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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
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Doing Business As

Number and street (or P O box if mail is not delivered to street address)
2669 North Scenic Drive

Room/suite

City or town, state or country, and ZIP + 4
Alamogordo, NM 883110597

D Employer identification number
85-0138775

E Telephone number
(575) 439-6100

G Gross receipts $ 99,421,205

F Name and address of principal officer
Robert James Heckert
2669 North Scenic Drive
Alamogordo, NM 883110597

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 gcrmc org

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

L Year of formation 1947

M State of legal domicile NM

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Provision of health care services

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	11
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	10
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	816
6	Total number of volunteers (estimate if necessary)	**6**	156
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	54,407
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)	650,824	392,795
9	Program service revenue (Part VIII, line 2g)	104,369,217	97,905,894
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	415,907	451,731
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	369,638	339,404
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	105,805,586	99,089,824
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	384,692	431,536
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)	40,663,314	43,789,834
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)	60,301,384	55,348,660
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	101,349,390	99,570,030
19	Revenue less expenses Subtract line 18 from line 12	4,456,196	-480,206

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	141,208,367	154,449,376
21	Total liabilities (Part X, line 26)	49,678,430	58,483,892
22	Net assets or fund balances Subtract line 21 from line 20	91,529,937	95,965,484

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

****** 2012-05-15
Signature of officer Date

Morgan Hay CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name: Kim Hunwardsen CPA	Preparer's signature: Kim Hunwardsen CPA	Date: 2012-05-15	Check if self-employed ☐	PTIN
Firm's name ▶ Eide Bailly LLP				Firm's EIN ▶
Firm's address ▶ 800 Nicollet Mall Ste 1300 Minneapolis, MN 554027033				Phone no ▶ (612) 253-6500

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

To exceed the expectations of our guests through extraordinary customer service, exceptional quality care and innovative technology

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 $ 76,465,949 including grants of $) (Revenue $ 97,851,487)

Otero County Hospital Association d/b/a Gerald Champion Regional Medical Center (GCRMC) provides comprehensive healthcare services through its 99-bed hospital, outpatient ambulatory care facilities, and a multi-specialty physician group GCRMC accounts for more than 80% of hospital admissions in its Otero County primary service area The GCRMC's primary market is the city of Alamogordo with secondary markets expanding to Tularosa, Holloman Air Force Base and Lincoln County The original facility opened in August 1949 and the current medical center is a state of the art, acute care facility that opened in December 1999 The original hospital opened in 1949 with 26 beds Today GCRMC is proud to be a 99-bed acute care facility accredited by DNV, including two distinct PPS units Life Transitions (12 beds starting July 1, 2010) and Inpatient Rehabilitation (12 beds starting July 1, 2011) GCRMC shares a unique relationship with Holloman Air Force Base as the first hospital in the United States where active duty military physicians practice in a civilian hospital This special arrangement allows one facility to meet the combined community and military needs, while serving as a model for the Department of Defense in conserving resources The delivery mechanisms of care at the hospital include both inpatient and outpatient services acute care inpatient through medical/surgical, telemetry, maternal child and 12-bed intensive care units, surgery department supported by pre-admit, outpatient care unit and post-anesthesia care unit, hospital-owned physician practices in the areas of family practice, women's services including obstetrics, gastroenterology and endocrinology, internal medicine, orthopedics and general surgery, inpatient and outpatient CAP certified laboratory services with the capability to perform over 225 different profiles and tests in-house, inpatient and outpatient diagnostic imaging services, including x-ray, 128-slice CT scan, MRI, ultrasound, interventional radiology, radiofrequency ablation and nuclear medicine, inpatient and outpatient comprehensive cardiopulmonary services including behavior sleep medicine, Holter monitoring, event monitoring and impedance cardiography By the end of 2010, GCRMC employed approximately 700 people In addition to those employees, GCMRC contracts for services in various departments such as Pharmacy, Anesthesia, Emergency Services and Hospitalist program The medical staff of GCRMC has 121 medical members consisting of 98 active members and 94 affiliate members GCRMC continues to seek opportunities to expand services and improve quality, with the philosophy of not limiting its potential by the designation of "small community", but rather identifying its scope of service based on community needs Continued progress and expansion has enhanced GCRMC's commitment to strive for outstanding service and quality, acknowledging that its future is not in its buildings or technology, but rather its people To this end we support the people of Otero County with our services and our financial contributions GCRMC has, since its inception in 1949, provided quality medical healthcare regardless of race, creed, sex, national origin, handicap, age, or ability to pay Although reimbursement for services rendered is critical to the operation and stability of GCRMC, it is recognized that not all individuals possess the ability to purchase essential medical services and, further, that our mission is to serve the community with respect to providing healthcare services and healthcare education Therefore, in keeping the GCRMC's commitment to serve our community, we provide Free Care and/or Subsidized Care - care to persons covered by governmental programs at below cost, and health activities and programs to support the community will be considered where the need and/or an individual's inability to pay coexist GCRMC maintains records to identify and monitor the level of charity care it provides These records include the amount of charges foregone for services and supplies furnished under its charity care policy The amount of charges foregone, based on established rates, was $5,556,965 for the year ended June 30, 2011

