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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
Artesia General Hospital

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 5801 Tennyson Parkway | Room/suite

City or town, state or country, and ZIP + 4
Plano, TX 75024

D Employer identification number
74-2851819

E Telephone number
(214) 893-2481

G Gross receipts $ 37,304,392

F Name and address of principal officer
KENNETH W RANDALL
5801 Tennyson Parkway Ste 550
Plano, TX 75024

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www artesiageneral com

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

L Year of formation 2000

M State of legal domicile NM

Part I Summary

1 Briefly describe the organization's mission or most significant activities
To provide healthcare to the families of Artesia and surrounding communities while continually improving quality of patient care and utilizing resources effectively and efficiently

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	9
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	7
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	260
6	Total number of volunteers (estimate if necessary)	**6**	0
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	189,835	400
9	Program service revenue (Part VIII, line 2g)	34,345,431	37,185,217
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	26,190	28,344
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	100,161	90,431
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	34,661,617	37,304,392
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	12,348,093	12,285,694
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	16,796,202	18,300,659
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	29,144,295	30,586,353
19	Revenue less expenses Subtract line 18 from line 12	5,517,322	6,718,039

Revenue / Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	18,889,730	24,201,215
21	Total liabilities (Part X, line 26)	3,914,978	2,508,424
22	Net assets or fund balances Subtract line 21 from line 20	14,974,752	21,692,791

Net Assets or Fund Balances

Part II Signature Block

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

Sign Here

Signature of officer — Date: 2012-02-15

William Zemanek CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶ ☐	PTIN
Firm's name ▶ ERNST & YOUNG US LLP				Firm's EIN ▶
Firm's address ▶ 55 IVAN ALLEN BLVD SUITE 1000 ATLANTA, GA 30308				Phone no ▶ (404) 874-8300

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

SEE SCHEDULE O

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 23,777,509 including grants of $) (Revenue $ 37,241,115)

ARTESIA GENERAL HOSPITAL IS A SOLE COMMUNITY HEALTH PROVIDER THAT SERVES THE COMMUNITY REGARDLESS OF ANY INDIVIDUAL'S RACE, CREED, NATIONALITY, OR ABILITY TO PAY FOR SERVICES INCLUDING ROUTINE INPATIENT, INPATIENT ANCILLARY, AND OUTPATIENT CARE IN SUPPORT OF THE HOSPITAL'S HEALTHCARE MISSION DURING THE REPORTING YEAR ENDED JUNE 30, 2011, WERE 972 ADMISSIONS, 6,032 PATIENT DAYS, 10,507 ER VISITS, 121 INPATIENT SURGERIES AND 432 OUTPATIENT SURGERIES

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** ▶ $ 23,777,509

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		No
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**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? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	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? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**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? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**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)? *If "Yes," complete Schedule R, Part V, line 2* ☐ Yes ☑ No			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 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	182		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c		
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	260		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a		No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			14b		

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

Check if Schedule O contains a response to any question in this Part VI . . . . . ☑

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

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

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 ▶

WILLIAM ZEMANEK
702 N 13TH ST
Artesia, NM 88210
(575) 748-3333

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) Patricia Hopkins Chairman	2 0	X						0	0	0
(2) Margo Pace Vice Chairman	2 0	X						0	0	0
(3) Josie Reyes Secretary	2 0	X						0	0	0
(4) Joe Salgado MD Board member/Physician	2 0	X						94,506	0	0
(5) Gary Sims Board member	2 0	X						0	0	0
(6) Rick Sullivan Board member (since 7/10/2010)	2 0	X						0	0	0
(7) Kenneth W Clayton Board member	2 0	X						0	0	0
(8) Jiliana Burgess Board member	2 0	X						0	0	0
(9) Wilson Weber Board member	2 0	X						0	555,722	121,639
(10) Kenneth Randall CEO	40 0			X				0	310,039	34,024
(11) William Zemanek CFO	40 0			X				0	150,997	0
(12) Sara Williamson CNO (until 9/23/2010)	40 0			X				0	119,441	13,355
(13) DAVID BUTLER ASSISTANT SECRETARY	2 0			X				0	345,255	36,254
(14) James Lash DO Physician	40 0					X		663,418	0	4,284
(15) Jorge Abalos DO FAMILY PRACTICE	40 0					X		549,920	0	4,284
(16) Shahar Anoushfar DO PHYSICIAN	40 0					X		227,694	0	3,927

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) Richard Dexter MD PHYSICIAN	40 0					X		217,035	0	4,737
(18) Edwin McGroarty MD PHYSICIAN	40 0					X		433,412	0	7,817
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								2,185,985	1,481,454	230,321

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 ▶ 7

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Sergio Rybka MD 1031 N Thomas Street CARLSBAD, NM 88220	PHYSICIAN SURG SVCS	300,000
Betty Love CRNA PO Box 389 PONCA CITY, OK 74602	ANESTHESIA SERVICES	177,401
Carolyn Opfer CRNA 236 Rainbow Dr 13630 LIVINGSTON, TX 77399	ANESTHESIA SERVICES	281,521
Nitin Nanda MD Inc 5016 Chesebro Rd Suite 200 AGOURA HILLS, CA 91301	GERIATRIC SERVICES	290,041
Mark Luce MD 8263 E Pima St TUSCON, AZ 85715	ED PHYSICIAN	231,120

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 ▶ 7

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . 1a					
	b Membership dues 1b					
	c Fundraising events 1c					
	d Related organizations . . . 1d					
	e Government grants (contributions) 1e					
	f All other contributions, gifts, grants, and similar amounts not included above 1f	400				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		400			
Program Service Revenue		Business Code				
	2a NET PATIENT REVENUE	622110	32,473,389	32,473,389		
	b TAX SUBSIDY REVENUE	900099	4,646,869	4,646,869		
	c RENTAL INCOME OR (LOSS)	531120	64,959	64,959		
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		37,185,217			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		28,344			28,344
	4 Income from investment of tax-exempt bond proceeds . . ▶		0			
	5 Royalties . . . . . ▶		0			
		(i) Real	(ii) Personal			
	6a Gross Rents					
	b Less rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss) . . . . . ▶					
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory					
	b Less cost or other basis and sales expenses					
	c Gain or (loss)					
	d Net gain or (loss) . . . . . ▶		0			
Other Revenue	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 . . ▶		0			
	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 . . . ▶		0			
	10a Gross sales of inventory, less returns and allowances . a					
	b Less cost of goods sold . . b					
	c Net income or (loss) from sales of inventory . . ▶		0			
	Miscellaneous Revenue	Business Code				
	11a CAFETERIA SALES-EMPL	900099	34,933			34,933
	b APD/JAIL CONTRACT	900099	14,859	14,859		
	c MEALS ON WHEELS	900099	14,386	14,386		
	d All other revenue		26,253	26,253		
	e **Total.** Add lines 11a–11d . . . . . ▶		90,431			
	12 **Total revenue.** See Instructions . . . ▶		37,304,392	37,240,715		63,277

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U S See Part IV, line 21	0			
2 Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	0			
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7 Other salaries and wages	9,405,884	7,370,388	2,035,496	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	0			
9 Other employee benefits	2,123,930	1,189,401	934,529	
10 Payroll taxes	755,880	423,293	332,587	
a Fees for services (non-employees) Management	647,495	419,627	227,868	
b Legal	320,256		320,256	
c Accounting	49,592		49,592	
d Lobbying	0			
e Professional fundraising services *See Part IV, line 17*	0			
f Investment management fees	0			
g Other	4,916,232	4,916,232		
12 Advertising and promotion	50,496	50,496		
13 Office expenses	2,823,991	1,995,373	828,618	
14 Information technology	3,290,464	2,343,539	946,925	
15 Royalties	0			
16 Occupancy	476,287	437,688	38,599	
17 Travel	62,570	22,181	40,389	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	75,303	41,319	33,984	
20 Interest	22,018		22,018	
21 Payments to affiliates	11,620	11,620		
22 Depreciation, depletion, and amortization	413,153	289,207	123,946	
23 Insurance	174,142	121,900	52,242	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a Bad Debt	4,053,785	4,053,785		
b Management Fee	543,203		543,203	
c Other Expense	370,052	91,460	278,592	
d				
e				
f All other expenses				
25 **Total functional expenses.** Add lines 1 through 24f	30,586,353	23,777,509	6,808,844	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) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing	815,810	1	11,790,896
	2	Savings and temporary cash investments	10,968,977	2	1,552,384
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	3,789,116	4	5,244,344
	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	465,026	8	526,896
	9	Prepaid expenses and deferred charges	364,948	9	584,656
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D* — 10a: 6,960,091			
	b	Less accumulated depreciation — 10b: 2,900,460	1,870,063	10c	4,059,631
	11	Investments—publicly traded securities		11	
	12	Investments—other securities See Part IV, line 11		12	
	13	Investments—program-related See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets See Part IV, line 11	615,790	15	442,408
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	18,889,730	16	24,201,215
Liabilities	17	Accounts payable and accrued expenses	3,852,400	17	2,476,341
	18	Grants payable		18	
	19	Deferred revenue		19	
	20	Tax-exempt bond liabilities		20	
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*		21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*		22	
	23	Secured mortgages and notes payable to unrelated third parties		23	
	24	Unsecured notes and loans payable to unrelated third parties		24	
	25	Other liabilities Complete Part X of Schedule D	62,578	25	32,083
	26	**Total liabilities.** Add lines 17 through 25	3,914,978	26	2,508,424
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	14,966,086	27	21,684,025
	28	Temporarily restricted net assets	8,666	28	8,766
	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	14,974,752	33	21,692,791
	34	Total liabilities and net assets/fund balances	18,889,730	34	24,201,215

Part XI Reconcilliation 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	37,304,392
2	Total expenses (must equal Part IX, column (A), line 25)	2	30,586,353
3	Revenue less expenses Subtract line 2 from line 1	3	6,718,039
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	14,974,752
5	Other changes in net assets or fund balances (explain in Schedule O)	5	
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	21,692,791

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? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	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	2c	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?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Artesia General Hospital

Employer identification number
74-2851819

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?

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

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

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

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

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

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

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 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).

Facts And Circumstances Test

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Artesia General Hospital

Employer identification number
74-2851819

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

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

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

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

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

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

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	2d

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b If "Yes," explain the arrangement in Part 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

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

4 Describe in Part 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		184,937		184,937
b Buildings		2,056,284		2,056,284
c Leasehold improvements		218,820	6,516	212,304
d Equipment		4,451,692	2,853,115	1,598,577
e Other		48,358	40,829	7,529
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				4,059,631

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

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

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

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

Part IX Other Assets. See Form 990, Part X, line 15.

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

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
ESTIMATED DUE TO THIRD PARTY	32,083
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	32,083

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493062001382

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
Artesia General Hospital

Employer identification number
74-2851819

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	1a	Yes	
b	If "Yes," is it a written policy?	1b	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 *free* 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 _____ %	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing *discounted* 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 _____ %	3b	Yes	
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"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . .	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			1,925,377	1,222,315	703,062	2 650 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			3,035,378	2,625,497	409,881	1 540 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)			480,467	876,036	-395,569	1 490 %
d **Total** Financial Assistance and Means-Tested Government Programs			5,441,222	4,723,848	717,374	2 700 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			0	0	0	0 %
f Health professions education (from Worksheet 5)			0	0	0	0 %
g Subsidized health services (from Worksheet 6)			0	0	0	0 %
h Research (from Worksheet 7)			0	0	0	0 %
i Cash and in-kind contributions to community groups (from Worksheet 8)			6,500	0	0	0 %
j **Total** Other Benefits			6,500	0	0	0 %
k **Total.** Add lines 7d and 7j			5,447,722	4,723,848	717,374	2 700 %

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing			1,991,270		1,991,270	6 510 %
2	Economic development						
3	Community support						
4	Environmental improvements						
5	Leadership development and training for community members			1,400		1,400	0 010 %
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	**Total**			1,992,670		1,992,670	6 520 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1	Yes		
2	Enter the amount of the organization's bad debt expense (at cost)	2	4,053,785		
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	3,445,717		
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	9,237,977
6	Enter Medicare allowable costs of care relating to payments on line 5	6	12,229,294
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-2,991,317
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes		
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b			No

Part IV Management Companies and Joint Ventures

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, measured by total revenue per facility, from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Artesia General Hospital 702 N 13th St Artesia, NM 88210	X	X					X		

