, to operate, control, and manage all matters concerning the County's health care functions. The Board of County Commissioners appoints the Board of Trustee members of the Authority, and the Authority, within the definitions of the Health Care Authority Act, may issue debt but it cannot levy taxes without the County's approval. For this reason, the Authority is considered to be a component unit of Cullman County.

Cullman Regional Medical Center (Hospital), a blended component unit of the Authority, is an Alabama not-for-profit corporation organized under Section 501(c)(3) of the Internal Revenue Code to operate as an acute care hospital. The Authority appoints the voting majority of the Hospital Board and controls the operations of the Hospital.

The Authority and Baptist Health Systems, Inc. (BHS) organized Cullman Regional Medical Center to construct and operate a 115-bed general acute care hospital in Cullman, Alabama. The Authority and BHS were equal members in the Hospital. On December 1, 2005, the Authority purchased BHS's share of the Hospital and is now the sole member. The Authority also operates Cullman Emergency Management Services (CEMS), an ambulance service covering the Cullman County area.

All significant intercompany accounts and transactions have been eliminated.

Beneficial Interest in Foundation

The Hospital, a blended component unit, records its interest in assets held by the Cullman Regional Medical Center Foundation, Inc. The Hospital controls the Foundation's transfer of assets. Donor-restricted funds are shown as temporarily restricted net assets on the balance sheet. Once restrictions are met, the amounts are reclassified to unrestricted net assets.

Use of Estimates

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

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The Hospital, a blended component unit, follows pronouncements of the Financial Accounting Standards Board.

Cash and Cash Equivalents

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

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

Noncurrent Cash and Investments

Noncurrent cash and investments primarily include assets held by trustees under indenture agreements and designated assets set aside by the Authority's Board of Directors for future capital improvements and self-insurance, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Authority have been reclassified in the balance sheet at June 30, 2011 and 2010.

These assets, which consist primarily of investment securities, are available for sale and are measured at fair value in the financial statements. Investment income or loss on these securities is recognized when earned. The realized gains and losses, along with interest earnings and dividend income, are reported as investment income in the accompanying statement of revenues, expenses, and changes in net assets. Changes in unrealized gains and losses are shown below the excess of revenues (expenses).

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Allowance for Doubtful Accounts

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

Supplies

Supplies are stated at the lower of cost or market value, using the first-in, first-out method.

Capital Assets

The Authority's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land and construction-in-progress are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives as determined by AHA Guidelines:

Land improvements	15 to 20 Years
Buildings and building improvements	20 to 40 Years
Equipment, computers, and furniture	3 to 7 Years

Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Authority's interest cost was capitalized in 2011 or 2010.

Deferred Financing Cost

Costs related to the issuance of long-term debt were deferred and are being amortized using the straight-line method which approximates the effective interest method over the life of the related debt.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Sales Taxes

Effective June 1, 1975, as amended in 1990, the Alabama Legislature levied a sales tax on the sale of tangible personal property in Cullman County ("sales tax") for an indefinite period of time. The Authority's portion of this sales tax is due on a monthly basis in the amount of \$33,333. The proceeds from the sales tax may be used to fund indigent and charity care patients.

Goodwill and Intangibles

Under FASB authoritative guidance, goodwill and intangible assets with indefinite lives are no longer amortized, but are tested for impairment annually and more frequently in the event of an impairment indicator. The accounting standard also requires that intangible assets with definite lives be amortized over their respective estimated useful lives, and reviewed whenever events or circumstances indicate impairment may exist.

FASB authoritative guidance requires that a two-step test be performed to assess goodwill for impairment. First, the fair value of each reporting unit is compared to its carrying value. The fair values are computed by the Authority utilizing the discounted cash flow method. If the fair value exceeds the carrying value, goodwill is not impaired and no further testing is performed. The second step is performed if the carrying value exceeds the fair value. The implied fair value of the reporting unit's goodwill must be determined and compared to the carrying value of the goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, an impairment loss equal to the difference will be recorded.

As of June 30, 2011 and 2010, the Authority had goodwill of \$5,391,276, which is subject to the impairment tests prescribed under the authoritative guidance. In accordance with the accounting standard, the Authority has elected June 30th as its annual impairment assessment date. The Authority completed its annual impairment assessment and concluded that no goodwill or indefinite lived intangible asset impairment charge was required.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Grants and Contributions

From time to time, the Authority receives grants from Cullman County and the State of Alabama as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Restricted Resources

When the Authority has both restricted and unrestricted resources available to finance a particular program, it is the Authority's policy to use restricted resources before unrestricted resources.

Net Assets

Net assets of the Authority are classified into three components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The Authority reflects the beneficial interest of the net assets of the Foundation as *temporarily restricted net assets of the Foundation*. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt or temporarily restricted net assets of the Foundation*.

Operating Revenues and Expenses

The Authority's statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Authority's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

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 under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

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

Income Taxes

The Authority is a tax-exempt entity; therefore, no provision for income taxes is made in the financial statements.

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

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

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

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Impairment of Long-Lived Assets

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

Other Assets

Other assets consist primarily of a vendor deposit and receivables related to employment agreements with certain physicians.

Deferred Revenue

Deferred revenue represents payments under Medicare's prospective payment system for home health patients. Medicare reimburses the Authority for 60-day episodes of care. The amount reported as deferred revenue at June 30, 2011 and 2010 represents payments received but not earned as of the respective year end.

Compensated Absences

The Authority's employees earn vacation days at varying rates depending on years of service. Vacation time accumulates up to a maximum of 352 hours. Employees also earn sick leave benefits based on a flat rate per pay period. Employees are not paid accumulated sick leave if they leave before retirement. The estimated amount of accrued vacation is included as a current liability.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in the past. The Authority is self-insured for employee health insurance, worker's compensation insurance, and professional and general liability (see Note 14).