4b (Code) (Expenses $ 361,555 including grants of $ 361,555) (Revenue $)

With the assistance of the TSFA Grant funding, GCRMC is able to continue to give the most current and up to date trauma care available GCRMC has been a Level III Trauma Center for four years During the FY 2011, 241 patients met trauma registry inclusion We increased awareness of Emergency/Trauma standards of care to the following departments Lab, Diagnostic Imaging, the Hospitalists and trauma surgeons We hold injury prevention at a high priority and have increased injury prevention awareness to our community's youth through attending health fairs, distributing prevention literature, bicycle helmet distribution, car seat programs and DWI awareness through the every 15-minute program The 2011 emergency room visits were 28,905 The stable flow of patients in emergency room visits from 2009 to 2011 was due to increased cases of H1N1, cut back of hours at the Holloman Air Force Base clinics in 2010 and the elimination of HAFB Nurse Call due to budget constraints in 2010 The closing of a walk-in/urgent clinic and reduction of hours to part time in another clinic that both occurred in 2010 also bring more emergency room patients to Gerald Champion than in the past Through the Emergency department, we participate in NM Department of Health Regional Emergency Preparedness Coalition and receive grant money for supplies, equipment and other items related to the preparedness or response to hospital emergencies, or the support of the staff to attend/provide training for hospital preparedness

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** ▶ $ 76,827,504

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	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *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**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *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**	Yes	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *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	161		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	816		
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	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
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	11		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	10		
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		No
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		No
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

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 ▶

Morgan Hay
2669 North Scenic Drive
Alamogordo, NM 88311
(575) 439-6100

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) Norm Arnold Chairman of the Board	10 00	X		X				0	0	0
(2) Bill Mayton Secretary	5 00	X		X				0	0	0
(3) Bill Mershon Director	5 00	X						0	0	0
(4) Fred Baker Director	5 00	X						0	0	0
(5) Jaime Anderson Director	3 00	X						0	0	0
(6) James Harris Director	3 00	X						0	0	0
(7) Gary Jackson DO Director	2 00	X						0	0	0
(8) Greg Richardson MD Director	5 00	X						0	0	0
(9) Robin French Director	3 00	X						0	0	0
(10) Lisa Thomassie Director	3 00	X						0	0	0
(11) Arthur Austin MD Director, VP Medical Staff	40 00	X						221,473	0	26,683
(12) Robert James Heckert CEO	40 00			X				434,930	0	0
(13) Morgan Hay CFO	40 00			X				297,856	0	0
(14) Martha Gorman CNO	40 00			X				166,323	0	11,221
(15) Jeffrey Gardner VP of Physician Practice Dev	40 00			X				124,592	0	23,920
(16) George Massoud Physician	40 00					X		392,462	0	36,408

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) Dennis Worthington Physician	40 00					X		389,361	0	39,617
(18) Charles Race Physician	40 00					X		685,862	0	172
(19) Shahid Mansoor Physician	40 00					X		356,561	0	16,843
(20) Donald Montoya Physician	40 00					X		357,175	0	304
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								3,426,595	0	155,168