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

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

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

	Name and address	Type of Facility (Describe)
1		
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION	SCHEDULE H, VI, QUESTIONS 1 THROUGH 7	PART I, LINE 6A ARTESIA GENERAL HOSPITAL PREPARES ITS COMMUNITY BENEFIT REPORT WITH THE AS SISTANCE OF VHA SOUTHWEST COMMUNITY HEALTH CORPORATION, A RELATED ORGANIZATION PART I, LI NE 7, COLUMN (F) TOTAL EXPENSE FROM FORM 990, PART IX, LINE 25, COLUMN (A) WAS $30,586,453 THE BAD DEBT EXPENSE INCLUDED IN THIS AMOUNT WAS $4,053,785 THIS LEFT A TOTAL EXPENSE O F $26,532,668 FOR PURPOSES OF CALCULATING LINE 7, COLUMN (F) PART I, LINE 7 LINE 7A RATI O OF PATIENT CARE COST TO CHARGES 2 65% LINE 7B RATIO OF PATIENT CARE COST TO CHARGES 1 54% LINE 7C RATIO OF PATIENT CARE COST TO CHARGES -1 49% LINE 7E ACTUAL EXPENSES LESS ANY DIRECT OFFSETTING REVENUE LINE 7F ACTUAL EXPENSES LESS ANY DIRECT OFFSETTING REVENUE PART III, LINE 4 THE HOSPITAL REPORTS PATIENT ACCOUNTS RECEIVABLE FOR SERVICES RENDERED AT NET REALIZABLE AMOUNTS FROM GOVERNMENT PAYERS, MANAGED CARE PLANS, PATIENTS AND OTHERS A MOUNTS DUE FROM PATIENTS INCLUDE BOTH AMOUNTS DUE FROM FULLY UNINSURED PATIENTS AND CO-PAY MENTS AND DEDUCTIBLES FOR WHICH INSURED PATIENTS ARE RESPONSIBLE AS A SERVICE TO THE PATI ENT THE HOSPITAL BILLS THIRD-PARTY PAYERS DIRECTLY AND BILLS THE PATIENT WHEN THE PATIENT' S LIABILITY IS DETERMINED PATIENT ACCOUNTS RECEIVABLE ARE DUE IN FULL WHEN BILLED THE HO SPITAL PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR ESTIMATED LOSSES RESULTING FROM PAY ERS' INABILITY TO MAKE PAYMENTS ON ACCOUNTS THE HOSPITAL ESTIMATES ITS ALLOWANCE FOR DOUB TFUL ACCOUNTS BASED UPON A REVIEW OF OUTSTANDING RECEIVABLES, HISTORICAL COLLECTION INFORM ATION AND EXISTING ECONOMIC CONDITIONS ACCOUNTS ARE CONSIDERED DELINQUENT, AND SUBSEQUENT LY WRITTEN OFF AS BAD DEBTS, BASED ON INDIVIDUAL CREDIT EVALUATION AND SPECIFIC CIRCUMSTAN CES OF THE ACCOUNT, ESTIMATES ITS ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED UPON A REVIEW OF O UTSTANDING RECEIVABLES PART III, LINE 8 THE ORGANIZATION USES MEDICARE COST REPORT TO CAL CULATE THE NUMBER ON LINE 6 THE HOSPITAL BELIEVES THAT ALL OF THE $2 9 MILLION SHORTFALL SHOULD BE CONSIDERED AS COMMUNITY BENEFIT THE IRS COMMUNITY BENEFIT STANDARD INCLUDES THE PROVISION OF CARE TO THE ELDERLY AND MEDICARE PATIENTS MEDICARE SHORTFALLS MUST BE ABSOR BED BY THE HOSPITAL IN ORDER TO CONTINUE TREATING THE ELDERLY IN OUR COMMUNITY THIS YEAR, MEDICARE ACCOUNTED FOR 40 5% OF HOSPITAL REVENUES THE HOSPITAL PROVIDES CARE REGARDLESS OF THIS SHORTFALL AND THEREBY RELIEVES THE FEDERAL GOVERNMENT OF THE BURDEN OF PAYING THE FULL COST FOR MEDICARE BENEFICIARIES PART III, LINE 9B IF A PATIENT QUALIFIES FOR CHARITY OR INDIGENT HELP, THE HOSPITAL PERSONNEL REMOVE THE PATIENT FROM THE COLLECTION PROCESS PART V, LINE 19D THE PATIENT IS REGISTERED AND TRIAGED IN THE ER ONCE THEY HAVE TREATED, THEY ARE VISITED BY AN ADMISSIONS CLERK THE PATIENT IS TREATED AS SELF-PAY, WITH AN AUTOM ATIC 30% DISCOUNT THEY ARE ALSO GIVEN A CHARITY APPLICATION TO COMPLETE AS WELL SCHEDULE H, PART VI, QUESTION 2 NEEDS ASSESSMENT THE AGH LEADERSHIP ASSESSES THE NEED OF THE COMMU NITY BY A VARIETY OF SOURCES INCLUDING DISCUSSIONS WITH LEADERS OF COMMUNITY, COMMUNITY OR GANIZATIONS, STATE AND COMMUNITY DATA AND HOSPITAL ADMISSION AND ER TRENDS AGH LEADERSHIP ALSO PARTICIPATES IN COMMUNITY, REGIONAL AND STATE ORGANIZATIONS SO THAT THE HOSPITAL IS BECOMING RECOGNIZED FOR DISTRIBUTING HEALTH EDUCATION INFORMATION TO ITS CITIZENS SCHEDUL E H, PART VI, QUESTION 3 PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE SELF PAY IN-PATIE NTS ARE PERSONALLY VISITED DURING THEIR HOSPITAL STAY, AND THE CHARITY AND INDIGENT APPLIC ATION PROCESS IS REVIEWED WITH PATIENT ER PATIENTS FOLLOWING TRIAGE ARE THEN COUNSELED AN D GIVEN CHARITY APPLICATION (INDIGENT FUNDS DO NOT PAY FOR ER VISITS) OUT PATIENTS ARE VE RBALLY COUNSELED AT TIME OF REGISTRATION BEFORE PROCEDURE THE APPLICATIONS ARE GIVEN TO T HE PATIENTS AT THAT TIME SCHEDULE H, PART VI, QUESTION 4 COMMUNITY INFORMATION ARTESIA GE NERAL HOSPITAL (AGH) IS A NOT-FOR-PROFIT, COMMUNITY HOSPITAL LOCATED AT 702 N 13TH STREET IN ARTESIA, NEW MEXICO THE HOSPITAL HAS SERVED ARTESIA AND SURROUNDING COMMUNITIES SINCE 1939 AFTER A SUCCESSION OF ORGANIZATIONS MANAGING THE HOSPITAL, LOCAL CITIZENS VOTED IN THE 1970S TO ESTABLISH A SPECIAL HOSPITAL DISTRICT, AND IN 1978 THE ARTESIA SPECIAL HOSPIT AL DISTRICT ASSUMED RESPONSIBILITY OF THE HOSPITAL FROM THE CITY A NEW HOSPITAL, LICENSED FOR 34 BEDS, WAS COMPLETED IN OCTOBER OF 1981, AND THAT FACILITY SERVED THE COMMUNITY WEL L FOR MORE THAN 20 YEARS HOWEVER, AS THE NUMBER OF SERVICES OFFERED HAD INCREASED, ADDITI ONAL SPACE WAS NEEDED FOR THE HOSPITAL IN 2006, A 67,000 SQUARE FOOT NEW FACILITY WAS COM PLETED AS AN ADDITION TO THE EXISTING HOSPITAL THE NEW AREA ALLOWS FOR EXPANDED PATIENT C ARE SERVICES IN 2007 THE ORIGINAL FACILITY WAS REMODELED TO HOUSE THE ADDITION OF A 15 BE D SENIOR CARE UNIT AND EXPANDED SUPPORT SERVICES, A MEDICAL CLINIC AND ADMINISTRATIVE OFFI CES COMMUNITY HOSPITAL CORPORATION HAS LEASED THE HOSPITAL FROM THE ASHD SINCE 1999 AGH IS A COMMUNITY BASED NOT-FOR-PROFIT HOSPITAL ALL

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION	SCHEDULE H, VI, QUESTIONS 1 THROUGH 7	MONIES MADE BY AGH REMAIN IN ARTESIA THE ENTIRE POPULATION OF EDDY COUNTY IS CLASSIFIED A S MEDICALLY UNDERSERVED MEDICALLY UNDERSERVED STATUS IS DESIGNATED TO AREAS OR POPULATION S HAVING A SHORTAGE OF PERSONAL HEALTH SERVICES ACCORDING TO U S DEPARTMENT OF HEALTH AND HUMAN SERVICES' RULES SCHEDULE H, PART VI, QUESTION 5 PROMOTION OF COMMUNITY HEALTH AGH RECRUITED AN A UROLOGIST AND AN EAR, NOSE AND THROAT PHYSICIAN THE RURAL HEALTH CLINIC (M EMORIAL FAMILY PRACTICE) EXPANDED HOURS CONTINUED THIS YEAR, AND IS ALLOWING OUR FAMILY PR ACTICE PHYSICIANS, NURSE PRACTIONERS AND PHYSICIAN ASSISTANT TO BE MORE AVAILABLE TO OUR C OMMUNITY AGH BEGAN A NEW PRESCRIPTION PROGRAM THIS YEAR TO HELP PROVIDE SUBSIDIZED/OR FRE E PRESCRIPTIONS TO ELIGIBLE PARTICIPANTS OUR PHYSICIANS IDENTIFY WHEN A PATIENT NEEDS FIN ANCIAL HELP WITH A PRESCRIPTION DRUG AND AGH FACILITATES THE APPLICATION PROCESS TO A STAT E INTERMEDIARY THE INTIMEDIARY HELPS THE PATIENT APPLY DIRECTLY TO THE DRUG MANUFACTURERS IF IT IS A GENERIC DRUG, OR THE PATIENT DOES NOT MEET THE CRITERIA THROUGH THE STATE INT ERMEDIARY, THEN AGH WILL APPLY CHARITY CARE TO QUALIFIED APPLICANTS BEING A TEAM MEMBER O F AGH AND OUR COMMUNITY ALLOWS US TO PARTICIPATE IN MANY ACTIVITIES - AGH RAISES MONEY AN D PARTICIPATES IN THE ANNUAL RELAY FOR LIFE WALK THAT RAISES MONEY FOR THE AMERICAN CANCER SOCIETY AND RAISES COMMUNITY AWARENESS - EACH SUMMER AGH PROVIDES SPACE, FOOD, VOLUNTEER S AND NURSING STAFF FOR A FREE BACK-TO-SCHOOL PHYSICAL EVENT FOR ARTESIA AND LAKE ARTHUR - EACH OCTOBER AGH OFFERS DISCOUNTED MAMMOGRAM SCREENINGS AS PART OF BREAST CANCER AWARENE SS MONTH - AGH PREPARES AND DONATES A PORTION OF THE COST OF THE MEALS FOR THE AREA MEALS ON WHEELS PROGRAM - AGH STAFF, PARTICULARLY THE GEROPSYCH PROGRAM, ORGANIZES AND PRESENT S FREE EDUCATIONAL SEMINARS FOR THE AREA RETIREMENT CENTERS, LOCAL CHURCHES, THE ROTARY CL UB AND OTHER COMMUNITY ORGANIZATIONS - AGH HOSTS AN ANNUAL HEALTH FAIR AND QUARTERLY HEAL TH SCREENINGS FOR RESIDENTS OF THE SURROUNDING AREAS SCREENINGS INCLUDE BLOOD PRESSURE, C HOLESTEROL AND GLUCOSE - AGH SPONSORS MONTHLY HEALTH RELATED EDUCATION TOPICS VIA RADIO A ND TELEVISION TOPICS TO INCLUDE ASTHMA, SUICIDE PREVENTION, WOMEN'S HEALTH SCREENINGS AND SMOKING CESSATION AS WELL AS OTHER HEALTH AWARENESS MONTH TOPICS - AGH DISTRIBUTES A QUA RTERLY NEWSLETTER WHICH SPOTLIGHTS HEALTH RELATED TOPICS - AGH MAKES PRESENTATIONS DURING THE "CHAMBER CHAT" ABOUT RELEVANT HEALTH TOPICS AGH ALSO SUPPORTS THE ESPERANZA HOUSE, A CONFIDENTIAL, NON-THREATENING FACILITY TO INTERVIEW CHILD VICTIMS OF ABUSE, AS WELL AS WI TNESSES TO VIOLENT ACTS AND CHILD VICTIMS OF DOMESTIC VIOLENCE THE STAFF PROVIDES DIRECT SERVICES TO THE VICTIM BY CONDUCTING FORENSIC INTERVIEWS THAT ARE AN INVALUABLE TOOL TO TH E INVESTIGATOR OF NOT ONLY LAW ENFORCEMENT, BUT SOCIAL SERVICE AGENCIES, AS WELL THE MISS ION OF THE SANE/SART PROJECT IS TO MEET THE NEEDS OF THE SEXUAL ASSAULT VICTIM BY PROVIDIN G AN IMMEDIATE, COMPASSIONATE, SENSITIVE, COMPREHENSIVE FORENSIC EVALUATION AND TREATMENT BY A TRAINED, PROFESSIONAL NURSE EXPERT THE HOSPITAL PROVIDES THE SPACE UTILITIES AND MAI NTENANCE OF THE BUILDING AGH IS A SPONSOR FOR THE ESPARANZA HOUSE ANNUAL GOLF TOURNAMENT TO ASSIST IN RAISING MONEY FOR THE PROGRAM A DIFFICULTY THAT IS FACED IN OUR COMMUNITY IS THE RECRUITMENT OF HEALTHCARE PROFESSIONALS WE ARE ADDRESSING THIS NEED BY OFFERING ONE- YEAR RESIDENCY PROGRAMS FOR UNIVERSITY OF NEW MEXICO GRADUATE NURSING STUDENTS TO TRAIN TH EM FOR WORKING IN A RURAL HEALTH PRACTICE THE STUDENTS ARE ALLOWED THE OPPORTUNITY TO ROT ATE THROUGH THE ER AND CLINICAL TRAINING FOR RADIOLOGY STUDENTS AGH LEADERSHIP SERVES ON THE BOARD OF THE CARLSBAD COMMUNITY FOUNDATION AGH ALSO REMAINS FOCUSED ON PHYSICIAN RECR UITMENT WE PROVIDE THE MONIES NECESSARY FOR THEIR PRACTICE, AND CONTINUALLY ASSESS THE NE EDS OF THE COMMUNITY FOR THE APPROPRIATE PHYSICIAN PRACTICE Use of surplus funds will be continued to use for re-investing in cur

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	990 SCHEDULE H, PART VI	NM,

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Artesia General Hospital

Employer identification number
74-2851819

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**		
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**		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply ☐ Compensation committee ☐ Written employment contract ☐ Independent compensation consultant ☐ Compensation survey or study ☐ Form 990 of other organizations ☐ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**	Yes	
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured 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) Wilson Weber	(i)	0	0	0	0	0	0	0
	(ii)	403,273	129,600	22,849	97,922	23,717	677,361	0
(2) James Lash DO	(i)	663,418	0	0	4,284	0	667,702	0
	(ii)	0	0	0	0	0	0	0
(3) Kenneth Randall	(i)	0	0	0	0	0	0	0
	(ii)	247,538	62,501	0	34,024	0	344,063	0
(4) William Zemanek	(i)	0	0	0	0	0	0	0
	(ii)	130,426	20,013	558	0	0	150,997	0
(5) Jorge Abalos DO	(i)	549,920	0	0	4,284	0	554,204	0
	(ii)	0	0	0	0	0	0	0
(6) Shariar Anoushfar DO	(i)	202,694	0	25,000	3,927	0	231,621	0
	(ii)	0	0	0	0	0	0	0
(7) Richard Dexter MD	(i)	217,035	0	0	4,737	0	221,772	0
	(ii)	0	0	0	0	0	0	0
(8) Edwin McGroarty MD	(i)	433,412	0	0	7,817	0	441,229	0
	(ii)	0	0	0	0	0	0	0
(9) DAVID BUTLER	(i)	0	0	0	0	0	0	0
	(ii)	255,057	85,986	4,212	14,840	21,414	381,509	0
(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
Supplemental Compensation Information	SCHEDULE J, PART I, LINE 3	THE ORGANIZATION EXECUTIVES ARE EMPLOYED BY THE PARENT ORGANIZATION, VHA SOUTHWEST COMMUNITY HEALTH CORPORATION (CHC), AND THEREFORE FOLLOW THE COMPENSATION POLICY OF CHC CHC ENGAGED SULLIVAN COTTER TO CONDUCT A COMPETITIVE MARKET ANALYSIS OF THE COMPENSATION OF CHC'S TOP MANAGEMENT OFFICIALS, OFFICERS, DIRECTORS AND KEY EMPLOYEES SULLIVAN COTTER GATHERED DATA RELATED TO ON JOB DESCRIPTIONS, SCOPE OF RESPONSIBILITY, AND CURRENT INCUMBENTS' COMPENSATION SULLIVAN COTTER RECOMMENDED APPROPRIATE COMPARISON DATA AND UTILIZED SURVEY DATA FROM FOUR MAJOR EXECUTIVE COMPENSATION SURVEY PROVIDERS TO PROVIDE MARKET DATA AND EXECUTIVE COMPENSATION RECOMMENDATIONS THAT MEET CHC'S COMPENSATION PHILOSOPHY SULLIVAN COTTER'S RECOMMENDATIONS WERE PRESENTED TO THE CHC COMPENSATION COMMITTEE OF THE BOARD FOR REVIEW AND APPROVAL CHC ALSO CONDUCTS PERIODIC REVIEWS OF COMPENSATION TO DETERMINE WHETHER COMPENSATION ARRANGEMENTS AND BENEFITS ARE REASONABLE, BASED ON COMPETENT SURVEY INFORMATION, AND THE RESULT OF ARM'S LENGTH BARGAINING SCHEDULE J, PART I, LINE 4B NONQUALIFIED RETIREMENT PLAN PARTICIPATION WAS PAID TO WILSON WEBER - $89,672 DAVID BUTLER - $9,800 SCHEDULE J, PART I, LINE 6A AS REPORTED IN SCHEDULE J, PART II AND FORM 990, PART VII, BONUSES WERE PAID TO THE INDIVIDUALS LISTED BELOW AS PART OF A DISCRETIONARY INCENTIVE COMPENSATION PROGRAM A PORTION OF THE DISCRETIONARY INCENTIVE COMPENSATION PROGRAM WAS IN PART BASED ON THE CONSOLIDATED EARNINGS BEFORE INTEREST, DEPRECIATION AND AMORTIZATION (EBIDA) OF ARTESIA GENERAL HOSPITAL KENNETH RANDALL $ 62,502 WILLIAM ZEMANEK $ 20,013