Insurance

Beginning in September 1998, the Authority became self-insured for workers' compensation claims. Effective January 1, 1999, the Authority became self-insured for healthcare claims for its employees. Effective January 1, 2003, the Authority became self-insured for professional and general liability. The Authority carries reinsurance with a \$10 million limit. Provision is made in the financial statements for estimates of reported claims and claims incurred but not reported for the workers' compensation, healthcare, and professional and general liability programs.

Derivative Instruments

The Hospital has entered into interest rate swap agreements as part of its interest rate risk management strategy. These agreements are accounted for under the provisions of FASB ASC 815, *Derivatives and Hedging*. FASB ASC 815 establishes accounting and reporting standards requiring that derivative instruments be recorded at fair value as either an asset or liability.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure of variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of unrestricted net assets. The ineffective component, if any, is recorded in excess of revenues (expenses) in the period in which the hedge transaction affects earnings. If the hedging relationship ceases to be highly effective or it becomes probable that an expected transaction will no longer occur, gains or losses on the derivative are recorded in excess of revenues (expenses). For derivative instruments not designated as hedging instruments, the unrealized gain or loss is recognized in nonoperating revenues (expenses) during the period of change.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Fair Value Measurements

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

- Level 1:

Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

- Level 2:

Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

- Level 3:

Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Prior Year Reclassifications

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

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

2. Net Patient Service Revenue

The Authority has arrangements with third-party payors that provide for payments to the Authority at amounts different from its established rates. The Authority does not believe that there are any significant credit risks associated with receivables due from third-party payors.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments made on or after October 1, 2007. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

A summary of the payment arrangements with major third-party payors follows:

- Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services rendered to Medicare beneficiaries are paid at prospectively determined rates per encounter characterized as ambulatory payment classifications in which payment is based on the type of patient service performed.

The Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare fiscal intermediary. The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority. The Authority's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2007.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

2. Net Patient Service Revenue, Continued

- Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at all inclusive per diem rates. Outpatient services are reimbursed based on an encounter rate for 2011.

Payments for inpatient services rendered to Medicaid beneficiaries were made to participating hospitals by eight regional Prepaid Health Plan Corporations which have been organized in Alabama. The eight corporations have contracted with Medicaid on a capitated basis to reimburse hospitals based on an all-inclusive per diem rate for inpatient hospital services. The Prepaid Health Plan Corporations also made disproportionate share payments to qualifying hospitals. Each Prepaid Health Plan Corporation has a board of directors which determines how the available disproportionate share hospital payments are made to the participating hospitals. The possibility exists that the amount of these payments may continue to change or the program may be discontinued, pending federal and/or state legislation.

- Blue Cross

Inpatient and outpatient services rendered to Blue Cross subscribers are reimbursed under either a cost reimbursement methodology or at prospectively determined rates. For cost reimbursement services, the Authority is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by Blue Cross. The Authority's Blue Cross cost reports have been audited by Blue Cross through June 30, 2010.

- Other Agreements

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

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

3. Uncompensated Services

The Authority was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2011 and 2010 were approximately \$266,916,000 and \$269,257,000, respectively.

Uncompensated care includes charity and indigent care services of approximately \$8,268,000 and \$7,635,000 in 2011 and 2010, respectively. The cost of charity and indigent care services provided during 2011 and 2010 were approximately \$2,297,000 and \$2,049,000, respectively computed by applying a total cost factor to the charges foregone.

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

	<u>2011</u>	<u>2010</u>
Gross patient charges	\$ <u>359,730,252</u>	\$ <u>362,820,681</u>
Uncompensated services:		
Charity and indigent care	8,267,946	7,635,472
Medicare	117,730,218	117,014,033
Medicaid	25,939,010	25,063,339
Blue Cross	73,960,114	79,405,363
Other allowances	19,852,108	18,667,595
Bad debts	<u>21,166,204</u>	<u>21,471,403</u>
Total uncompensated care	<u>266,915,600</u>	<u>269,257,205</u>
Net patient service revenue	\$ <u>92,814,652</u>	\$ <u>93,563,476</u>

4. Deposits and Investments

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Authority's Bylaws require that all bank balances be insured or collateralized by U. S. Government Securities held by the pledging financial institution's trust department in the name of the Authority.

The Authority's deposits at year-end were held by financial institutions that participate in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

4. Deposits and Investments, Continued

SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to them. As of June 30, 2011 and 2010, the Authority has no deposits exposed to custodial credit risk.

The carrying amounts of deposits and investments are included in the Authority's balance sheet as follows:

	<u>2011</u>	<u>2010</u>
Carrying amount:		
Authority:		
Deposits	\$ 2,267,950	\$ 1,701,099
Hospital:		
Deposits	1,233,718	93,533
Money market accounts and certificates of deposit	3,406,300	14,738,225
U. S. Treasury	5,780,384	6,420,687
Government bonds	856,052	2,483,573
Domestic common stocks	1,683,181	-
Foreign stocks	376,768	-
Mutual funds – equity	10,132,036	-
Mutual funds – fixed income	7,413,983	-
Limited partnership	1,151,241	-
Alternative investments in hedge funds	2,950,405	-
Corporate bonds	<u>1,103,522</u>	<u>8,139,870</u>
Total	\$ <u>38,355,540</u>	\$ <u>33,576,987</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

4. Deposits and Investments, Continued

	<u>2011</u>	<u>2010</u>
Included in the following balance sheet captions:		
Cash and cash equivalents	\$ 3,501,668	\$ 1,794,632
Short-term investments	4,250,929	4,276,708
Noncurrent cash and investments:		
Internally designated for capital improvements	25,165,734	21,528,180
Held by trustee under indenture agreement	4,655,896	4,985,824
Internally designated for self-insurance	<u>781,313</u>	<u>991,643</u>
Total	\$ <u>38,355,540</u>	\$ <u>33,576,987</u>

Hedge funds include investments in various funds that invest both long and short primarily in U. S. common stocks. Management of the hedge funds has the ability to shift investments as they feel necessary to meet established goals. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. These securities have no unfunded commitments and are redeemed quarterly with a redemption notice period of 95-100 days.