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 ▶ 51

			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
Robins & Morton Group Gateway II Bldg 5500 Maryland Sui Brentwood, TN 37027	Construction	21,066,479
Quantum Healthcare Medical Associates PO BOX 634850 Cincinnati, OH 452654850	Staff-Medical	1,471,961
EmCare Inc 7032 Collections Center Drive Chicago, IL 60693	Staff-Medical	1,171,668
Ascension Group Architects 1250 E Copeland Road Suite 500 Arlington, TX 76011	Architect	1,170,680
Labortory Corp PO BOX 12140 Burlington, NC 272162140	Laboratory	792,590

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 ▶ 23

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	329,109			
	f All other contributions, gifts, grants, and similar amounts not included above	1f	63,686			
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		392,795			
Program Service Revenue		Business Code				
	2a Net Patient Service Re	900099	94,926,722	94,926,722		
	b Alamogordo Surgery Ven	621400	1,258,764	1,258,764		
	c Other Revenue	900099	874,244	874,244		
	d Rental income	531120	588,886	588,886		
	e Imaging Center LLC	621400	197,627	197,627		
	f All other program service revenue		59,651	5,244	54,407	
	g **Total.** Add lines 2a–2f . . . . . ▶		97,905,894			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		463,989			463,989
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					
		(i) Real	(ii) Personal			
	6a Gross Rents	653,585				
	b Less rental expenses	314,181				
	c Rental income or (loss)	339,404				
	d Net rental income or (loss) . . . . . ▶		339,404			339,404
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory	229	4,713			
	b Less cost or other basis and sales expenses	2,117	15,083			
	c Gain or (loss)	-1,888	-10,370			
	d Net gain or (loss) . . . . . ▶		-12,258			-12,258
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 . . ▶					
	9a Gross income from gaming activities See Part IV, line 19 . a					
	b Less direct expenses . . . . . b					
	c Net income or (loss) from gaming activities . . ▶					
	10a Gross sales of inventory, less returns and allowances . a					
	b Less cost of goods sold . . b					
	c Net income or (loss) from sales of inventory . . ▶					
	Miscellaneous Revenue	Business Code				
	11a _____					
	b _____					
	c _____					
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶					
	12 **Total revenue.** See Instructions . . . ▶		99,089,824	97,851,487	54,407	791,135

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	431,536	431,536		
2 Grants and other assistance to individuals in the U S See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,307,832		1,307,832	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	34,558,848	24,308,070	10,250,778	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,374,309	1,174,538	199,771	
9 Other employee benefits	4,143,820	3,689,475	454,345	
10 Payroll taxes	2,405,025	1,962,041	442,984	
a Fees for services (non-employees) Management				
b Legal	1,492,793		1,492,793	
c Accounting	80,165		80,165	
d Lobbying				
e Professional fundraising services *See Part IV, line 17*				
f Investment management fees				
g Other	22,403,128	18,422,406	3,980,722	
12 Advertising and promotion	143,402	7,497	135,905	
13 Office expenses	19,369,690	16,559,242	2,810,448	
14 Information technology	103,435	18,491	84,944	
15 Royalties				
16 Occupancy	1,674,672	460,905	1,213,767	
17 Travel	141,408	60,655	80,753	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	242,886	109,825	133,061	
20 Interest	202,550	202,550		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	7,182,409	7,182,409		
23 Insurance	1,097,612	1,097,612		
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 Reorganization Costs	863,070	863,070		
b Sales Tax Expense	75,716	75,716		
c State Taxation	50	50		
d				
e				
f All other expenses	275,674	201,416	74,258	
25 **Total functional expenses.** Add lines 1 through 24f	99,570,030	76,827,504	22,742,526	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			1	
	2	Savings and temporary cash investments		13,263,880	2	11,101,383
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		12,931,542	4	13,919,686
	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		2,566,413	8	2,765,140
	9	Prepaid expenses and deferred charges		928,938	9	2,541,204
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 167,043,912			
	b	Less accumulated depreciation	10b 66,070,930	74,762,289	10c	100,972,982
	11	Investments—publicly traded securities		22,299,134	11	14,344,334
	12	Investments—other securities See Part IV, line 11		11,936,378	12	6,830,021
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets		61,875	14	58,125
	15	Other assets See Part IV, line 11		2,457,918	15	1,916,501
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		141,208,367	16	154,449,376
Liabilities	17	Accounts payable and accrued expenses		9,066,542	17	18,239,114
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		37,570,000	20	36,955,000
	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	789,778
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		3,041,888	25	2,500,000
	26	**Total liabilities.** Add lines 17 through 25		49,678,430	26	58,483,892
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		91,529,937	27	95,965,484
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		91,529,937	33	95,965,484
	34	Total liabilities and net assets/fund balances		141,208,367	34	154,449,376