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Artesia General Hospital

Employer identification number
74-2851819

Identifier	Return Reference	Explanation
ORGANIZATION'S MISSION STATEMENT	FORM 990, PART III, LINE 1	ARTESIA GENERAL HOSPITAL (AGH) IS LOCATED IN ARTESIA, NEW MEXICO OUR MISSION IS TO PROVIDE HEALTHCARE TO THE FAMILIES OF ARTESIA AND SURROUNDING COMMUNITIES WHILE CONTINUALLY IMPROVING QUALITY OF PATIENT CARE AND UTILIZING RESOURCES EFFECTIVELY AND EFFICIENTLY WE PROVIDE GENERAL ACUTE CARE, MEDICAL AND SURGICAL SERVICES, INCLUDING OUTPATIENT AND EMERGENCY ROOM SERVICES

Identifier	Return Reference	Explanation
DESCRIPTION OF MANAGEMENT ARRANGEMENT	FORM 990, PART VI, QUESTION 3	VHA SOUTHWEST COMMUNITY HEALTH CORPORATION D/B/A COMMUNITY HOSPITAL CORPORATION (CHC) PROVIDES CERTAIN FINANCIAL, TECHNICAL AND MANAGERIAL SUPPORT SERVICES TO THE HOSPITAL

Identifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF MEMBERS OR STOCKHOLDERS	FORM 990, PART VI, QUESTION 6	VHA SOUTHWEST COMMUNITY HEALTH CORPORATION, A TEXAS NON-PROFIT CORPORATION, IS THE SOLE MEMBER OF ARTESIA GENERAL HOSPITAL

Identifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF PERSONS AND THE NATURE OF THEIR RIGHTS	FORM 990, PART VI, QUESTION 7A	VHA SOUTHWEST COMMUNITY HOSPITAL CORPORATION ("CHC") AS THE SOLE MEMBER OF ARTESIA GENERAL HOSPITAL ("AGH") ELECTS THE MEMBERS OF THE BOARD OF DIRECTORS OF AGH AND IS EMPOWERED WITH THE ABILITY TO REMOVE DIRECTORS, WITH OR WITHOUT CAUSE

Identifier	Return Reference	Explanation
DESCR CLASSES OF PERSONS, DECISIONS REQUIRING APPR & TYPE OF VOTING RIGHTS	FORM 990, PART VI, QUESTION 7B	BYLAWS REQUIRE THE APPROVAL OF VHA SOUTHWEST COMMUNITY HEALTH CORPORATION AS ARTICULATED IN THE BYLAWS THE AFFAIRS OF THE CORPORATION SHALL BE GOVERNED BY THE BOARD OF DIRECTORS IN ACCORDANCE WITH THESE BYLAWS, THE NEW MEXICO NON-PROFIT CORPORATION ACT (THE "ACT") AND THE CORPORATION'S ARTICLES OF INCORPORATION, AS AMENDED FROM TIME TO TIME, PROVIDED THAT THE APPROVAL OF THE MEMBERS OF THE CORPORATION SHALL BE NECESSARY FOR EACH OF THE FOLLOWING MATTERS (A) THE ESTABLISHMENT OF OR ANY CHANGE IN THE ACTIVITIES, PHILOSOPHY, MISSION OR PURPOSE OF THE CORPORATION AS SET BY THE MEMBERS (B) ANY AMENDMENTS OR REVISIONS TO THE ARTICLES OF INCORPORATION OR BYLAWS OF THE CORPORATION (C) ANY AMENDMENTS OR REVISIONS OF THE ARTICLES OF INCORPORATION OR BYLAWS OF ANY SUBSIDIARY CORPORATION OF THE CORPORATION (D) THE CREATION OF, OR INVESTMENT IN, ANY SUBSIDIARY ENTITY, PARTNERSHIP OR VENTURE (E) ANY AMENDMENT, REVISION OR TERMINATION OF THE PARTNERSHIP AGREEMENT OF ANY PARTNERSHIP OR REGULATIONS OF ANY LIMITED LIABILITY COMPANY, TO WHICH THE CORPORATION IS A PARTY (F) THE ANNUAL OPERATING AND CAPITAL BUDGETS OF THE CORPORATION (G) ALL MATERIAL EXPENDITURE DEVIATIONS ($25,000 IN ANY SINGLE OR SERIES OF TRANSACTIONS) FROM THE ANNUAL OPERATING BUDGET (H) ALL EXPENDITURE DEVIATIONS FROM THE ANNUAL CAPITAL BUDGET (I) THE PURCHASE OR ACQUISITION OF ANY REAL PERSONAL OR MIXED PROPERTY BY THE CORPORATION IN EXCESS OF $25,000 THAT IS NOT PROVIDED FOR IN THE CORPORATION'S ANNUAL OPERATING OR CAPITAL BUDGETS (J) THE SALE, MORTGAGE, ENCUMBRANCE, TRANSFER, LEASE, GIFT, OR OTHER DISPOSITION OF ANY REAL PROPERTY OF THE CORPORATION (K) ANY SALE, GIFT, EXCHANGE, LEASE, MORTGAGE OR OTHER TRANSFER OR ENCUMBRANCE (COLLECTIVELY, "TRANSFER") OF THE PERSONAL PROPERTY OF THE CORPORATION (TANGIBLE OR INTANGIBLE) IF THE SUM OF SUCH TRANSFER AND THE SUM OF ALL PRIOR TRANSFERS, PER FISCAL YEAR, EXCEED $50,000 (L) ANY DEBT OR FINANCING ARRANGEMENT OF THE CORPORATION, EXCEPT USUAL AND CUSTOMARY TRADE DEBTS WHICH IS INCURRED IN THE ORDINARY COURSE OF BUSINESS OF THE CORPORATION (M) SETTLEMENT OF ANY CLAIMS OR LITIGATION INVOLVING THE CORPORATION (N) THE MERGER, DISSOLUTION, OR CONSOLIDATION OF THE CORPORATION OR SUBSIDIARY CORPORATION (O) THE EXECUTION, REVISION, AMENDMENT, EXTENSION, NON-RENEWAL OR TERMINATION OF ANY MANAGEMENT, EMPLOYMENT, LEASE, OR SERVICE CONTRACT, WITH AN ANNUAL COMPENSATION IN EXCESS OF $30,000 OR AN AGGREGATE COMPENSATION IN EXCESS OF $50,000 (P) ANY DEBTS, LOANS, GUARANTIES, OR GRANTS NOT INCLUDED AND APPROVED AS PART OF THE CORPORATION'S ANNUAL OPERATING AND CAPITAL BUDGETS (Q) THE ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS OR THE REMOVAL OF SAID BOARD MEMBER, WHETHER WITH OUR WITHOUT CAUSE (R) THE ENGAGEMENT OF OR REMOVAL OF THE HOSPITAL ADMINISTRATOR (S) THE APPROVAL OF THE EMPLOYEE POLICIES AND BENEFITS PROGRAMS OF THE CORPORATION (T) THE APPROVAL OF MAJOR DEVELOPMENT CAMPAIGNS AND FUND-RAISING (U) THE APPROVAL OF THE FINANCE MANAGEMENT SYSTEM FOR THE CORPORATION

Identifier	Return Reference	Explanation
MAILING ADDRESS OF PERSONS TO BE CONTACTED AT A DIFFERENT ADDRESS	FORM 990, PART VI, QUESTION 9	ALL CURRENT OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES MAY BE REACHED AT ARTESIA GENERAL HOSPITAL 702 NORTH 13TH STREET ARTESIA, NEW MEXICO 88210

Identifier	Return Reference	Explanation
DESCRIBE THE PROCESS USED BY MANAGEMENT &/OR GOVERNING BODY TO REVIEW 990	FORM 990, PART VI, QUESTION 11A	THE DETAILED REVIEW OF THE FORM 990 IS CONDUCTED BY THE SECRETARY/ TREASURER FOLLOWING THE PREPARATION AND REVIEW OF THE RETURN BY THE ORGANIZATION'S PAID PREPARER A FINAL COPY OF THE FORM 990 WAS PRESENTED TO THE ORGANIZATION'S BOARD MEMBERS AT AN ANNUAL BOARD MEETING PRIOR TO FILING

Identifier	Return Reference	Explanation
DESCRIPTION OF PROCESS TO MONITOR TRANSACTIONS FOR CONFLICTS OF INTEREST	FORM 990, PART VI, QUESTION 12C	THE ORGANIZATION FOLLOWS THE CONFLICT OF INTEREST DISCLOSURE PROCESS ADMINISTERED BY ITS PARENT, VHA SOUTHWEST COMMUNITY HEALTH CORPORATION (CHC), AND AS FORMALLY ADOPTED BY ARTESIA GENERAL HOSPITAL'S BOARD, WHICH REQUIRES ALL OFFICERS, DIRECTORS, KEY EMPLOYEES, HIGHLY COMPENSATED EMPLOYEES AND OTHER MANAGEMENT OFFICIALS ("COVERED PERSONS") TO DISCLOSE POTENTIAL CONFLICTS PURSUANT TO THE POLICY, A DISCLOSURE STATEMENT IS CIRCULATED ANNUALLY TO COVERED PERSONS IN WHICH THE INDIVIDUAL MUST DISCLOSE TRANSACTIONS THAT MAY RESULT IN A CONFLICT COVERED PERSONS ARE ALSO ENCOURAGED TO NOTIFY THE BOARD, APPROPRIATE MANAGEMENT PERSONNEL, CHIEF COMPLIANCE OFFICER, GENERAL COUNSEL, OR THE AUDIT AND COMPLIANCE COMMITTEE OF THE GOVERNING BODY AS NECESSARY WHEN NECESSARY, THE BOARD CHAIR OR APPROPRIATE BOARD COMMITTEE MAY APPOINT A DISINTERESTED PERSON(S) OR COMMITTEE TO INVESTIGATE THE POTENTIAL CONFLICT OF INTEREST AND RECOMMEND ALTERNATIVES TO THE APPLICABLE TRANSACTION OR ARRANGEMENT OR OTHERWISE DETERMINE IF THE CONFLICT CAN BE RESOLVED IF A MORE ADVANTAGEOUS TRANSACTION OR ARRANGEMENT IS NOT REASONABLY POSSIBLY UNDER THE CIRCUMSTANCES NOT PRODUCING A CONFLICT OF INTEREST, THE GOVERNING BOARD OR COMMITTEE SHALL DETERMINE BY A MAJORITY VOTE OF THE DISINTERESTED DIRECTORS WHETHER THE TRANSACTION OR ARRANGEMENT IS IN THE BEST INTEREST OF THE ORGANIZATION, FOR ITS OWN BENEFIT, AND WHETHER IT IS REASONABLE THE GOVERNING BOARD OR COMMITTEE MAKES THE DECISION AS TO WHETHER TO ENTER INTO THE TRANSACTION OR ARRANGEMENT ANY MEMBER OF THE BOARD OPERATING UNDER A CONFLICT IS NOT PERMITTED TO BE PRESENT OR OTHERWISE PARTICIPATE IN THE VOTE ON ANY MATTER TO WHICH THE CONFLICT RELATES IF THE GOVERNING BOARD OR COMMITTEE OF THE ORGANIZATION HAS REASONABLE CAUSE TO BELIEVE THAT A COVERED PERSON HAS FAILED TO DISCLOSE AN ACTUAL OR POSSIBLE CONFLICT OF INTEREST AND AFTER INVESTIGATION THE BOARD OR COMMITTEE DETERMINES THAT THE COVERED PERSON FAILED TO DISCLOSE A CONFLICT OF INTEREST, THE ORGANIZATION TAKES APPROPRIATE DISCIPLINARY OR CORRECTIVE ACTION, WHICH MAY INCLUDE, TERMINATION OF THE INDIVIDUAL'S MEMBERSHIP, EMPLOYMENT, OR CONTRACT

Identifier	Return Reference	Explanation
OFFICES & POSITIONS FOR WHICH PROCESS WAS USED, & YEAR PROCESS WAS BEGUN	FORM 990, PART VI, QUESTIONS 15A & 15B	THE ORGANIZATION EXECUTIVES ARE EMPLOYED BY THE PARENT ORGANIZATION, VHA SOUTHWEST COMMUNITY HEALTH CORPORATION (CHC), AND THEREFORE FOLLOW THE COMPENSATION POLICY OF CHC AS ADOPTED BY ARTESIA GENERAL HOSPITAL'S BOARD CHC ENGAGED SULLIVAN COTTER TO CONDUCT A COMPETITIVE MARKET ANALYSIS OF THE COMPENSATION OF CHC'S TOP MANAGEMENT OFFICIALS, OFFICERS, DIRECTORS AND KEY EMPLOYEES SULLIVAN COTTER GATHERED DATA RELATED TO ON JOB DESCRIPTIONS, SCOPE OF RESPONSIBILITY, AND CURRENT INCUMBENTS' COMPENSATION SULLIVAN COTTER RECOMMENDED APPROPRIATE COMPARISON DATA AND UTILIZED SURVEY DATA FROM FOUR MAJOR EXECUTIVE COMPENSATION SURVEY PROVIDERS TO PROVIDE MARKET DATA AND EXECUTIVE COMPENSATION RECOMMENDATIONS THAT MEET CHC'S COMPENSATION PHILOSOPHY SULLIVAN COTTER'S RECOMMENDATIONS WERE PRESENTED TO THE CHC COMPENSATION COMMITTEE OF THE BOARD FOR REVIEW AND APPROVAL CHC ALSO CONDUCTS PERIODIC REVIEWS OF COMPENSATION TO DETERMINE WHETHER COMPENSATION ARRANGEMENTS AND BENEFITS ARE REASONABLE, BASED ON COMPETENT SURVEY INFORMATION, AND THE RESULT OF ARM'S LENGTH BARGAINING THIS PROCESS IS PERFORMED EACH YEAR PRIOR TO THE ANNUAL EMPLOYEE EVALUATION PROCESS, WHICH ENDS ON JULY 1ST OF EACH YEAR