The following table outlines fair value and gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2011 and 2010.

June 30, 2011						
Description Of Investments	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government bonds	\$ 345,673	\$(4,337)	\$ -	\$ -	\$ 345,673	\$(4,337)
Domestic common stock	264,021	(25,178)	-	-	264,021	(25,178)
Foreign stocks	132,340	(7,063)	-	-	132,340	(7,063)
Mutual funds - equity	-	-	1,755,974	(379,984)	1,755,974	(379,984)
Mutual funds - fixed income	3,625,544	(28,612)	874,577	(474,926)	4,500,121	(503,538)
Corporate bonds	<u>837,740</u>	<u>(12,260)</u>	<u>-</u>	<u>-</u>	<u>837,740</u>	<u>(12,260)</u>
Total	\$ <u>5,205,318</u>	\$ <u>(77,450)</u>	\$ <u>2,630,551</u>	\$ <u>(854,910)</u>	\$ <u>7,835,869</u>	\$ <u>(932,360)</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

4. Deposits and Investments, Continued

June 30, 2010						
Description Of Investments	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U. S. Treasury	\$ 149,148	\$(852)	\$ -	\$ -	\$ 149,148	\$(852)
Corporate bonds	<u>-</u>	<u>-</u>	<u>5,562,074</u>	<u>(1,874,776)</u>	<u>5,562,074</u>	<u>(1,874,776)</u>
Total	<u>\$ 149,148</u>	<u>\$(852)</u>	<u>\$ 5,562,074</u>	<u>\$(1,874,776)</u>	<u>\$ 5,711,222</u>	<u>\$(1,875,628)</u>

Management evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. In analyzing an issuer's financial condition, management considers whether the investments are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

Management has considered the nature of investments in an unrealized loss position, the cause of their impairment, the severity and duration of their impairment, the current global economic conditions, the Authority's intentions to sell or ability to hold the investments, and other relevant information available to management in determining if investments are other than temporarily impaired. Based on an evaluation of these factors, management has concluded that the declines in fair values of the Authority's investments reported in the above table are temporary.

Investment income and gains and losses for deposits and investments are comprised of the following for the years ending June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Income:		
Interest and dividends	\$ 687,276	\$ 1,032,338
Realized gains on sales of securities	<u>222,340</u>	<u>180,700</u>
Total	<u>\$ 909,616</u>	<u>\$ 1,213,038</u>
Other changes in unrestricted net assets:		
Unrealized gains (losses) on other than trading securities	<u>\$ 2,743,079</u>	<u>\$ 1,474,448</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

5. Capital Assets

Capital asset increases, decreases, and balances for the years ended June 30, 2011 and 2010 were as follows:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Land	\$ 3,024,053	\$ -	\$ 30,000	\$ 2,994,053
Land improvements	3,098,788	197,831	3,650	3,292,969
Buildings and improvements	51,101,878	717,026	413,935	51,404,969
Equipment	51,241,088	3,034,002	7,377,375	46,897,715
Construction in progress	<u>2,582,024</u>	<u>2,889,791</u>	<u>-</u>	<u>5,471,815</u>
Total at historical cost	<u>111,047,831</u>	<u>6,838,650</u>	<u>7,824,960</u>	<u>110,061,521</u>
Less accumulated depreciation for:				
Land improvements	(1,762,409)	(221,192)	(3,239)	(1,980,362)
Buildings and improvements	(20,212,395)	(1,585,251)	(270,021)	(21,527,625)
Equipment	<u>(42,175,729)</u>	<u>(2,794,602)</u>	<u>(6,848,668)</u>	<u>(38,121,663)</u>
Total accumulated depreciation	<u>(64,150,533)</u>	<u>(4,601,045)</u>	<u>(7,121,928)</u>	<u>(61,629,650)</u>
Capital assets, net	<u>\$ 46,897,298</u>	<u>\$ 2,237,605</u>	<u>\$ 703,032</u>	<u>\$ 48,431,871</u>

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Land	\$ 3,024,053	\$ -	\$ -	\$ 3,024,053
Land improvements	2,515,775	583,013	-	3,098,788
Buildings and improvements	47,229,921	3,873,033	1,076	51,101,878
Equipment	49,259,870	2,433,745	452,527	51,241,088
Construction in progress	<u>1,886,024</u>	<u>696,000</u>	<u>-</u>	<u>2,582,024</u>
Total at historical cost	<u>103,915,643</u>	<u>7,585,791</u>	<u>453,603</u>	<u>111,047,831</u>
Less accumulated depreciation for:				
Land improvements	(1,608,296)	(154,113)	-	(1,762,409)
Buildings and improvements	(18,639,905)	(1,572,938)	(448)	(20,212,395)
Equipment	<u>(39,558,040)</u>	<u>(3,048,227)</u>	<u>(430,538)</u>	<u>(42,175,729)</u>
Total accumulated depreciation	<u>(59,806,241)</u>	<u>(4,775,278)</u>	<u>(430,986)</u>	<u>(64,150,533)</u>
Capital assets, net	<u>\$ 44,109,402</u>	<u>\$ 2,810,513</u>	<u>\$ 22,617</u>	<u>\$ 46,897,298</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

6. Goodwill and Intangibles

Goodwill and intangibles consists of the following:

	<u>2011</u>	<u>2010</u>
Authority:		
Goodwill – purchase of Hospital interest	\$ 2,991,276	\$ 2,991,276
Intangibles – Woodland Medical Center combination	<u>2,400,000</u>	<u>2,400,000</u>
Total goodwill and intangibles	\$ <u>5,391,276</u>	\$ <u>5,391,276</u>

The goodwill is related to the acquisition of the portion of the Hospital previously owned by BHS. The intangible assets relate to licenses that are not subject to expiration and were acquired during the acquisition of a local hospital. Both are evaluated annually for impairment.