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	99,089,824
2	Total expenses (must equal Part IX, column (A), line 25)	2	99,570,030
3	Revenue less expenses Subtract line 2 from line 1	3	-480,206
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	91,529,937
5	Other changes in net assets or fund balances (explain in Schedule O)	5	4,915,754
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	95,965,484

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
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

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).

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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
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

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		2,965,786		2,965,786
b Buildings		74,371,784	23,148,859	51,222,925
c Leasehold improvements				
d Equipment		57,959,604	41,219,849	16,739,755
e Other		31,746,738	1,702,222	30,044,516
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				100,972,982

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	
Estimated Malpractice Liability	2,500,000
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	2,500,000

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	99,089,824
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	99,570,030
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	-480,206
4	Net unrealized gains (losses) on investments	4	4,884,018
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	31,736
9	Total adjustments (net) Add lines 4 - 8	9	4,915,754
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	4,435,548

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	104,399,923
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	4,884,018		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	1,491,341		
e	Add lines **2a** through **2d**			2e	6,375,359
3	Subtract line **2e** from line **1**			3	98,024,564
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	1,065,260		
c	Add lines **4a** and **4b**			4c	1,065,260
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	99,089,824

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	99,964,376
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	394,345		
e	Add lines **2a** through **2d**			2e	394,345
3	Subtract line **2e** from line **1**			3	99,570,031
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	0
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	99,570,031

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
Description of Uncertain Tax Positions Under FIN 48	Part X	The Medical Center is organized as a New Mexico nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) The Medical Center is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS In addition, the Medical Center is subject to net income that is derived from business activities that are unrelated to its exempt purpose, if any The Medical Center believes it has appropriate support for any tax positions taken affecting its annual filing requirement, and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements The Medical Center would recognize further accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense, if such interest and penalties are incurreed The Medical Center's historical Federal and state tax returns are subject to examiniation by tax authorities
Part XI, Line 8 - Other Adjustments		ASV Book/K-1 Income Difference 29,531 White Sands Book/K-1 Income Difference 131 AIC Book/K-1 Income Difference 2,074
Part XII, Line 2d - Other Adjustments		Book Income ASV LLC 1,288,320 Book Income Imaging Center, LLC 199,760 Book Income White Sands, LLC 3,261
Part XII, Line 4b - Other Adjustments		Rental Expenses Recorded as Expense for financial statements -314,181 Tax K-1 Income ASV LLC 1,258,789 Tax K-1 Income Imaging Center, LLC 197,686 Tax K-1 Income White Sands LLC 3,130 Catering/Bistro Expenses Recorded as Expense for Financial Statements -80,164
Part XIII, Line 2d - Other Adjustments		Rental expenses recorded as revenue for Form 990 314,181 Catering/Bistro Expenses Recorded as Expense for Financial Statements 80,164

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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
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

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	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other ____ %			
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	3b	Yes	
	☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other ____ %			
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	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	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
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)			2,445,114		2,445,114	2 460 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			14,656,027	10,388,979	4,267,048	4 290 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)			12,210,330	12,809,566	-599,236	0 %
d **Total** Financial Assistance and Means-Tested Government Programs			29,311,471	23,198,545	6,112,926	6 750 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			8,808		8,808	0 010 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			7,687,111	7,244,718	442,393	0 440 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			228,496		228,496	0 230 %
j **Total** Other Benefits			7,924,415	7,244,718	679,697	0 680 %
k **Total.** Add lines 7d and 7j			37,235,886	30,443,263	6,792,623	7 430 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development			10,000		10,000	0 010 %
3 Community support			151,699		151,699	0 150 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development			767,214		767,214	0 770 %
9 Other						
10 **Total**			928,913		928,913	0 930 %