Identifier	Return Reference	Explanation
AVAIL OF GOV DOCS, CONFLICT OF INTEREST POLICY, & FIN STMTS TO GEN PUBLIC	FORM 990, PART VI, QUESTION 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY AVAILABLE AT ITS BUSINESS OFFICE UPON REQUEST

Identifier	Return Reference	Explanation
AVERAGE RELATED HOURS DISCLOSURE	FORM 990, PART VII, SECTION A, COLUMN B	ESTIMATED HOURS WORKED BY OFFICERS, DIRECTORS, TRUSTEES, KEY EMPLOYEES, AND HIGHEST COMPENSATED EMPLOYEES AT RELATED ENTITIES DAVID BUTLER BAPTIST HOSPITALS OF SE TEXAS - 1 HOUR PER WEEK CHC COMMUNITY CARE - 1 HOUR PER WEEK VHASW COMMUNITY HEALTH CORPORATION - 38 HOURS PER WEEK YOAKUM COMMUNITY HOSPITAL - 1 HOUR PER WEEK COMMUNITY HOSPITAL CONSULTING, INC - 1 HOUR PER WEEK SOUTHWEST COMMUNITY HOSPITAL - 0 01 HOURS PER WEEK CONTINUE CARE HOSPITAL OF TYLER - 1 HOUR PER WEEK WILSON WEBER BAPTIST HOSPITALS OF SE TEXAS - 1 HOUR PER WEEK SOUTHWEST COMMUNITY HOSPITAL - 0 01 HOUR PER WEEK VHASW COMMUNITY HEALTH CORPORATION - 34 HOURS PER WEEK COMMUNITY HOSPITAL CONSULTING, INC - 6 HOURS PER WEEK

Identifier	Return Reference	Explanation
OVERSIGHT OR SELECTION PROCESS	FORM 990, PART XI, LINE 2C	THE AUDIT COMMITTEE OF VHA SOUTHWEST COMMUNITY HEALTH CORPORATION, WHICH IS THE PARENT ORGANIZATION OF ARTESIA GENERAL HOSPITAL, IS RESPONSIBLE FOR OVERSEEING THE EXTERNAL AUDIT OF THE CONSOLIDATED FINANCIALS

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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
Artesia General Hospital

Employer identification number
74-2851819

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
See Additional Data Table							

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Community Health Assurance SPC LTD Cayman Islands GRAND CAYMAN POB 69GT CJ	Captive Insurance	CJ	NA	C CORP			
(2) CHC Acquisition Corp 5801 Tennyson Parkway Ste 550 Plano, TX75024 75-2750360	Consulting	TX	NA	C CORP			
(3) Community Hospital Consulting Inc 5801 Tennyson Parkway Ste 550 Plano, TX75024 20-4710183	Mgmt Consulting	TX	NA	C Corp			

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

		Yes	No
1	During the tax year, did the orgranization 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	**1a**	**No**
b	Gift, grant, or capital contribution to other organization(s)	**1b**	**No**
c	Gift, grant, or capital contribution from other organization(s)	**1c**	**No**
d	Loans or loan guarantees to or for other organization(s)	**1d**	**No**
e	Loans or loan guarantees by other organization(s)	**1e**	**No**
f	Sale of assets to other organization(s)	**1f**	**No**
g	Purchase of assets from other organization(s)	**1g**	**No**
h	Exchange of assets	**1h**	**No**
i	Lease of facilities, equipment, or other assets to other organization(s)	**1i**	**Yes**
j	Lease of facilities, equipment, or other assets from other organization(s)	**1j**	**No**
k	Performance of services or membership or fundraising solicitations for other organization(s)	**1k**	**No**
l	Performance of services or membership or fundraising solicitations by other organization(s)	**1l**	**No**
m	Sharing of facilities, equipment, mailing lists, or other assets	**1m**	**No**
n	Sharing of paid employees	**1n**	**Yes**
o	Reimbursement paid to other organization for expenses	**1o**	**Yes**
p	Reimbursement paid by other organization for expenses	**1p**	**No**
q	Other transfer of cash or property to other organization(s)	**1q**	**No**
r	Other transfer of cash or property from other organization(s)	**1r**	**No**

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data Return to Form

Software ID:
Software Version:
EIN: 74-2851819
Name: Artesia General Hospital

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
BAPTIST HOSPITALS OF SE TEXAS POST OFFICE BOX 1591 BEAUMONT, TX77704 74-1303720	HOSPITAL	TX	501(C)(3)	3	SW CH INC		
BAPTIST PHYSICIAN NETWORK 3080 COLLEGE STREET BEAUMONT, TX77701 76-0453250	PRIMARY CARE	TX	501(C)(3)	3	BP HSP SETX		
LAIRD MEMORIAL HOSPITAL 5801 TENNYSON PKWY STE 550 PLANO, TX75024 02-0643367	HOSPITAL	TX	501(C)(3)	3	SW CH INC		
SOUTHWEST COMMUNITY HOSPITAL INC 5801 TENNYSON PKWY STE 550 PLANO, TX75024 75-2725353	HOSPITAL	TX	501(C)(3)	3	SW CH INC		
YOAKUM COMMUNITY HOSPITAL 1200 CARL RAMERT DRIVE YOAKUM, TX77995 74-2323822	HOSPITAL	TX	501(C)(3)	3	SW CH INC		
CONTINUECARE HOSPITAL OF TYLER 800 E DAWSON STREET TYLER, TX75701 20-0991990	HOSPITAL	TX	501(C)(3)	3	CHC CM CARE		
CONTINUECARE HOSPITAL OF SE TEXAS 5801 TENNYSON PKWY STE 550 PLANO, TX75024 20-1150480	HOSPITAL	TX	501(C)(3)	3	CHC CM CARE		
ST MARKS MEDICAL CENTER ONE ST MARKS PLACE LA GRANGE, TX78945 74-3019849	HOSPITAL	TX	501(C)(3)	3	SW CH INC		
CHC COMMUNITY CARE LLC 5801 TENNYSON PKWY STE 550 PLANO, TX75024 37-1485773	SUPPORT ORG	TX	501(C)(3)	11C	SW CH INC		
VHASW COMMUNITY HEALTH CORPORATION 5801 TENNYSON PKWY STE 550 PLANO, TX75024 75-2638469	SUPPORT ORG	TX	501(C)(3)	11	NA		

VHA Southwest Community Health Corporation and Subsidiaries

Accountants' Reports and Consolidated Financial Statements

June 30, 2011 and 2010

BKD LLP
CPAs & Advisors

VHA Southwest Community Health Corporation and Subsidiaries

June 30, 2011 and 2010

Contents

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CPAs & Advisors

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Independent Accountants' Report

Audit Committee
VHA Southwest Community Health
Corporation and Subsidiaries
Plano, Texas

We have audited the accompanying consolidated balance sheets of VHA Southwest Community Health Corporation and Subsidiaries (CHC) as of June 30, 2011 and 2010, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended These financial statements are the responsibility of CHC's management Our responsibility is to express an opinion on these financial statements based on our audits

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of CHC as of June 30, 2011 and 2010, and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

BKD, LLP

December 5, 2011

Praxity

VHA Southwest Community Health Corporation and Subsidiaries

Consolidated Balance Sheets

June 30, 2011 and 2010

(In Thousands)

Assets

	2011	2010
Current Assets		
Cash and cash equivalents	$ 60,559	$ 50,157
Short-term investments	2,416	431
Assets limited as to use, current	2,546	5,811
Patient accounts receivable, net of allowance, 2011 - $45,620, 2010 - $36,215	36,650	30,462
Estimated amounts due from third-party payers	5,042	4,976
Supplies	7,362	6,925
Discontinued operations assets	-	59,165
Assets held for sale	705	705
Prepaid expenses and other	7,294	5,561
Total current assets	122,574	164,193
Assets Limited as to Use		
Held by trustee, under bond indenture agreements	19,351	26,069
Held by trustee, self-insurance	9,260	12,009
Externally restricted by donors	144	123
	28,755	38,201
Less amount required to meet current obligations	2,546	5,811
	26,209	32,390
Investments	1,605	3,500
Property and Equipment, at Cost		
Land and land improvements	9,674	8,219
Buildings and leasehold improvements	242,583	217,005
Equipment	136,360	123,098
Construction in progress	3,147	135
	391,764	348,457
Less accumulated depreciation	210,751	195,334
	181,013	153,123
Other Assets		
Goodwill and other intangible assets	2,342	2,392
Deferred financing costs	4,943	4,957
Other assets	2,781	2,381
	10,066	9,730
Total assets	$ 341,467	$ 362,936

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

	2011	2010
Current Liabilities		
Current maturities of long-term debt	$ 7,644	$ 7,061
Accounts payable	15,739	10,508
Accrued expenses	19,632	24,623
Amounts due under UPL programs	11,800	-
Discontinued operations liabilities	-	33,507
Contribution payable	-	31,317
Professional and general liability claims, current	1,971	1,641
Total current liabilities	56,786	108,657
Professional and General Liability Claims	9,808	16,092
Long-term Debt	170,772	157,214
Other Long-term Liabilities	2,396	959
Total liabilities	239,762	282,922
Net Assets		
CHC	100,736	78,609
Noncontrolling interest	728	1,099
Total unrestricted net assets	101,464	79,708
Temporarily restricted	241	306
Total net assets	101,705	80,014
Total liabilities and net assets	$ 341,467	$ 362,936

VHA Southwest Community Health Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

Years Ended June 30, 2011 and 2010

(In Thousands)

	2011	2010
Unrestricted Revenues, Gains and Other Support		
Net patient service revenue	$ 363,344	$ 342,731
Ad valorem tax revenue	4,647	3,460
Federal Emergency Management Agency recovery	712	1,720
Other	9,042	9,993
Total unrestricted revenues, gains and other support	377,745	357,904
Expenses and Losses		
Salaries and wages	129,574	119,825
Employee benefits	26,851	23,878
Purchased services and professional fees	49,291	39,001
Supplies, rent and other costs	78,127	87,586
Depreciation and amortization	15,274	14,739
Interest	8,872	9,505
Provision for uncollectible accounts	60,164	57,827
Total expenses and losses	368,153	352,361
Operating Income	9,592	5,543
Other Income (Expense)		
Contributions received	193	166
Investment return	983	552
Loss from unconsolidated subsidiary	-	(70)
Loss on early retirement of debt	(5,872)	-
[illegible]	9,515	-
[illegible]	2,089	921
Total other income (expense)	6,908	1,569
Excess of Revenues Over Expenses	$ 16,500	$ 7,112

See Notes to Consolidated Financial Statements

	2011	2010
Unrestricted Net Assets		
Excess of revenues over expenses	$ 16,500	$ 7,112
Gain (loss) from discontinued operations (including gain on disposal of $5,269 in 2011, contribution expense of $31,317 in 2010 and loss on disposal of $8,422 in 2010)	4,926	(35,968)
Contributions and grants for acquisition of property and equipment and repayment of debt	1,792	5,764
Investment return, change in unrealized gains and losses on other-than-trading securities	(11)	161
Net assets released from restriction	168	23
Distributions to members	(1,818)	(4,553)
Distributions to noncontrolling interest	(90)	(355)
Change in defined benefit pension plan liability from discontinued operations	-	(975)
Other	289	-
Increase (decrease) in unrestricted net assets	21,756	(28,791)
Temporarily Restricted Net Assets		
Contributions received	103	48
Investment return	-	4
Net assets released from restriction	(168)	(54)
Decrease in temporarily restricted net assets	(65)	(2)
Change in Net Assets	21,691	(28,793)
Net Assets, Beginning of Year	80,014	108,807
Net Assets, End of Year	$ 101,705	$ 80,014

VHA Southwest Community Health Corporation and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended June 30, 2011 and 2010

(In Thousands)

	2011	2010
Operating Activities		
Change in net assets	$ 21,691	$ (28,793)
Change in net assets attributable to noncontrolling interest	371	(158)
Change in net assets attributable to CHC	22,062	(28,951)
Items not requiring (providing) cash		
(Gain) loss on disposal of assets	(5,269)	8,422
Depreciation and amortization	15,274	14,739
Change in asset retirement obligation	94	136
Loss on early retirement of debt	5,872	-
Distributions to members	1,818	4,553
Contributions and grants for acquisition of property and equipment	(1,792)	(5,764)
Proceeds from restricted contributions	(103)	(48)
Accrued professional and general liability claims	(5,954)	3,414
Contribution of net assets of St Mark's Medical Center	(9,515)	-
Contribution payable	-	31,317
Loss from unconsolidated subsidiary	-	70
Net loss (gain) on investments	11	(161)
Changes in		
Patient accounts receivable, net	(3,361)	5,373
Estimated amounts due from and to third-party payers	1,564	646
Accounts payable and accrued expenses	3,094	(8,261)
Payable to UPL participants	10,170	-
Noncontrolling interest	(281)	513
Other assets and liabilities	(4,766)	(5,222)
Net cash provided by (used in) operating activities from continuing operations	28,918	20,776
Net cash provided by operating activities from discontinued operations	129	8,121
Net cash provided by operating activities	29,047	28,897

VHA Southwest Community Health Corporation and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2011 and 2010

(In Thousands)

	2011	2010
Investing Activities		
Purchase of investments	$ (18,429)	$ (13,102)
Proceeds from disposition of investments	32,087	10,395
Purchase of property and equipment	(13,726)	(6,377)
Proceeds from disposal of discontinued operations	-	1,600
Cash acquired with St Mark's Medical Center acquisition	764	-
Cash disposed with discontinued operations	(13,890)	(1,332)
Net cash used in investing activities from continuing operations	(13,194)	(8,816)
Net cash used in investing activities from discontinued operations	(108)	(3,345)
Net cash used in activities	(13,302)	(12,161)
Financing Activities		
Distributions to members	(1,818)	(4,553)
Proceeds from contributions and grants for acquisition of property and equipment	1,792	5,764
Proceeds from issuance of long-term debt	91,373	512
Payment of deferred financing cost	(1,207)	-
Distributions to noncontrolling interest	(90)	(355)
Proceeds from restricted contributions	103	48
Principal payments on long-term debt	(109,002)	(7,323)
Net cash used in financing activities from continuing operations	(18,849)	(5,907)
Net cash used in financing activities from discontinued operations	(111)	(386)
Net cash used in financing activities	(18,960)	(6,293)
Increase (Decrease) in Cash and Cash Equivalents	(3,215)	10,443
Cash and Cash Equivalents, Beginning of Year	63,774	53,331
Cash and Cash Equivalents, End of Year	$ 60,559	$ 63,774
Supplemental Cash Flows Information		
Interest paid, net of amounts capitalized	$ 10,864	$ 9,874
Capital lease obligations incurred for property and equipment	3,991	294
Property and equipment included in accounts payable	248	-
Discontinued operations cash segregated on balance sheets	-	13,617

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

VHA Southwest Community Health Corporation (CHC) is a Texas non-profit corporation organized to acquire, lease, manage and operate health care facilities. Current facilities owned or operated by CHC are in Texas and New Mexico. CHC's mission is to preserve community-based health care by assisting communities to cope with the changing dynamics in the health care industry. CHC primarily earns revenues by providing inpatient, outpatient and emergency services in its hospitals. CHC also earns revenue from the provision of management and consulting services to health care entities.