The changes in the carrying amount of goodwill and intangibles for the years ended June 30, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Balance at beginning of the year:		
Goodwill and intangibles	\$ 5,391,276	\$ 2,991,276
Accumulated impairment losses	<u>-</u>	<u>-</u>
	<u>5,391,276</u>	<u>2,991,276</u>
Goodwill and intangibles acquired during the year	-	2,400,000
Impairment losses	<u>-</u>	<u>-</u>
	<u>-</u>	<u>2,400,000</u>
Balance at end of the year:		
Goodwill and intangibles	5,391,276	5,391,276
Accumulated impairment losses	<u>-</u>	<u>-</u>
	\$ <u>5,391,276</u>	\$ <u>5,391,276</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

7. Derivative Financial Instruments

During fiscal year 2008, the Hospital entered into an interest rate swap agreement, extending through 2036. This swap was transacted in an effort to reduce the impact of interest rate changes on \$50,000,000 of variable rate debt tied to the SIFMA Index. The swap contract in place requires paying a fixed cash flow and receiving a variable cash flow that re-prices with reference to three-month LIBOR. The Hospital's variable-rate borrowing; however, is tied to a different underlying interest rate index – the Securities Industry and Financial Markets Association Index (SIFMA). Thus, some degree of hedge ineffectiveness should be expected. Approximately 90 percent of this swap was designated as the hedging derivative in a cash flow hedge relationship.

During fiscal year 2010, the Hospital refunded the 2007-A Series Variable Rate Revenue Bonds by issuing 2009-A Series Fixed Rate Revenue Bonds. In conjunction with the issuance of the 2009-A Bonds, approximately \$5.4 million was used to reduce a portion of the interest rate swap. The remaining portion of the swap was amended to a basis swap. The amended swap contract requires paying a variable rate on the basis of the SIFMA index and receiving a variable cash flow that re-prices with reference to three month LIBOR. All future fair market value adjustments to the swap will be reflected in earnings.

In applying SFAS 157 to the fair value of the derivative, the financial statements reflect approximately \$2.9 million and \$3.5 million for 2011 and 2010, respectively, which is based on the credit rating of the Hospital. As of June 30, 2011 and 2010, the present value of the derivative was approximately \$4.2 million and \$5.5 million, respectively.

The following is a detail of the activity reflected in the statement of revenues, expenses and changes in net assets:

	<u>2011</u>	<u>2010</u>
Nonoperating revenues:		
Change in fair value of interest rate swap:		
Ineffective portion of adjustment to fair market value	\$ 590,151	\$(239,359)
Recognition of loss on disposition of interest rate swap	-	(5,452,182)
Amortization of loss on interest rate swap	(236,077)	(98,365)
Total	\$ <u>354,074</u>	\$(<u>5,789,906</u>)

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

7. Derivative Financial Instruments, Continued

	<u>2011</u>	<u>2010</u>
Change in unrestricted net assets:		
Change in interest rate swap:		
Adjustment to fair market value	\$ -	\$(1,389,377)
Recognition of loss on disposition of interest rate swap	-	5,452,182
Amortization of loss on interest rate swap	<u>236,077</u>	<u>98,365</u>
Total	\$ <u>236,077</u>	\$ <u>4,161,170</u>

8. Short-Term Debt

A schedule of changes in the Hospital's short-term debt for 2011 and 2010 follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
Lines of credit	\$ <u>-</u>	\$ <u>16,283,392</u>	\$(<u>16,283,392</u>)	\$ <u>-</u>

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>
Lines of credit	\$ <u>-</u>	\$ <u>14,944,000</u>	\$(<u>14,944,000</u>)	\$ <u>-</u>

In 2003, the Hospital entered into revolving note agreements with Wells Fargo Bank and Regions Bank under which the banks have agreed to provide up to \$500,000 and \$1,000,000, respectively, in unsecured lines of credit to the Hospital. The balance on each line of credit at June 30, 2011 was \$-0-.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

9. Long-Term Debt

A schedule of changes in the Hospital's long-term debt for 2011 and 2010 follows:

	Balance June 30, 2010	<u>Additions</u>	<u>Retirements</u>	Balance June 30, 2011	Amounts Due Within One Year
Note payable	\$ 9,386	\$ -	\$(9,386)	\$ -	\$ -
Morrison Note	326,484	-	(47,301)	279,183	45,132
2009 A Revenue Bonds	68,815,000	-	(1,175,000)	67,640,000	1,245,000
Woodland Note	3,500,000	-	-	3,500,000	-
	<u>72,650,870</u>	-	(1,231,687)	71,419,183	1,290,132
Less bond discount	(1,569,804)	-	61,561	(1,508,243)	(61,561)
Total long-term debt	\$ <u>71,081,066</u>	\$ -	\$(1,170,126)	\$ <u>69,910,940</u>	\$ <u>1,228,571</u>

	Balance June 30, 2009	<u>Additions</u>	<u>Retirements</u>	Balance June 30, 2010	Amounts Due Within One Year
1993-A Revenue Bonds	\$ 19,055,000	\$ -	\$(19,055,000)	\$ -	\$ -
Note payable	18,875	-	(9,489)	9,386	9,386
2007-A Revenue Bonds	49,925,000	-	(49,925,000)	-	-
Morrison Note	371,833	-	(45,349)	326,484	45,132
2009 A Revenue Bonds	-	70,225,000	(1,410,000)	68,815,000	1,175,000
Woodland Note	-	3,500,000	-	3,500,000	-
	<u>69,370,708</u>	73,725,000	(70,444,838)	72,650,870	1,229,518
Less bond discount	(805,715)	(1,600,584)	836,495	(1,569,804)	(61,561)
Total long-term debt	\$ <u>68,564,993</u>	\$ <u>72,124,416</u>	\$(69,608,343)	\$ <u>71,081,066</u>	\$ <u>1,167,957</u>

Long-Term Debt. The terms and due dates of the Hospital's long-term debt at June 30, 2011 and 2010 follows:

- Hospital Revenue Bonds, Series 1993-A, payable in annual installments through 2023 in amounts ranging from \$55,000 to \$2,105,000, plus interest at 6.50%, collateralized by the Hospital's land, building, and equipment purchased with the proceeds of the bonds. See refunding plan below for details of payment of the Hospital's outstanding Hospital Revenue Bonds Series 1993-A.
- Note payable, payable in monthly installments through 2011 in monthly amounts of \$888, including interest at 8.00%, collateralized by land with a book value of approximately \$50,000 and a building with a net book value of approximately \$124,000.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

9. Long-Term Debt, Continued

- Hospital Revenue Bonds, Series 2007-A, payable in annual installments through 2036 in amounts ranging from \$75,000 to \$4,925,000 plus variable interest, collateralized by real property and Hospital buildings included in the facilities. See refunding plan below for details of payment of the Hospital's outstanding Hospital Revenue Bonds, Series 2007-A.
- Morrison note, being paid at \$46,000 per year through 2017 with no interest. If the Hospital terminates the agreement with Morrisons, the outstanding portion of the note is due plus interest at the *Wall Street Journal* prime rate plus 2%.
- Hospital Revenue Bonds, Series 2009-A, payable in annual installments through 2036 in amounts ranging from \$1,175,000 to \$5,270,000 plus variable interest, collateralized by real property and Hospital buildings included in the facilities.
- Woodland note, 5.6% interest only payments monthly through 2012 with principal balance due at maturity in 2012.

Debt Refunding

Series 2009-A. The Hospital issued Revenue Bonds Series 2009-A dated December 3, 2009 for the purpose of refunding certain prior obligations issued by the Issuer to finance or refinance the acquisition, improvement and equipping of Hospital facilities operated by the Hospital. Proceeds of the Bonds will also be used for related costs incidental to the financing, including costs of issuance with respect to the Bonds and funding of the Reserve Fund established under the Bond Indenture. Lastly, bond proceeds will be used to pay the termination fee due in connection with the partial termination of the interest rate swap.

Refunding Plan. The following debt is being refunded pursuant to the plan of financing:

<u>Series Designation</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Principal Being Refunded</u>
Series 1993-A Bonds	\$ 19,055,000	\$ 19,055,000
Series 2007-A Bonds	\$ 49,925,000	\$ 49,925,000

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

9. Long-Term Debt, Continued

Series 1993-A Bonds. The Issuer has previously issued the Series 1993-A Bonds to provide financing for the benefit of the Hospital. The entire principal amount was refunded as part of the plan of financing. Proceeds of the bonds were used to redeem the Refunded Series 1993-A Bonds on the date of the issuance of the Bonds.

Series 2007-A Bonds. The Issuer has previously issued the Series 2007-A Bonds to provide financing for refunding of certain prior obligations issued by the Issuer to finance the acquisition, improvement and equipping of the Hospital and financing capital improvements of the Hospital. The entire principal amount was refunded as part of the plan of financing. Proceeds of the bonds were used to redeem the Refunded Series 2007-A Bonds on the date of the issuance of the bonds.

Bond Defeasance. The provision for payment of the Series 1993-A and 2007-A Bonds constitutes a defeasance of the bonds. The defeasance resulted in a gain of \$5,506,967 which is reported in nonoperating revenues (expenses) on the statement of revenues, expenses and changes in net assets.

The obligations of the Hospital under the Hedge Agreement are secured by a Master Indenture Note.

Scheduled principal and interest repayments on long-term debt are as follows:

	<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,290,132	\$ 4,603,331
2013	4,856,000	4,361,414
2014	1,436,000	4,286,131
2015	1,476,000	4,223,581
2016	1,546,000	4,152,081
2017 to 2021	9,035,051	19,433,881
2022 to 2026	12,130,000	16,278,300
2027 to 2031	16,625,000	11,671,450
2032 to 2036	<u>23,025,000</u>	<u>5,055,050</u>
Total	\$ <u>71,419,183</u>	\$ <u>74,065,219</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

10. Retirement Plan

The Hospital has a defined contribution plan for all full-time employees. The Hospital funds tax-sheltered mutual funds for employees under the defined contribution plan. Employees over 21 years of age that complete 1,000 hours per year shall receive two percent of an employee's base salary.

Retirement benefits included in the June 30, 2011 and 2010 financial statements are approximately \$619,000 and \$617,000, respectively.

11. Pension Plan

The Hospital, a blended component unit, has a noncontributory defined benefit pension plan covering substantially all full-time employees. Employees were eligible to participate in the plan, provided they had attained the age of 21, worked 1,000 hours or more a year, and completed one qualifying year of service. The Board of Directors voted to freeze the defined benefit plan effective May 31, 2006.