All dollar amounts within these footnotes are rounded to the nearest thousand.

Principles of Consolidation

The consolidated financial statements of CHC include the accounts of CHC and its wholly owned or wholly controlled subsidiaries. All material intercompany transactions have been eliminated in consolidation. Entities included in the continuing operations of the consolidated financial statements are as follows:

Entity	Description	Tax Status	Location
Southwest Community Hospital (SCH)	Management company	Tax-exempt	Plano, Texas
Baptist Hospitals of Southeast Texas (BHSET)	447-bed acute care hospital (2 campuses)	Tax-exempt	Beaumont and Orange, Texas
Artesia General Hospital (AGH)	49-bed leased acute care hospital	Tax-exempt	Artesia, New Mexico
St. Mark's Medical Center (SMMC) [2]	44-bed acute care hospital	Tax-exempt	La Grange, Texas
Yoakum Community Hospital (YCH)	25-bed leased critical access hospital	Tax-exempt	Yoakum, Texas
Community LTACH, LLC	Holding company	LLC[1]	Plano, Texas
CHC Community Care, LLC (CCC)	Management company	LLC[1]	Plano, Texas
ContinueCARE Hospital of Tyler (CCHT)	51-bed long-term acute care hospital	Tax-exempt	Tyler, Texas
Community Health Assurance, SPC, Ltd. (CHA)	Captive insurance company	Tax-exempt	Cayman Islands
Community Hospital Consulting (Consulting)	Hospital management and consulting	Taxable	Plano, Texas

[1] The LLCs do not pay taxes due to their income being passed through to their tax-exempt owners.
[2] Operations acquired in 2011.

BHSET

BHSET operates two hospitals Memorial Hermann Baptist Beaumont Hospital (MHBBH) is licensed as a 508-bed acute care hospital and is located in Beaumont, Texas Memorial Hermann Baptist Orange Hospital (MHBOH) operates approximately 112 acute care beds and is located in Orange, Texas BHSET also operates Baptist Physicians' Network (BPN), which earns revenues by providing physician services to patients in the hospitals' service areas

BHSET is the majority owner of Baptist/USP Surgery Centers, L L C (USP) BHSET owns 50 10 percent of USP, with the remaining interest owned by an unrelated entity USP owns 50 67 percent of Baptist Surgical Affiliates, Ltd (BSA), a freestanding ambulatory surgical center located in Beaumont BSA primarily earns revenue through the provision of outpatient surgical services By virtue of its majority ownership, the consolidated financial statements of USP include the financial statements of BSA BSA is also managed by USP under an agreement that expires in 2013

BHSET, Southwest Community Hospital, Inc (SCH) and Memorial Hermann Hospital System (MHHS) entered into an agreement on October 1, 2000, that transferred BHSET's corporate membership from MHHS to SCH MHHS exchanged amounts due under two revolving credit notes for Class B membership rights in BHSET The sole corporate member of SCH is CHC

Under MHHS's Class B member rights, MHHS has the right to appoint one individual to serve on the Board of Directors of SCH Under the terms of the Class B Membership Agreement (the Agreement), BHSET will pay MHHS a return of its prior contributions up to $20,976,000 Any amounts repaid to MHHS would be limited to funds in excess of that necessary for BHSET to maintain a minimum of 150 percent of maximum annual debt service coverage, a current ratio of 1 5 to 1 and 45 days cash on hand, measured as of the last day of the fiscal year and the last day of the six-month period thereafter, before any payments under the Agreement are payable No amounts were paid in 2011 or 2010

SCH and BHSET executed a 25-year management agreement with SCH appointing CHC to provide certain financial, technical and managerial support services to BHSET

CCHT

CCHT is a long-term acute care hospital incorporated in 2004 and located in Tyler, Texas CCHT was developed in conjunction with Trinity Mother Frances Health System (TMFHS), which operates an integrated health care system in Tyler, Texas

TMFHS is a Class B Member of CCC Under its Class B member agreement, cash distributions from CCHT will be paid 80 percent to TMFHS and 20 percent to CHC

SMMC

SMMC is a not-for-profit organization whose mission and principal activities are to provide health care services to the residents of Fayette and Lee Counties in Texas CHC acquired SMMC during 2011 as discussed in *Note 17* SMMC was organized in 2002 to plan and obtain financing to construct and operate a new hospital facility in La Grange, Texas This financing was completed in 2004 and construction of the new hospital was completed during July 2005 SMMC began hospital operations on July 11, 2005, and has been earning revenues from the provision of inpatient, outpatient and emergency care services to residents in its geographic area since that time

Noncontrolling Interest

Noncontrolling interest represents the 49 9 percent of interest in USP that BHSET does not own, as well as the portion of BSA not owned by USP Effective July 1, 2010, CHC adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-810-45, Not-for-Profit Entities Mergers and Acquisitions Upon adoption, minority interest previously presented in the mezzanine section of the balance sheet has been retrospectively reclassified as noncontrolling interest within net assets In addition, the consolidated statements of operations and changes in net assets has been retrospectively revised to include the changes in net assets attributable to the noncontrolling interest Beginning July 1, 2010, losses attributable to the noncontrolling interest will be allocated to the noncontrolling interest even if the carrying amount of the noncontrolling interest is reduced below zero Any changes in ownership after July 1, 2010 that do not result in a loss of control will be prospectively accounted for as a net asset transaction

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

Changes in consolidated unrestricted net assets attributable to the controlling financial interest of CHC and the noncontrolling interest are bon the following page All changes in temporarily restricted net assets are attributable solely to the controlling interest

	Total	Controlling Interest	Noncontrolling Interest
Balance July 1, 2009	$ 108,499	$ 107,558	$ 941
Excess of revenues over expenses	7,112	6,599	513
Loss from discontinued operations (including loss on disposal of $8,422)	(35,968)	(35,968)	-
Contributions and grants for acquisition of property and equipment and repayment of debt	5,764	5,764	-
Investment return, change in unrealized gains and losses on other-than-trading securities	161	161	-
Net assets released from restriction	23	23	-
Distributions to members and other	(4,553)	(4,553)	-
Distributions to noncontrolling interest	(355)	-	(355)
Change in defined benefit pension plan liability from discontinued operations	(975)	(975)	-
Increase (decrease) in unrestricted net assets	(28,791)	(28,949)	158
Balance June 30, 2010	79,708	78,609	1,099
Excess (deficiency) of revenues over expenses	16,500	16,781	(281)
Gain from discontinued operations (including gain on disposal of $5,269)	4,926	4,926	-
Contributions and grants for acquisition of property and equipment and repayment of debt	1,792	1,792	-
Investment return, change in unrealized gains and losses on other-than-trading securities	(11)	(11)	-
Net assets released from restriction	168	168	-
Distributions to members	(1,818)	(1,818)	-
Other	289	289	-
Distributions to noncontrolling interest	(90)	-	(90)
Increase (decrease) in unrestricted net assets	21,756	22,127	(371)
Balance June 30, 2011	$ 101,464	$ 100,736	$ 728

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

Cash Equivalents

CHC considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents At June 30, 2011 and 2010, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value The investment in equity investee is reported on the equity method of accounting Investments in insurance annuities are valued at the amount that can be received at the balance sheet date, which is the cash surrender value adjusted for other amounts that are paid at settlement Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value CHC also holds a guaranteed investment contract that is carried at cost Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments Investment return that is initially restricted by donor stipulation, and for which the restriction will be satisfied in the same year, is included in unrestricted net assets Other investment return is reflected in the consolidated statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions

Assets Limited as to Use

Assets limited as to use include (1) assets held by trustees under debt agreements, (2) assets restricted by donors, and (3) assets held by trustees under self-insurance trust Amounts required to meet current liabilities are included in current assets

Patient Accounts Receivable

CHC reports patient accounts receivable for services rendered at net realizable amounts from government payers, managed care plans, patients and others Amounts due from patients include both amounts due from uninsured patients and copayments and deductibles for which insured patients are responsible As a service to the patient, CHC bills third-party payers directly and bills the patient when the patient's liability is determined Patient accounts receivable are due in full when billed CHC provides an allowance for doubtful accounts for estimated losses resulting from payers' inability to make payments on accounts CHC estimates its allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions Accounts are considered delinquent and subsequently written off based on individual credit evaluation and specific circumstances of the account

Ad Valorem Taxes

While CHC is not able to levy property taxes, it does receive pass-through tax revenues from its relationships with the hospital district at AGH Property tax revenues are recognized in the period for which they are assessed

Supplies

CHC states supply inventories at the lower of cost, determined using the first-in, first-out method, or market

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives Routine maintenance and repairs are charged to expense as incurred Expenditures that increase capacities or extend useful lives are capitalized

The estimated useful lives for each major depreciable classification of property and equipment are as follows

Buildings and leasehold improvements	5-40 years
Equipment	3-10 years

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor Monetary gifts that must be used to acquire property and equipment are reported as restricted support The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service

Long-lived Asset Impairment

CHC evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value Indicators of potential impairment are typically beyond the control of management If the estimated cash flows become less favorable than those projected by management, additional impairments may be required

No asset impairment was recognized during the years ended June 30, 2011 and 2010

Assets Held for Sale

Assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use At June 30, 2011 and 2010, CHC has classified as assets held for sale certain real estate that will be sold to a third party

Goodwill

Effective July 1, 2010, CHC adopted FASB ASC 958-805 This standard required CHC to cease amortizing previously recognized goodwill and instead test goodwill annually for impairment If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value Subsequent increases in goodwill value are not recognized in the financial statements

No goodwill impairment was recognized in the year ended June 30, 2011

Physician Guarantees

In an effort to recruit new physicians to its service areas, CHC has entered into various agreements with physicians guaranteeing certain levels of income for the first 12 to 24 months that the physician operates in the service area. These agreements typically require that the physician operate in the service area for up to three years after the guarantee period. In the event that CHC has made payments to the physician under these income guarantee agreements and the physician does not fulfill his or her obligation to practice in the service area for the term specified in the agreement, CHC can demand that the physician return all or a portion of the payments made under the agreement. As of June 30, 2011, the maximum potential future payments that CHC could be required to make under existing agreements is approximately $2,250.

Amounts advanced to physicians net of accumulated amortization and allowances for uncollectibility were $2,008 and $1,620 at June 30, 2011 and 2010, respectively, and are included in other assets on the consolidated balance sheets.

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

During 2011, BHSET wrote off unamortized deferred financing costs relating to the retirement of certain bonds as discussed in *Note 6*.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by CHC has been limited by donors to a specific time period or purpose.

Net Patient Service Revenue

CHC's hospital facilities have agreements with third-party payers, including government programs and managed care plans that provide for payments at amounts different from their established rates. Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

CHC's hospital facilities provide care without charge or at amounts less than their established rates to patients meeting certain criteria under their charity care policies Because CHC's hospital facilities do not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received Gifts received with donor stipulations are reported as either temporarily or permanently restricted support When a donor restriction expires (*i e* , when a time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor

Estimated Self-Insurance Costs

An annual estimated provision is recorded for the self-insured portion of professional liability and medical malpractice claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported

CHC maintains self-insured employee health care and workers' compensation plans covering substantially all full-time employees Contributions are made to the administrator of the plans as employee health care and workers' compensation claims are paid while expenses are accrued as incurred

Losses from asserted and unasserted claims are based on estimates that incorporate each entity's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors

Income Taxes

CHC and substantially all affiliates have been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law However, the entities are subject to federal income tax on any unrelated business taxable income There was no material unrelated business income tax due in 2011 and 2010

CHC and its affiliates file tax returns in the U S federal jurisdiction With a few exceptions, those entities are no longer subject to U S federal examinations for years prior to 2008

Excess of Revenues Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include discontinued operations, unrealized gains and losses on other-than-trading securities, change in defined benefit pension plan liability, permanent transfers to and from affiliates for other than goods and services and contributions and grants of long-lived assets (including assets acquired using contributions and grants which, by donor or other restrictions, were to be used for the purpose of acquiring or reimbursement for such assets)

Discontinued Operations

Discontinued operations include components of an entity that have been disposed of or are classified as held for sale and have operations and cash flows that can be clearly distinguished from the rest of the entity In the period that a component of an entity has been disposed of or classified as held for sale, the results of operations for the current and prior period are reclassified in a single caption titled discontinued operations

Recent Accounting Pronouncements

In August 2010, the FASB issued Accounting Standard Updates (ASU) 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that a health care entity should not net insurance recoveries against a related claim liability The guidance provided in this ASU is effective as of the beginning of the first fiscal year beginning after December 15, 2010, or fiscal 2012 for CHC CHC is evaluating the potential impact the adoption of this ASU will have on the consolidated financial statements

In August 2010, the FASB issued ASU 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure*, which requires a company in the health care industry to use its direct and indirect costs of providing charity care as the measurement basis for charity care disclosures This ASU also requires additional disclosures of the method used to identify such costs

The guidance provided in this ASU is effective for fiscal years beginning after December 15, 2010, fiscal 2012 for CHC The adoption of this ASU is not expected to have any impact on CHC's consolidated financial position or changes in net assets

In July 2011, the FASB issued ASU 2011-07, *Bad Debts for Health Care Entities* This ASU will change the presentation of bad debts related to patient services from an operating expense to a deduction from patient revenue The standard will first be effective for CHC for the year ending June 30, 2013, but early adoption is allowed The adoption of this ASU is not expected to have a material impact on CHC's consolidated changes in net assets

Reclassifications

Certain reclassifications have been made to the 2010 consolidated financial statements to conform to the 2011 consolidated financial statement presentation These reclassifications had no effect on the change in net assets

Subsequent Events

Subsequent events have been evaluated through December 5, 2011, which is the date the consolidated financial statements were issued

Note 2: Net Patient Service Revenue

CHC's hospital facilities have agreements with third-party payers, including government programs and managed care plans that provide for payments at amounts different from their established rates Payment arrangements for government programs include

Medicare - Inpatient short - and long -term acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors Inpatient skilled nursing and psychiatric services are paid at prospectively determined per diem rates that are based on the patients' acuity Critical access hospital services and defined medical education costs are paid based on a cost reimbursement methodology CHC is reimbursed for certain services at tentative rates, with final settlement determined after submission of annual cost reports by the hospitals and audits thereof by the Medicare administrative contractor

Medicaid - Inpatient services are paid based on a prospective payment system Outpatient services are reimbursed under a mixture of a fee schedule and cost reimbursement methodology CHC is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by CHC and audits thereof by the Medicaid administrative contractor The Texas Health and Human Services Commission (THHSC) issued a final rule and will rebase during state fiscal year (SFY) 2012, on a statewide budget neutral basis, all acute-care hospital inpatient Standard Dollar Amount (SDA) rates The rebased rates will become fully effective in September 2011, and may have a material impact on CHC's Medicaid payments

Approximately 53 percent and 49 percent of net patient service revenue is from participation in the Medicare and Medicaid programs for each of the years ended June 30, 2011 and 2010, respectively Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change

Settlements under reimbursement agreements with Medicare and Medicaid programs are estimated and recorded in the period the related services are rendered and are adjusted in future periods as adjustments become known or as the service years are no longer subject to audit, review or investigation. Annual cost reports required under the Medicare and Medicaid programs are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due under the reimbursement programs. These audits often require several years to reach their final determination of amounts earned under the programs. As a result, it is reasonably possible that recorded estimates will change materially in the near term. There were no material changes in estimates related to cost report settlements in 2011 or 2010.