Amounts recognized in the financial statements for pension expense, contributions made, and benefits paid are as follows:

	<u>2011</u>	<u>2010</u>
Change in benefit obligation:		
Benefit obligation, at beginning of year	\$ 23,535,985	\$ 22,027,896
Service cost	59,873	84,039
Interest cost	1,439,660	1,402,289
Actuarial loss	1,318,998	922,892
Benefits paid	(936,425)	(901,131)
Benefit obligation, at end of year	<u>25,418,091</u>	<u>23,535,985</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	10,026,540	10,019,865
Actual return on plan assets	1,928,956	907,806
Employer contributions	1,050,000	-
Benefits paid	(936,425)	(901,131)
Fair value of plan assets, end of year	<u>12,069,071</u>	<u>10,026,540</u>
Funded status at June 30	\$(<u>13,349,020</u>)	\$(<u>13,509,445</u>)
Accumulated benefit obligation	\$ <u>25,374,567</u>	\$ <u>23,445,308</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

11. Pension Plan, Continued

	<u>2011</u>	<u>2010</u>
Amounts recognized in the statement of financial position:		
Noncurrent liabilities	\$(13,349,020)	\$(13,509,445)
Net pension liability at end of year	\$(13,349,020)	\$(13,509,445)
Amounts recognized in net assets:		
Net actuarial loss	\$ 7,326,236	\$ 7,099,021
Prior service cost	<u>255</u>	<u>268</u>
Deferred pension cost	\$ <u>7,326,491</u>	\$ <u>7,099,289</u>
Components of net periodic benefit cost:		
Service cost	\$ 59,873	\$ 84,039
Interest cost	1,439,660	1,402,289
Expected return on plan assets	(943,378)	(1,012,553)
Amortization of prior service cost	13	(135)
Amortization of net loss	<u>106,205</u>	<u>57,338</u>
Net periodic pension cost	<u>662,373</u>	<u>530,978</u>
Other changes in plan assets and projected benefit obligation recognized in net assets:		
Net actuarial loss	333,420	1,027,639
Amortization of prior service cost	(13)	135
Amortization of net transition asset	<u>(106,205)</u>	<u>(57,338)</u>
Total recognized in net assets	<u>227,202</u>	<u>970,436</u>
Total recognized in net periodic pension cost and net assets	\$ <u>889,575</u>	\$ <u>1,501,414</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

11. Pension Plan, Continued

	<u>2011</u>	<u>2010</u>
Weighted-average assumptions used to determine benefit obligations at June 30:		
Discount rate	6.00%	6.25%
Rate of compensation increase	1.50%	1.50%
Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30:		
Discount rate	6.25%	6.50%
Expected return on plan assets	8.75%	8.75%
Rate of compensation increase	1.50%	1.50%

The Hospital's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

Expected Cash Flows

Contributions. Cullman Regional Medical Center, Inc. is expected to contribute \$500,000 to its Qualified Plan in fiscal year 2012.

Estimated Future Benefit Payments. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2012	\$ 1,085,428
2013	\$ 1,166,669
2014	\$ 1,252,971
2015	\$ 1,334,735
2016	\$ 1,424,916
Years 2017 to 2022	\$ 8,426,791

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

11. Pension Plan, Continued

Plan Assets

	<u>2011</u>	<u>2010</u>
Money market fund	\$ 914,636	\$ 335,098
Common stocks	3,646,987	4,649,729
Foreign stocks	153,104	272,135
Mutual funds - equity	828,000	488,920
Mutual funds - international	1,157,695	430,218
U. S. Governmental obligations	1,668,724	1,083,827
Mortgage backed securities	1,409,529	1,325,626
Municipal obligations	322,339	330,291
Corporate bonds	<u>1,968,057</u>	<u>1,110,696</u>
Total	\$ <u>12,069,071</u>	\$ <u>10,026,540</u>

Management's strategy is to balance the portfolio between equity and debt securities with a heavier weight in equity securities. All securities were measured at June 30 of each respective year using level 1 inputs as described in footnote 18.

The actuarial loss to be recognized during the next 12 months beginning July 1, 2011 is as follows:

Recognized net actuarial loss	\$ <u>153,711</u>
Total	\$ <u>153,711</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

12. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Medicare	29%	30%
Medicaid	4%	8%
Blue Cross	13%	15%
Other third party payors	14%	17%
Patients	<u>40%</u>	<u>30%</u>
Total	<u>100%</u>	<u>100%</u>

13. Commitments Under Noncancellable Operating Leases

The Hospital is committed under various noncancellable operating leases, all of which are for equipment. Substantially, all of these expire in various years through 2021. Future minimum operating lease payments are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 791,615
2013	636,834
2014	533,768
2015	196,138
2016	81,110
2017-2021	52,705
2022-Thereafter	<u>2,700</u>
Total	\$ <u>2,294,870</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

14. Commitments and Contingencies

The Hospital is self-insured for professional and general liability for \$1 million per occurrence, \$3 million aggregate. Umbrella coverage for professional and general liability is provided by Hudson Specialty Insurance Company for \$10 million per claim and annual aggregate. At year-end, the Hospital accrued approximately \$1.2 million in potential claims. The Hospital has approximately \$2 million held in a trust to accommodate these potential claims. The accrual for potential claims is included in a current liabilities and the corresponding amount held in trust is included in short-term investments.

The Hospital is self-insured for worker's compensation up to \$400,000 per occurrence. Excess workers' compensation is provided by Cobbs, Allen and Hall Insurance Company as brokers, with Midwest Employers Casualty Co. as the insuror. At year end, the Hospital accrued approximately \$1 million for potential claims. The accrual for potential claims is included in current liabilities.

The Hospital is also self-insured for employee health insurance. The Hospital has purchased stop loss coverage through Gerber Life for any individual that exceeds \$100,000 per year, with a maximum of \$1,900,000 per individual and a \$3 million maximum aggregate limit. At year end, the Hospital accrued approximately \$250,000 for potential claims. The accrual for potential claims is included in current liabilities.

Several lawsuits have been filed naming the Hospital as a defendant. The lawsuits allege damages of various amounts related to the general and professional liability of the Hospital. While the amount of the ultimate loss, if any, cannot be determined, in the opinion of management, after taking into account the insurance coverage noted above, there will be no material adverse effect on the Hospital's financial position, results of operations, changes in net assets, or cash flows from the resolution of the litigations.

In the normal course of business, the Hospital enters into agreements with certain physicians under which the Hospital guarantees the physicians' net collections from their practices to be certain minimum amounts over certain periods of time. The Hospital also enters into agreements with certain physicians under which the Hospital agrees to repay the physicians' outstanding student loans. These agreements require the physicians to establish and maintain their practices in Cullman, Alabama for specified periods of time. Amounts due under these arrangements as of June 30, 2011 and 2010 were approximately \$568,000 and \$869,000, respectively and are included as other assets in the accompanying balance sheet. These payments are expensed as the doctors provide services for agreed upon periods of time. It is the Hospital's policy to secure guarantees with promissory notes.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

14. Commitments and Contingencies, Continued

Health Care Reform

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

15. Cullman Regional Medical Center Foundation, Inc.

The Hospital's interest in the net assets of the Foundation as of June 30, 2011 and 2010 in the amount of \$3,001,809 and \$5,900,260, respectively, is reflected in the accompanying balance sheet as a beneficial interest in the Foundation.

The following is a summary of the financial statements of the Foundation:

	<u>2011</u>	<u>2010</u>
Current assets	\$ 1,797,544	\$ 1,718,439
Other assets	<u>1,204,265</u>	<u>4,181,821</u>
Total	\$ <u>3,001,809</u>	\$ <u>5,900,260</u>
Current liabilities	\$ -	\$ -
Net assets:		
Unrestricted	626,925	288,401
Temporarily restricted	<u>2,374,884</u>	<u>5,611,859</u>
Total liabilities and net assets	\$ <u>3,001,809</u>	\$ <u>5,900,260</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

15. Cullman Regional Medical Center Foundation, Inc., Continued

	<u>2011</u>	<u>2010</u>
Unrestricted net assets:		
Revenues	\$ 4,584,924	\$ 984,745
Distributions to Hospital for capital acquisitions	(4,026,700)	(544,865)
Other expenses	(219,700)	(439,322)
Increase in unrestricted net assets	338,524	558
Temporarily restricted net assets:		
Revenues	(3,236,975)	(432,420)
Increase (decrease) in net assets	\$(2,898,451)	\$(431,862)

Temporarily restricted net assets of \$2,374,884 and \$5,611,859, represent assets held by the Foundation that are restricted by donors for various programs and purposes at June 30, 2011 and 2010, respectively.

16. Functional Expenses

The Authority and the Hospital provide general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	<u>2011</u>	<u>2010</u>
Health care services	\$ 66,229,863	\$ 63,978,562
General and administrative	24,189,541	23,777,372
Depreciation and amortization	<u>4,714,671</u>	<u>4,929,530</u>
Total	\$ <u>95,134,075</u>	\$ <u>92,685,464</u>

17. Fair Value Of Financial Instruments

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

- Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

17. Fair Value Of Financial Instruments, Continued

- Short-Term and Noncurrent Cash and Investments: These assets consist primarily of cash and cash equivalents, certificates of deposit, money market accounts, debt instruments, equity investments, alternative investments, limited partnerships, and interest receivable. The carrying amount reported in the balance sheet is fair value.
- Accounts Payable and Accrued Expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.
- Long-Term Debt: Fair values of the Authority's revenue notes are based on current traded value. The fair value of the Authority's remaining long-term debt is estimated using discounted cash flow analyses, based on the Authority's current incremental borrowing rates for similar types of borrowing arrangements.
- Derivative Financial Instruments: The carrying amount reported in the balance sheet for derivative financial instruments approximates its fair value.

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

	<u>2011</u>		<u>2010</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 3,501,668	\$ 3,501,668	\$ 1,794,632	\$ 1,794,632
Short-term and noncurrent cash and investments	\$ 34,853,872	\$ 34,853,872	\$ 31,782,355	\$ 31,782,355
Accounts payable and accrued expenses	\$ 12,415,085	\$ 12,415,085	\$ 13,436,215	\$ 13,436,215
Long-term debt	\$ 69,910,940	\$ 66,401,930	\$ 71,081,066	\$ 78,926,817
Derivative financial instruments	\$ 2,921,178	\$ 2,921,178	\$ 3,511,329	\$ 3,511,329

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

18. Fair Value Measurement

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

<u>Fair Value Measurements At Reporting Date Using</u>				
	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2011</u>				
Assets:				
Deposits	\$ 3,501,668	\$ 3,501,668	\$ -	\$ -
Money market accounts	2,857,037	2,857,037	-	-
Certificates of deposit	549,263	-	549,263	-
U. S. Treasury	5,780,384	5,780,384	-	-
Government bonds	856,052	856,052	-	-
Domestic common stocks	1,683,181	1,683,181	-	-
Foreign stocks	376,768	376,768	-	-
Mutual funds – equity	10,132,036	10,132,036	-	-
Mutual funds – fixed income	7,413,983	7,413,983	-	-
Limited partnership	1,151,241	-	1,151,241	-
Alternative investments in hedge funds	2,950,405	-	-	2,950,405
Corporate bonds	<u>1,103,522</u>	<u>1,103,522</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>38,355,540</u>	\$ <u>33,704,631</u>	\$ <u>1,700,504</u>	\$ <u>2,950,405</u>
Liabilities:				
Derivative instruments	\$ <u>2,921,178</u>	\$ <u>-</u>	\$ <u>2,921,178</u>	\$ <u>-</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

18. Fair Value Measurement, Continued

		<u>Fair Value Measurements At Reporting Date Using</u>		
	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2010</u>				
Assets:				
Deposits	\$ 1,794,632	\$ 1,794,632	\$ -	\$ -
Money market accounts	13,724,864	13,724,864	-	-
Certificate of deposit	1,013,361	-	1,013,361	-
U. S. Treasury	6,420,687	6,420,687	-	-
Government bonds	2,483,573	2,483,573	-	-
Corporate bonds	<u>8,139,870</u>	<u>8,139,870</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>33,576,987</u>	\$ <u>32,563,626</u>	\$ <u>1,013,361</u>	\$ <u>-</u>
Liabilities:				
Derivative instruments	\$ <u>3,511,329</u>	\$ <u>-</u>	\$ <u>3,511,329</u>	\$ <u>-</u>