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

Disproportionate Share and Upper Payment Limit Programs

Several of the CHC hospitals participate in the state of Texas' Medicaid disproportionate share (Dispro) hospital program and the private hospital upper payment limit (UPL) programs. The UPL payments are contingent on the county or hospital district making an Inter-Governmental Transfer (IGT) to the state Medicaid program.

During 2011 and 2010, $14,525 and $7,880, respectively, were included in net patient service revenue from participation in these programs. Both the UPL and Dispro programs are subject to review by state and federal regulators and they may not continue in their current form in future years.

UPL payments received by CHC that must be remitted to other program participants, including certain IGT providers, are shown as "Amounts Due Under UPL Programs" on the consolidated balance sheets.

The THHSC has indicated an intention to expand state Medicaid managed care programs in future state fiscal years starting in the state's 2012 fiscal year. Although CHC is unable to determine the impact of the managed care expansion on future Medicaid reimbursement or its impact on Medicaid UPL payments, depending on the actual structure of the managed care expansion, this change could have a material impact on CHC's Medicaid UPL payments.

Note 3: Concentration of Credit Risk

Accounts Receivable

CHC's hospital facilities grant credit without collateral to their patients, most of whom are residents living near the hospital facilities, and are insured under third-party payer agreements The mix of net receivables from patients and third-party payers at June 30, 2011 and 2010, is as follows

	2011	2010
Medicare	34%	39%
Medicaid	7%	8%
Other third-party payers	6%	4%
Managed care (HMO/PPO)	34%	31%
Patients	19%	18%
	100%	100%

Bank Balances

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to $250 At June 30, 2011, CHC's interest-bearing cash accounts exceeded federally insured limits by approximately $16,690

Note 4: Investments and Investment Return

Assets Limited as to Use

Assets limited as to use include

	2011	2010
Held by trustee, under bond indenture agreement		
Cash and cash equivalents	$ 4,008	$ 2,237
U S Treasury obligations	1,168	5,971
Money market funds	12,132	8,485
Guaranteed investment contract	2,043	3,600
Insurance annuities	-	5,500
Interest receivable	-	276
	$ 19,351	$ 26,069
Held by trustee, self-insurance		
Cash and cash equivalents	$ 1,710	$ 425
Certificates of deposit	-	4,191
U S Treasury obligations	3,322	-
Mutual funds	-	3,293
Insurance annuities	4,228	4,100
	$ 9,260	$ 12,009
Externally restricted by donors		
Cash and cash equivalents	$ 138	$ 117
Equity securities	6	6
	$ 144	$ 123

Other Investments

	2011	2010
Certificates of deposit	$ 3,689	$ 3,612
Insurance annuities	332	319
	4,021	3,931
Less short-term investments	2,416	431
Long-term investments	$ 1,605	$ 3,500

Total investment return is comprised of the following

	2011	2010
Interest and dividend income	$ 983	$ 556
Unrealized gains on investments	(11)	161
	$ 972	$ 717

Total investment return is reflected in the statements of operations and changes in net assets as follows

	2011	2010
Unrestricted net assets		
Other nonoperating income (expense)	$ 983	$ 552
Investment return, change in unrealized gains and losses on other-than-trading securities	(11)	161
Temporarily restricted net assets	-	4
	$ 972	$ 717

Note 5: Risk Management

Employee Health Care Insurance and Workers' Compensation

CHC is self-insured for most employee health care insurance and workers' compensation claims An estimated provision is recorded for these claims at June 30, 2011 and 2010, and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported

Estimated liabilities for these programs recorded as part of accrued expenses at June 30 were as follows

	2011	2010
Employee health care insurance	$ 1,740	$ 2,247
Workers' compensation insurance	768	764
	$ 2,508	$ 3,011

Professional and General Liability Claims

CHC provides for substantially all professional and general liability risk through its wholly owned captive insurance provider, CHA CHC purchases commercial insurance coverage for amounts in excess of the coverage provided by CHA for certain facilities

BHSET began participating in CHA on November 15, 2002 Prior to this date, BHSET purchased coverage under a claims-made professional liability policy

Prior to 2008, certain CHC hospitals purchased medical malpractice insurance under claims-made policies on a fixed premium basis Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents Based upon these hospitals' claims experience, no such accrual was made It is reasonably possible that this estimate could change materially in the near term

CHC has retained professional insurance actuarial consultants to assist CHC with determining the amounts to be deposited with CHA as reserves and the estimated CHA liability Claims have been discounted using rates of 3 5 percent in both 2011 and 2010 There are many factors that are used in determining the estimates, including the amount and timing of historical payments, severity of individual cases, anticipated volume of services provided and discount rates for future cash flows Ultimate actual payments for professional liability and malpractice risks may not become known for several years after incurrence Any factors changing the underlying data used in determining these estimates could result in adjustments to the liability It is reasonably possible that the estimate of these losses could change by a material amount in the near term

Amounts recorded for professional and general liability claims at June 30, 2011 and 2010 were $11,779 and $17,733, respectively

Note 6: Long-term Debt

Long-term debt consists of the following

	2011	2010
BHSET FHA-Insured Mortgage Revenue Bonds (A)	$ -	$ 98,871
Amended Deed of Trust Note (B)	88,680	-
HUD 241 Loan (C)	49,319	50,245
SMMC FHA - Insured Mortgage Revenue Bonds (D)	22,455	-
Capital lease obligations (E)	13,715	11,220
VHA note payable (F)	2,321	3,422
Notes payable (G)	1,818	1,306
Continue Care Hospital of Carson Tahoe (CCHCT) note payable (H)	-	5,873
Huntsville Memorial Hospital (HMH) note payable (I)	-	11,921
Note payable - related party (see *Note 11*)	1,315	-
Other notes payable	322	557
	179,945	183,415
Less net bond discount	1,529	626
	178,416	182,789
Less current maturities	7,644	7,061
Less discontinued operations liabilities (see *Note 16*)	-	18,514
	$ 170,772	$ 157,214

(A) On August 15, 2001, BHSET entered into a Deed of Trust Note with a bank and issued $116,650 in FHA-insured Mortgage Revenue Bonds (Series 2001 Bonds) to fund the construction of a new facility, refund existing debt and pay the costs of issuance of the bonds The Series 2001 Bonds bore interest at rates ranging from 3 65 percent to 5 50 percent Principal was due in varying amounts through February 15, 2028 The Series 2001 Bonds were collateralized by substantially all of BHSET's assets and revenues and were subject to redemption prior to maturity by the issuer at the direction of BHSET, in whole or in part, at any time on or after August 15, 2011, at 100 percent of par In 2011, BHSET advance refunded the 2011 bonds with proceeds of the Amended Deed of Trust Note, as described in (B) This transaction resulted in a loss on early retirement of debt of $5,872, primarily related to the write-off of unamortized issuance costs

(B) During fiscal year 2011 a bank purchased the Deed of Trust Note at (A), the (Amended Deed of Trust Note) The Amended Deed of Trust Note is a $91,000 obligation that will be repaid in monthly installments of $602 through January 2029 at an interest rate of 4 35 percent The proceeds of this debt issue and existing debt service reserve funds were used to repay the Series 2001 Bonds The FHA insurance policy at (A) remains in effect The Amended Deed of Trust Note is secured by substantially all of BHSET's assets and revenues

(C) On October 18, 2007, BHSET entered a $51,320 FHA-insured Mortgage Note Payable (HUD 241 Loan) to fund various expansion projects and repairs required due to Hurricane Rita The HUD 241 Loan bears interest at 6 45 percent and is due in monthly installments through March 2034 The HUD 241 Loan is secured by a second mortgage on substantially all BHSET property and equipment, a security interest in substantially all BHSET revenues, current assets and investments and a mortgage reserve fund established under the terms of the loan agreement

(D) During 2004, SMMC entered into the Fayette County Health Facilities Development Corporation, FHA-insured Mortgage Revenue Bonds, Series 2004 (the Bonds), in the original principal amount of $26,050 dated March 1, 2004, which bear interest at rates ranging from 2 percent to 5 percent The Bonds are payable in semi-annual installments through October 1, 2031

The Bonds are secured by the revenues of the SMMC, a partial guarantee by the Federal Housing Administration (FHA) and funds held in trust

The bond proceeds were distributed by Wells Fargo Bank, N A , in its capacity as mortgagee under the FHA loan documents pursuant to a note insured by the FHA Payments by SMMC under the note will be used to pay the debt service on the Bonds and certain other items

This note was part of the acquisition of SMMC as discussed in *Note 17*

(E) Capital lease obligations, bearing interest at 6 25 percent to 10 5 percent, with monthly principal payments through 2024, collateralized by real estate and equipment

(F) Note payable to VHA, Inc , bearing interest at LIBOR plus 1 00 percent (1 24 percent at June 30, 2011), with principal and interest due through September 2014

(G) Various notes payable bearing interest at rates generally ranging from 3 25 percent to 8 percent, with principal payments due through 2018, secured by equipment

(H) Note payable to Carson Tahoe Regional Hospital Center, with interest and principal payments through November 2012, collateralized by all assets of CCHCT This note was included in the sale of CCHCT as discussed in *Note 16*

(I) Due September 30, 2013, for HMH, payable in monthly payments, escalating annually, along with interest payable at prime or 4 percent, whichever is greater, secured by revenues, property and equipment and certain other assets of HMH

This note was included in the disposition of HMH as discussed in *Note 16*

Property and equipment under capital leases at June 30, 2011 and 2010, were as follows

	2011	2010
Buildings and equipment	$ 18,268	$ 17,602
Less accumulated depreciation	5,360	7,446
	$ 12,908	$ 10,156

Aggregate annual maturities and sinking fund requirements of long-term debt and payments on capital lease obligations at June 30, 2011, are as follows

	Long-term Debt (Excluding Capital Lease Obligations)	Capital Lease Obligations
2012	$ 6,683	$ 1,795
2013	8,086	2,518
2014	6,387	2,404
2015	6,080	1,979
2016	6,185	1,794
Thereafter	132,809	8,902
	$ 166,230	19,392
Less amount representing interest		5,677
Present value of future minimum lease payments		$ 13,715

Note 7: Charity Care

In support of its mission, CHC and its hospital facilities voluntarily provide free care to patients who lack financial resources and are deemed to be medically indigent Because CHC does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue In addition, CHC and its hospital facilities provide services to other medically indigent patients under certain government-reimbursed public aid programs Such programs pay providers amounts which are less than established charges for the services provided to the recipients and many times the payments are less than the cost of rendering the services provided

Uncompensated charges relating to these services are as follows

	2011	2010
Charity allowances	$ 22,924	$ 24,780

In addition to uncompensated charges, the CHC hospital facilities also commit significant time and resources to endeavors and critical services, which meet otherwise unfilled community needs Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable Such programs include health screening and assessments, prenatal education and care, hospice programs, community educational services and various support groups

Note 8: Functional Expenses

CHC provides health care services primarily to residents within its geographic area Expenses (from continuing operations) related to providing these services are as follows

	2011	2010
Health care services	$ 287,130	$ 266,585
General and administrative	81,023	85,776
	$ 368,153	$ 352,361

Note 9: Leases

Operating Leases

CHC leases various equipment and facilities under operating leases expiring at various dates through 2027 Total rental expense was approximately $5,932 and $7,764 in 2011 and 2010, respectively, for all operating leases CHC also leases space to physicians and other entities in medical office buildings Future minimum lease payments and receipts under operating leases at June 30, 2011, that have initial or remaining lease terms in excess of one year are as follows

	Future Lease Obligations	Future Lease Receipts
2012	$ 4,405	$ 1,972
2013	3,637	1,721
2014	2,585	916
2015	1,358	774
2016	698	446
Thereafter	7,546	-
Future minimum lease payments	$ 20,229	$ 5,829

Hospital Facility Leases

CHC leases several of its hospitals under agreements with local hospital districts, hospital authorities or other entities Details of these leases are as follows

- On October 31, 1999, CHC leased Artesia General Hospital for a term of five years In June 2004, this lease was extended through June 2009 Subsequent to June 2009, the lease was extended through October 2014
- On September 1, 1998, CHC leased YCH for a term of ten years This lease was extended for an additional ten-year period

CCHT leases its facility under an agreement that requires for annual payments based on beds in use The CCHT lease expires in 2014

Note 10: Retirement Plans

Defined Contribution Plan

CHC sponsors a defined contribution retirement plan covering substantially all full- and part-time employees The Board of Directors annually determines the amount, if any, of CHC's contributions to the plan Retirement expense for the defined contribution plan was approximately $2,501 and $2,473, for 2011 and 2010, respectively

Note 11: Related-Party Transactions

CHC is a sister company to Healthcare Coalition of Texas (HCOT) (formerly VHA Texas and VHA Southwest) HCOT and CHC are related by virtue of partial common board members from primarily the same participating health care organizations

CHC has reimbursed HCOT for expenses, direct costs and certain indirect and allocated costs paid or incurred by HCOT related to CHC These expenses were approximately $107 and $156 for 2011 and 2010, respectively

MHHS provides management services to BHSET, HMH and YCH Management fees, expense reimbursements and other amounts paid pursuant to these agreements were $259 and $2,372 for the years ending June 30, 2011 and 2010, respectively