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets. Financial assets using level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

All assets and liabilities have been valued using a market approach.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

18. Fair Value Measurement, Continued

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using <u>Significant Unobservable Inputs (Level 3)</u>
	<u>Alternative Investments In Hedge Funds</u>
July 1, 2010	\$ -
Unrealized gains included in net assets	190,405
Purchases	<u>2,760,000</u>
June 30, 2011	\$ <u>2,950,405</u>

19. Business Combination

On July 15, 2009, the Authority purchased Woodland Medical Center of Cullman, Alabama. The Woodland Medical Center was a 100-bed facility that provided patient care to residents of Cullman County, Alabama and the surrounding areas. The primary purpose of the combination was to purchase the operations and move them to the Authority's campus. This would provide the Authority with a strategic advantage from a competition and reimbursement standpoint. The facility and equipment were also acquired in the combination. The Authority incurred approximately \$3,500,000 in debt to purchase Woodland Medical Center, which includes \$3,500,000 million in property and land and \$3,200,000 for intangible assets associated to the licenses. During 2010, the Authority sold \$800,000 of intangible assets.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued

20. Electronic Health Records Incentive Payments

The Health Information Technology for Economic and Clinical Health Act (the HITECH Act) was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The HITECH Act includes provisions designed to increase the use of Electronic Health Records (EHR) by both physicians and hospitals. Beginning with federal fiscal year 2011 and extending through federal fiscal year 2016, eligible hospitals participating in the Medicare and Medicaid programs are eligible for reimbursement incentives based on successfully demonstrating meaningful use of its certified EHR technology. Conversely, those hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to reductions in Medicare reimbursements beginning in FY 2015. On July 13, 2010 the Department of Health and Human Services (DHHS) released final meaningful use regulations. Meaningful use criteria are divided into three distinct stages: I, II and III. The final rules specify the initial criteria for physicians and eligible hospitals necessary to qualify for incentive payments; calculation of the incentive payment amounts; payment adjustments under Medicare for covered professional services and inpatient hospital services; eligible hospitals failing to demonstrate meaningful use of certified EHR technology; and other program participation requirements.

The final rule set the earliest interim payment date for the incentive payment at May 2011. This was a delay from the initial October 2010 date; however, the first year of the Medicare portion of the program is defined as the federal government fiscal year October 1, 2010 to September 30, 2011.

The Hospital successfully demonstrated meeting meaningful use of its certified EHR technology prior to June 30, 2011. The Hospital applied and received approval from Medicare and Medicaid notifying the Hospital qualified for approximately \$2.5 million from the two programs. The portion of these funds related to the Hospital's fiscal year end were accrued and are reported in other current assets on the balance sheet and net revenues on the income statement.



INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTAL INFORMATION

Board of Directors
Health Care Authority of Cullman County
Cullman, Alabama

Our report on our audit of the financial statements of the Health Care Authority of Cullman County as of June 30, 2011 and 2010 and for the years then ended, appears on pages 1 and 2. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole shown on pages 11 to 49 of this report. The supplemental information included in this report on page 53, inclusive is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Albany, Georgia
October 27, 2011

P.O. BOX 6
2617 GILLIONVILLE ROAD
ALBANY, GEORGIA 31702-0006
(229) 883-7878
FAX (229) 435-1152

PARTNERS
LINTON A. HARRIS, CPA
STEPHEN M. BEDSOLE, CPA
CYNTHIA R. DUPREE, CPA
JIM L. CREAMER, SR., CPA
JEFFREY S. WRIGHT, CPA
MILES V. ESPY, SR., CPA
MICHAEL L. REESE, CPA

SANDRA D. CANNON, CPA
WILSON E. JOINER, III, CPA
C. BERT BENNETT, CPA
CHARLES R. HORNE, CPA
JIMMIE D. RICHTER, JR., CPA
R. WES STERNENBERG, CPA

MEMBERS
THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE GEORGIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

MEMBERS OF THE BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>	<u>Address</u>
David O. McKoy	Chairman	809 Violet Avenue Cullman, AL 35055
Todd McLeroy	Vice-Chairman	2213 Deer Run Drive, SW Cullman, AL 35057
Hoyt Price, M. D.	Secretary	7979 Alabama Highway 157 Cullman, AL 35058
Alan Wood	Treasurer	204 County Road 1470 Cullman, AL 35058
R. Clyne Adams, D.M.D.	Member	2039 County Road 1169 Cullman, AL 35055
Steve Glasscock	Member	8459 County Road 747 Cullman, AL 35055
Jay Mullins	Member	330 County Road 1414 Cullman, AL 35058
Robin Hall, M.D.	Member	710 Rosemont Avenue Cullman, AL 35055
Doug Doggett	Member	1407 Tidwell Street, SW Cullman, AL 35055
Clint Frey	Member	323 North Montcrest Cullman, AL 35057
Del Brock	Member	432 County Road 1324 Vinemont, AL 35179
Stephen Donaldson	Member	470 County Road 758 Cullman, AL 35055
Jim Weidner	CEO/Member	P. O. Box 1108 Cullman, AL 35056-1108
John Morris, M. D.	Medical Staff President/Member	1418 14 th Street, SE Cullman, AL 35055

See accompanying report on supplemental information.



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

Board of Directors
Health Care Authority of Cullman County
Cullman, Alabama

We have audited the financial statements of the Health Care Authority of Cullman County as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated October 27, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the Health Care Authority of Cullman County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

Continued

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Authority in a separate letter dated October 27, 2011.

This report is intended solely for the information and use of the audit committee, management, and other state and federal officials and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Ruffin & Tucker LLP", is written in a cursive, flowing style.

Albany, Georgia
October 27, 2011