A board member of CHC is also the chief executive officer of TMFHS, a partial owner of CCHT Distributions to TMFHS or its related entities from CCHT were approximately $1,818 and $4,553 in 2011 and 2010, respectively CCHT also made payments for its facility lease to TMFHS for $982 and $985 for June 30, 2011 and 2010, respectively

SMMC and St Mark's Medical Center Foundation (the Foundation) are related parties that are not financially interrelated organizations SMMC authorizes the Foundation to solicit contributions on its behalf In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to SMMC

On February 23, 2009, SMMC executed a line of credit with the Foundation with a maximum amount of $1,000,000 The note bears interest at 2 75 percent per annum and is payable on or before December 15, 2012, together with interest on the unpaid principal balance The note payable balance at June 30, 2011, was $1,000,000 and is included in long-term debt on the consolidated balance sheet

On December 15, 2009, SMMC executed a note payable to the Foundation for $315,026 The note bears interest at 2 75 percent per annum and is payable on or before December 15, 2012, together with interest on the unpaid principal balance The note payable balance at June 30, 2011, was $315,026 and is included in long-term debt on the consolidated balance sheet

Note 12: Disclosures About Fair Value of Financial Instruments

FASB ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date Topic 820 also specifies a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value Topic 820 describes three levels of inputs that may be used to measure fair value

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy Level 1 investments include investments in corporate stocks and money market funds If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of investments with similar characteristics or discounted cash flows Level 2 investments include U S Treasury obligations In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy and include a mutual fund held by an offshore financial institution

Quoted market prices are used to determine the fair value of Level 1 items For Level 2 investments, inputs include maturity and coupon rates and/or closing prices of similar investments from comparable industry financial data Level 3 assets were valued based on amounts reported by the investment manager

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2011 and 2010

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2011				
Money market funds	$ 12,132	$ 12,132	$ -	$ -
U S Treasury obligations	4,490	-	4,490	-
Equity securities	6	6	-	-
2010				
Money market funds	$ 8,485	$ 8,485	$ -	$ -
U S Treasury obligations	5,971	-	5,971	-
Equity securities	6	6	-	-
Mutual funds	3,293	-	-	3,293

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheets using significant unobservable (Level 3) inputs

	Mutual Fund
Balance, June 30, 2009	$ 7,899
Unrealized appreciation during period	5
Purchases during period	699
Sales during period	(5,310)
Balance, June 30, 2010	3,293
Sales during period	(3,293)
Balance, June 30, 2011	$ -

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value

Cash and Cash Equivalents and Certificates of Deposit

The carrying amount approximates fair value

Guaranteed Investment Contract

It was not practical to estimate the fair value and, as such, their cost is reflected below as equal to the fair value

Notes Payable with Related Parties

It was not practical to estimate the fair value of notes payable with related parties The terms of the amounts reflected in the balance sheets at June 30, 2011 are more fully discussed in *Note 11*

Notes Payable and Long-term Debt

Fair value is estimated based on the borrowing rates currently available to CHC for bonds with similar terms and maturities

The following table presents estimated fair values of CHC's financial instruments at June 30, 2011 and 2010

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 60,559	$ 60,559	$ 50,157	$ 50,157
Investments and assets limited as to use	32,776	32,776	42,132	42,132
Financial liabilities				
Long-term debt	178,416	176,749	182,789	195,102

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations Those matters include the following

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1* and *2*

Malpractice and General Liability Claims

Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *5*

Litigation

In the normal course of business, CHC is, from time to time, subject to allegations that may or do result in litigation Some of these allegations are in areas not covered by CHC's self-insurance program (discussed elsewhere in these notes) or by commercial insurance (*e g* , allegations regarding employment practices or performance of contracts) CHC evaluates such allegations by conducting investigations to determine the validity of each potential claim Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters Events could occur that would cause the estimate of ultimate loss to differ materially in the near term

Employee Health Insurance and Workers' Compensation Insurance

Estimates related to the accrual for self-funded employee health insurance are discussed in *Notes 1* and *5*

Investments

CHC invests in various investment securities Investment securities are exposed to various risks, such as interest rate, market and credit risks Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets

Asset Retirement Obligation

As discussed in *Note 14*, CHC has recorded a liability for its conditional asset retirement obligations related to asbestos

Health Care Reform

During 2010, Congress passed legislation that will significantly reform the United States health care system The legislation will require certain changes through 2014 to private and public health care insurance plans, including the Medicare and Medicaid programs While the impact of these regulatory changes cannot currently be determined, it is reasonably possible that these changes will negatively impact CHC's revenues

Admitting Physicians

Certain CHC hospital facilities are primarily served by individual physicians or physicians groups whose patients comprise in excess of 20 percent of those facilities' net patient service revenue

Letter of Credit

On August 12, 2002, BHSET entered into an irrevocable letter-of-credit agreement (the Agreement) with a bank The Texas Workers' Compensation Commission (the Commission) is the beneficiary under the Agreement The Commission may draw funds from the Agreement in the event BHSET becomes an impaired employer Amounts available under the Agreement were approximately $1,200 at June 30, 2011 and 2010, respectively There were no amounts outstanding under the Agreement at June 30, 2011 and 2010 The agreement expired on August 4, 2011 and was renewed for one year

Current Economic Conditions

The current protracted economic decline continues to present health care organizations with difficult circumstances and challenges, which, in some cases, have resulted in large and unanticipated declines in the fair values of investments and other assets, declines in contributions, constraints on liquidity and difficulty obtaining financing The consolidated financial statements have been prepared using values and information currently available to CHC

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of CHC's patients to pay for services rendered As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on CHC's future operating results Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts and contributions receivable that could negatively impact CHC's ability to meet debt covenants or maintain sufficient liquidity

Note 14: Asset Retirement Obligation

Accounting principles generally accepted in the United States of America require that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard), even when the timing and/or method of settlement may be conditional on a future event CHC's conditional AROs primarily relate to asbestos contained in certain buildings owned by CHC that are occupied Environmental regulations exist in Texas that require CHC to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished The liability has been recorded in other long-term liabilities on the consolidated balance sheets A summary of changes in AROs for the years ended June 30, 2011 and 2010 is included in the table below

	2011	2010
Balance, beginning of year	$ 959	$ 1,145
Accretion expense	94	200
Obligations settled	-	(42)
	1,053	1,303
Less amounts included in discontinued operations	-	(344)
Balance, end of year	$ 1,053	$ 959

Note 15: Impact of Hurricane Rita and Hurricane Ike

BHSET's service area is located near the Texas gulf coast In September 2005, both the Beaumont and Orange facilities suffered significant damage from Hurricane Rita All facilities required evacuation, but eventually reopened in October 2005 at reduced operating levels

Management sought reimbursement from the United States Federal Emergency Management Agency (FEMA) to mitigate the financial impact of these losses Approximately $19,000 in reimbursement was requested from FEMA

In September 2008, Hurricane Ike struck the Texas coast Management estimates that the financial impact of Hurricane Ike, considering reduced operations and the cost to mitigate damages, was in excess of $12,000 Management sought funding from FEMA up to $2,000 to offset these damages

Management also received funding from the State of Texas Office of Rural and Community Affairs (ORCA) to assist in the recovery from these storms Funds provided by ORCA were primarily for repairs and replacement of capital assets

A summary of funds received from ORCA and FEMA during 2011 and 2010 and their classification within the consolidated statements of operations and changes in net assets is shown below

	2011	2010
ORCA	$ 1,241	$ 2,847
FEMA	1,145	4,544
	$ 2,386	$ 7,391
Other changes in net assets	$ 1,674	$ 5,671
Operating income	712	1,720
	$ 2,386	$ 7,391

Note 16: Discontinued Operations

CHC leased the hospital property of Val Verde Hospital Corporation (VVHC) from Val Verde Hospital District (VVCHD) VVCHD notified CHC that it did not intend to renew its operating agreement in June 2009 As a result, the carrying value of the long-lived assets exceeded the fair value and an impairment loss of $4,241 was recognized in 2009 The lease of the property was terminated on January 30, 2010, and VVCHD did not renew the related operating agreement for VVHC As a result of the termination, CHC entered into a transaction to transfer VVHC to VVCHD in exchange for $1,600, which was completed on January 30, 2010 A loss on disposal of $8,422 was recognized in discontinued operations in 2010 This facility was reclassified to discontinued operations in 2010 At June 30, 2010, all assets and liabilities included in discontinued operations were sold

In May 2010, CHC entered into negotiations with Carson Tahoe Regional Hospital Center to acquire CCHCT The agreement was completed on November 1, 2010 CHC did not receive any proceeds on the sale A gain on the disposal of $5,550 was recognized in discontinued operations in 2011 This facility was reclassified to discontinued operations in 2010 At June 30, 2011, all assets and liabilities included in discontinued operations were sold

CHC operated HMH under an operating agreement, as amended, with the Walker County Hospital District (WCHD) in which CHC was the sole member of HMH During 2010, WCHD and CHC agreed to terminate the operating agreement effective July 1, 2010 and the membership interest of HMH was transferred from CHC to WCHD Under the terms of a revised operating agreement, CHC was no longer the corporate member of HMH but did have a corporate and operating relationship with HMH The corporate and operating relationship under the revised operating agreement was limited to certain protective rights Since CHC was no longer a corporate member of HMH and the terms of the revised operating agreement did not give CHC operational control of HMH, CHC deconsolidated HMH effective July 1, 2010 The revised operating agreement was terminated effective January 1, 2011 At June 30, 2010, CHC recorded a contribution expense of $31,317 in discontinued operations to WCHD which was equivalent to the net assets of HMH A loss on disposal of $281 was recognized in discontinued operations in 2011 This facility was reclassified to discontinued operations during 2011 At June 30, 2011, all assets and liabilities included in discontinued operations were sold

The assets and liabilities of the entities in discontinued operations are presented in the consolidated balance sheets under the captions "Discontinued operations assets" and "Discontinued operations liabilities." At June 30, 2010, the carrying amounts of the major classes of these assets and liabilities are as follows:

	2010
Assets	
Cash and cash equivalents	$ 13,617
Accounts receivable, net	11,340
Due from third-party payers	(583)
Other current assets	2,505
Property and equipment, net	18,596
Assets limited as to use	2,954
Other assets	10,736
Total discontinued operations assets	$ 59,165
Liabilities	
Current maturities of long-term debt	$ 1,438
Accounts payable	5,994
Accrued expenses	2,788
Long-term debt	17,076
Accrued pension cost	5,867
Asset retirement obligation	344
Total discontinued operations liabilities	$ 33,507

Revenues and income (loss) for the entities included in discontinued operations are included in the consolidated statements of operations and changes in net assets as "Loss from discontinued operations". The amounts for the years ended June 30, 2011 and 2010 were as follows:

	2011	2010
Revenues	$ 3,053	$ 113,215
Operating expenses	(3,396)	(109,482)
Other income	-	38
Excess (deficiency) of revenues over expenses from operations	(343)	3,771
Contribution expense	-	(31,317)
Gain (loss) on disposal	5,269	(8,422)
Gain (loss) from discontinued operations	$ 4,926	$ (35,968)

Note 17: Acquisition of SMMC

On January 1, 2011, the CHC became the sole corporate member of SMMC a not-for-profit hospital that provides health care services in the LaGrange, Texas area. The transaction enables CHC to continue its mission to provide financial and managerial oversight and support for not for profit community hospitals and to assist communities with the changing dynamics of the health care industry. It is anticipated that SMMC will be able to improve its operations by leveraging the benefit of being part of a hospital system and through the management expertise of CHC. There was no consideration transferred for the acquisition.

The table below summarizes the amounts of the assets acquired and liabilities assumed recognized at the acquisition date

Cash and cash equivalents	$ 764
Other current assets	4,974
Assets limited as to use	4,496
Property, plant and equipment	25,207
Identifiable intangible assets	869
Other assets	505
Current liabilities	(4,136)
Long-term debt	(23,022)
Other long-term liabilities	(142)
Total identifiable net assets - contribution received	$ 9,515

The acquisition resulted in an inherent contribution received of $9,515, which represents the net recognized amount of the identifiable assets acquired over the liabilities assumed This amount has been included in contribution of net assets of St Mark's Medical Center in the consolidated statement of operations and changes in net assets

SMMC contributed revenues of $14,507, excess of revenues over expenses of $445, and changes in unrestricted, temporarily restricted and permanently restricted net assets of $445, to CHC for the period from the acquisition date through June 30, 2011 The following unaudited pro forma summary presents consolidated information of CHC as if the acquisition had occurred on July 1, 2009

	Pro Forma Year Ended June 30, 2011	Pro Forma Year Ended June 30, 2010
Revenue	$ 392,087	$ 385,701
Excess (deficiency) of revenues over expenses	7,025	7,252
Change in		
Unrestricted net assets	12,281	(19,016)
Temporarily restricted net assets	(65)	(2)

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Independent Accountants' Report on Supplementary Information

Audit Committee
VHA Southwest Community Health
Corporation and Subsidiaries
Plano, Texas

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole The accompanying supplementary consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies, and is not a required part of the basic consolidated financial statements The consolidating information has been subjected to the procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole

BKD, LLP

December 5, 2011

VHA Southwest Community Health Corporation and Subsidiaries

Balance Sheet Information – Consolidating Schedule

June 30, 2011

Assets

	AGH	BHSET	CCC	CHA	CHC	CCHCT	CCHST	CCHT	Consulting
Current Assets									
Cash and cash equivalents	$ 13 343	$ 30 836	$ 25	$ 206	$ 10 068	$ -	$ -	$ 2 098	$ 698
Short-term investments	-	2 013	-	-	-	-	-	-	-
Assets limited as to use current	-	1 971	-	-	-	-	-	-	-
Patient accounts receivable net of allowance 2011 – $45 620 2010 – $36 215	5 244	23 566	-	-	-	-	2	4 283	-
Estimated amounts due from or to third-party payers	(188)	4 634	-	-	-	-	-	(61)	-
Supplies	527	5 562	-	-	-	-	-	227	-
Discontinued operations assets	-	-	-	-	-	-	-	-	-
Assets held for sale	-	705	-	-	-	-	-	-	-
Prepaid expenses and other	834	3 511	-	35	340	-	55	222	1 096
Total current assets	19 760	72 798	25	241	10 408	-	57	6 769	1 794
Assets Limited as to Use									
Held by trustee under bond indenture agreements	-	14 645	-	-	-	-	-	-	-
Held by trustee self-insurance	-	9 260	-	-	-	-	-	-	-
Externally restricted by donors	-	144	-	-	-	-	-	-	-
	-	24 049	-	-	-	-	-	-	-
Less amount required to meet current obligations	-	1 971	-	-	-	-	-	-	-
	-	22 078	-	-	-	-	-	-	-
Investments	-	1 605	-	-	9 544	-	-	-	-
Property and Equipment, At Cost									
Land and land improvements	404	8 203	-	-	-	-	-	-	-
Buildings and leasehold improvements	2 056	218 603	-	-	103	-	-	143	-
Equipment	4 490	118 192	-	-	970	-	-	1 699	26
Construction in progress	10	-	-	-	6	-	-	-	121
	6 960	344 998	-	-	1 079	-	-	1 842	147
Less accumulated depreciation	2 900	199 020	-	-	709	-	-	1 512	14
	4 060	145 978	-	-	370	-	-	330	133
Due from Related Party	381	-	22	-	6 618	-	-	-	382
Other Assets									
Goodwill and other intangible assets	-	2 342	-	-	-	-	-	-	-
Deferred financing costs	-	4 943	-	-	-	-	-	-	-
Other assets	-	1 717	-	-	-	-	-	-	-
	-	9 002	-	-	-	-	-	-	-
Total assets	$ 24 201	$ 251 461	$ 47	$ 241	$ 26 649	$ -	$ 57	$ 7 099	$ 2 309

VHA Southwest Community Health Corporation and Subsidiaries

Balance Sheet Information – Consolidating Schedule (Continued)

June 30, 2011

Assets

	HMH	LMH	WHS	SCH	SMMC	YCH	Eliminations	Total	2010
Current Assets									
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ 2 187	$ 1 098	$ -	$ 60 559	$ 50 157
Short-term investments	-	-	-	-	-	403	-	2 416	431
Assets limited as to use current	-	-	-	-	575	-	-	2 546	5 811
Patient accounts receivable net of allowance 2011 – $45 620 2010 – $36 215	-	-	-	-	2 255	1 300	-	36 650	30 462
Estimated amounts due from or to third-party payers	-	-	-	-	358	299	-	5 042	4 976
Supplies	-	-	-	-	704	342	-	7 362	6 925
Discontinued operations assets	-	-	-	-	-	-	-	-	59 165
Assets held for sale	-	-	-	-	-	-	-	705	705
Prepaid expenses and other	-	-	-	-	866	335	-	7 294	5 561
Total current assets	-	-	-	-	6 945	3 777	-	122 574	164 193
Assets Limited as to Use									
Held by trustee under bond indenture agreements	-	-	-	-	4 706	-	-	19 351	26 069
Held by trustee self-insurance	-	-	-	-	-	-	-	9 260	12 009
Externally restricted by donors	-	-	-	-	-	-	-	144	123
	-	-	-	-	4 706	-	-	28 755	38 201
Less amount required to meet current obligations	-	-	-	-	575	-	-	2 546	5 811
	-	-	-	-	4 131	-	-	26 209	32 390
Investments	-	-	-	8 855	-	-	(18 399)	1 605	3 500
Property and Equipment, At Cost									
Land and land improvements	-	-	-	-	1 066	1	-	9 674	8 219
Buildings and leasehold improvements	-	-	-	-	21 246	432	-	242 583	217 005
Equipment	-	-	-	-	4 149	6 834	-	136 360	123 098
Construction in progress	-	-	-	-	3 010	-	-	3 147	135
	-	-	-	-	29 471	7 267	-	391 764	348 457
Less accumulated depreciation	-	-	-	-	830	5 775	-	210 751	195 334
	-	-	-	-	28 641	1 492	-	181 013	153 123
Due From Related Party	-	-	-	-	-	-	(7 403)	-	-
Other Assets									
Goodwill and other intangible assets	-	-	-	-	-	-	-	2 342	2 392
Deferred financing costs	-	-	-	-	-	-	-	4 943	4 957
Other assets	-	-	-	-	960	104	-	2 781	2 381
	-	-	-	-	960	104	-	10 066	9 730
Total assets	$ -	$ -	$ -	$ 8 855	$ 40 677	$ 5 373	$ (25 802)	$ 341 467	$ 362 936

VHA Southwest Community Health Corporation and Subsidiaries

Balance Sheet Information – Consolidating Schedule (Continued)

June 30, 2011

Liabilities and Net Assets	AGH	BHSET	CCC	CHA	CHC	CCHCT	CCHST	CCHT	Consulting
Current Liabilities									
Current maturities of long-term debt	$ -	$ 5 219	$ -	$ -	$ 981	$ -	$ -	$ -	$ -
Accounts payable	733	9 917	-	44	1 704	-	(1)	705	56
Accrued expenses	1 775	11 608	5	-	1 857	-	-	1 007	900
Amounts due under UPL programs	-	11 800	-	-	-	-	-	-	-
Discontinued operations liabilities	-	-	-	-	-	-	-	-	-
Contribution payable	-	-	-	-	-	-	-	-	-
Professional and general liability claims current	-	1 971	-	-	-	-	-	-	-
Due to related party and other	-	441	-	-	-	-	-	-	-
Total current liabilities	2 508	40 956	5	44	4 542	-	(1)	1 712	956
Professional and General Liability Claims	-	8 856	-	-	952	-	-	-	-
Long-term Debt	-	142 960	-	-	2 190	-	-	-	-
Due to Related Party	-	-	3 112	11	-	-	44	142	-
Other Long-term Liabilities	-	1 053	-	-	1 343	-	-	-	-
Total liabilities	2 508	193 825	3 117	55	9 027	-	43	1 854	956
Net Assets									
CHC	21 684	56 767	(3 070)	186	17 922	-	14	5 245	1 353
Noncontrolling interest	-	728	-	-	-	-	-	-	-
Total unrestricted net assets	21 684	57 495	(3 070)	186	17 922	-	14	5 245	1 353
Temporarily restricted	9	141	-	-	-	-	-	-	-
Total net assets	21 693	57 636	(3 070)	186	17 922	-	14	5 245	1 353
Total liabilities and net assets	$ 24 201	$ 251 461	$ 47	$ 241	$ 26 949	$ -	$ 57	$ 7 099	$ 2 309

VHA Southwest Community Health Corporation and Subsidiaries

Balance Sheet Information – Consolidating Schedule (Continued)

June 30, 2011

Liabilities and Net Assets

	HMH	LMH	WHS	SCH	SMMC	YCH	Eliminations	Total	2010
Current Liabilities									
Current maturities of long-term debt	$ -	$ -	$ -	$ -	$ 1 078	$ 366	$ -	$ 7 644	$ 7 061
Accounts payable	-	-	-	-	2 086	495	-	15 739	10 508
Accrued expenses	-	-	-	-	1 630	850	-	19 632	24 623
Amounts due under UPL programs	-	-	-	-	-	-	-	11 800	-
Discontinued operations liabilities	-	-	-	-	-	-	-	-	33 507
Contribution payable	-	-	-	-	-	-	-	-	31 317
Professional and general liability claims current	-	-	-	-	-	-	-	1 971	1 641
Due to related party and other	-	-	-	-	-	-	(441)	-	-
Total current liabilities	-	-	-	-	4 794	1 711	(441)	56 786	108 657
Professional and General Liability Claims	-	-	-	-	-	-	-	9 808	16 092
Long-term Debt	-	-	-	-	25 587	35	-	170 772	157 214
Due to Related Party	-	1 266	544	-	245	1 913	(7 277)	-	-
Other Long-term Liabilities	-	-	-	-	-	-	-	2 396	959
Total liabilities	-	1 266	544	-	30 626	3 659	(7 718)	239 762	282 922
Net Assets									
Unrestricted	-	(1 266)	(544)	8 855	10 051	1 623	(18 084)	100 736	78 609
Noncontrolling interest	-	-	-	-	-	-	-	728	1 099
Total unrestricted net assets	-	(1 266)	(544)	8 855	10 051	1 623	(18 084)	101 464	79 708
Temporarily restricted	-	-	-	-	-	91	-	241	306
Total net assets	-	(1 266)	(544)	8 855	10 051	1 714	(18 084)	101 705	80 014
Total liabilities and net assets	$ -	$ -	$ -	$ 8 855	$ 40 677	$ 5 373	$ (25 802)	$ 341 467	$ 362 936

VHA Southwest Community Health Corporation and Subsidiaries

Statement of Operations Information – Consolidating Schedule

June 30, 2011

	AGH	BHSET	CCC	CHA	CHC	CCHCT	CCHST	CCHT	Consulting
Unrestricted Revenues, Gains and Other Support									
Net patient service revenue	$ 32 474	$ 275 493	$ -	$ -	$ -	$ -	$ -	$ 25 942	$ -
Ad valorem tax revenue	4 647	-	-	-	-	-	-	-	-
Federal Emergency Management Agency recovery	-	712	-	-	-	-	-	-	-
Other	155	4 784	-	250	6	-	-	7	3 391
Total unrestricted revenues gains and other support	37 276	280 989	-	250	6	-	-	25 949	3 391
Expenses and Losses									
Salaries and wages	11 291	90 773	219	-	4 692	-	-	9 602	2 687
Employee benefits	2 157	20 369	52	-	(872)	-	-	2 099	354
Purchased services and professional fees	6 110	32 428	18	273	528	-	-	6 043	180
Supplies rent and other costs	5 763	58 811	47	-	1 190	-	-	4 999	313
Depreciation and amortization	413	13 229	-	-	141	-	-	179	4
Interest	22	8 191	-	-	66	-	-	-	-
Provision for uncollectible accounts	4 054	53 465	-	-	-	-	-	94	4
Total expenses and losses	29 810	277 266	336	273	5 745	-	-	23 016	3 542

VHA Southwest Community Health Corporation and Subsidiaries

Statement of Operations Information - Consolidating Schedule (Continued)

June 30, 2011

	HMH	LMH	WHS	SCH	SMMC	YCH	Eliminations	Total	2010
Unrestricted Revenues, Gains and Other Support									
Net patient service revenue	$ -	$ -	$ -	$ -	$ 14 177	$ 15 258	$ -	$ 363 344	$ 342 731
Ad valorem tax revenue	-	-	-	-	-	-	-	4 647	3 460
Federal Emergency Management Agency recovery	-	-	-	-	-	-	-	712	1 720
Other	-	-	-	-	330	369	(250)	9 042	9 993
Total unrestricted revenues, gains and other support	-	-	-	-	14 507	15 627	(250)	377 745	357 904
Expenses and Losses									
Salaries and wages	-	-	-	-	4 349	5 961	-	129 574	119 825
Employee benefits	-	(1)	-	-	1 171	1 616	(94)	26 851	23 878
Purchased services and professional fees	-	66	-	-	1 342	2 553	(250)	49 291	39 001
Supplies, rent and other costs	-	(22)	-	-	3 902	3 408	(284)	78 127	87 586
Depreciation and amortization	-	-	-	-	830	478	-	15 274	14 739
Interest	-	-	-	-	614	116	(137)	8 872	9 505
Provision for uncollectible accounts	-	-	-	-	1 385	1 162	-	60 164	57 827
Total expenses and losses	-	43	-	-	13 593	15 294	(765)	368 153	352 361

VHA Southwest Community Health Corporation and Subsidiaries

Statement of Operations Information - Consolidating Schedule (Continued)

June 30, 2011

	AGH	BHSET	CCC	CHA	CHC	CCHCT	CCHST	CCHT	Consulting
Operating Income (Loss)	$ 7466	$ 3723	$ (336)	$ (23)	$ (5739)	$ -	$ -	$ 2933	$ (151)
Other Income (Expense)									
Contributions received	$ -	$ 193	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investment return	28	531	23	-	148	-	-	1	-
Loss from unconsolidated subsidiary									
Loss on early retirement of debt	-	(5872)	-	-	-	-	-	-	-
Corporate allocation	(776)	(1500)	116	-	3335	-	-	(525)	-
Contribution expense	-	-	-	-	-	-	-	-	-
Contribution of net assets of St Mark's Medical Center	-	-	-	-	9515	-	-	-	-
Other	-	-	-	-	1242	-	-	-	857
Total other income (expense)	(748)	(6648)	139	-	14240	-	-	(524)	857
Excess (Deficiency) of Revenues Over Expenses	6718	(2925)	(197)	(23)	8501	-	-	2409	706
Gain (loss) from discontinued operations (including gain on disposal of $5 269 in 2011 contribution expense of $31 317 in 2010 and loss on disposal of $8 422 in 2010)	-	-	(1146)	-	(1121)	7314	-	-	-
Contributions and grants for acquisition of property and equipment and repayment of debt	-	1792	-	-	-	-	-	-	-
Investment return, change in unrealized gains and losses on other-than-trading securities	-	(14)	-	-	3	-	-	-	-
Net assets released from restriction	-	26	-	-	-	-	-	-	-
Distributions to members	-	-	-	-	454	-	-	(2272)	-
Distributions to noncontrolling interest	-	(90)	-	-	-	-	-	-	-
Change in defined benefit pension plan liability from discontinued operations	-	-	-	-	-	-	-	-	-
Other	-	199	-	-	(9488)	-	-	-	-
Increase (Decrease) in Unrestricted Net Assets	$ 6718	$ (1012)	$ (1343)	$ (23)	$ (1651)	$ 7314	$ -	$ 137	$ 706

VHA Southwest Community Health Corporation and Subsidiaries

Statement of Operations Information - Consolidating Schedule (Continued)

June 30, 2011

	HMH	LMH	WHS	SCH	SMMC	YCH	Eliminations	Total	2010
Operating Income (Loss)	$ -	$ (43)	-	$ -	$ 914	$ 333	$ 515	$ 9 592	$ 5 543
Other Income (Expense)									
Contributions received	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 193	$ 166
Investment return	-	335	-	-	40	14	(137)	983	552
									(70)
Loss on early retirement of debt	-	-	-	-	-	-	-	(5 872)	-
Corporate allocation	-	-		-	(360)	(290)	-	-	-
Contribution expense	-	-		-	-	-	-	-	-
Contribution of net assets of St Mark's Medical Center	-	-	-	-	-	-	-	9 515	-
Other	-	53		-	-	-	(63)	2 089	921
Total other income (expense)	-	388	-	-	(320)	(276)	(200)	6 908	1 569
Excess (Deficiency) of Revenues Over Expenses	-	345	-	-	594	57	315	16 500	7 112
Gain (loss) from discontinued operations (including gain on disposal of $5 269 in 2011 contribution expense of $31 317 in 2010 and loss on disposal of $8 422 in 2010)	(31 438)	-	-	-	-	-	31 317	4 926	(35 968)
Contributions and grants for acquisition of property and equipment and repayment of debt	-	-	-	-	-	-	-	1 792	5 764
Investment return, change in unrealized gains and losses on other-than-trading securities	-	-	-	-	-	-	-	(11)	161
Net assets released from restriction	126	-	-	-	-	16	-	168	23
Distributions to members	-	-	-	-	-	-	-	(1 818)	(4 553)
Distributions to noncontrolling interest	-	-	-	-	-	-	-	(90)	(355)
Change in defined benefit pension plan liability from discontinued operations	-	-	-	-	-	-	-	-	(975)
Other	121	-	-	-	9 457		-	289	-
Increase (Decrease) in Unrestricted Net Assets	$ (31 191)	$ 345	$ -	$ -	$ 10 051	$ 73	$ 31 632	$ 21 756	$ (28 791)