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			No
2	Enter the amount of the organization's bad debt expense (at cost)	2	3,448,673		
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	88,491		
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	26,626,358		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	25,688,146		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	938,212		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1 1 Alamogordo Surgery Ventures	Outpatient Surgery Center	40 500 %	0 %	59 500 %
2 2 Alamogordo Imaging Center	Outpatient Radiology Center	27 900 %	0 %	72 100 %
3 3 White Sands Health Care Systems LLC	Physician Hospital Organization	50 000 %	0 %	50 000 %
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	Gerald Champion Regional Medical Center 2669 North Scenic Drive Alamogordo, NM 88311	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? **2**

	Name and address	Type of Facility (Describe)
1	Scenic View Outpatient Surgery Center 2351 25th Street Alamogordo, NM 88311	Outpatient Surgery
2	Scenic View Outpatient Surgery Center 2351 25th Street Alamogordo, NM 88311	Outpatient Surgery
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
		Part I, Line 7 The organization used the following to determine the costs for Part I, Line 7 Row a Charity Care was converted to cost using a cost to charge ratio from the cost accounting system The cost accounting system addresses all patient segments Row b and c Amounts were calculated from internal records Row e and i Amounts reported are based on the actual dollars spent in the activities reported Row g Amounts reported are based on the Medicare Cost Report figures

Identifier	ReturnReference	Explanation
		Part I, Line 7g Part I, Line 7g includes $6,023,705 of costs attributable to a Physician Clinic

Identifier	ReturnReference	Explanation
		Part II Gerald Champion helps to promote the health of the communities that it serves through the recruitement of physicians and other providers The Hospital also supports several organizations throughout the community that encourage and promote the overall health of the community

Identifier	ReturnReference	Explanation
		Part III, Line 4 Financial Statement Bad Debt Expense Footnote Patient accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectability of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely) For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts Bad debt expense was converted to cost using Worksheet 2, the ratio of cost to charge The organization estimated the percentage of bad debt at cost that is attributed to charity care by applying the percentage of charity care to total revenues to total bad debt at cost Therefore the organization estimates that 2 57% of the bad debt expense at cost is attributable to patients eligible under the organization's charity care policy Care is given to individuals regardless of their ability to pay, and therefore this is a community benefit Discounts and payments are taken into account when determining bad debt expense

Identifier	ReturnReference	Explanation
		Part III, Line 8 Medicare allowable cost is based on the Medicare cost report The Medicare cost report is completed based on the rules and regulations set forth by CMS

Identifier	ReturnReference	Explanation
		Part III, Line 9b GCRMC has implemented a number of different Policy and Procedure statements to govern the details of how its collection practices are implemented and how discounting and collection policies apply to various classes of patients In general, all patient account guarantors who request financial assistance are asked to provide detailed information regarding their income and assets For patients who qualify for charity and who are cooperating in good faith to resolve their hospital bills, GCRMC may offer extended payment plans to eligible patients, will not impose wage garnishments or liens on primary residences, will not send unpaid bills to collection agencies, and will cease all collection efforts

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Management at GCRMC enlisted the services of Saurage Strategic Marketing Research to complete a quantitative tracking study The objects were to develop and implement a needs assessment in the community, identify the critical need of network partners to ensure their viability, identify potential collaborating network partners in the community, and to identify placed-based initiatives that focus on targeting resources to leverage investments From the study of community leaders and over seven thousand five hundred surveys, a dozen issues were identified for the hospital to consider as we pursue health expansion strategies

Identifier	ReturnReference	Explanation
		Part VI, Line 3 The hospital has a Charity Care Policy - Gerald Champion Regional Medical Center ("GCRMC") will provide understandable, written guidelines to staff and patients relative to how the hospital evaluates and determines 1) a patient's eligibility for charity care, 2) an uninsured patient's eligibility for discounts, and 3) a patient's eligibility for alternate payment plans The Charity Care Policy is posted in the emergency room and throughout the entire hospital The patients are also informed through direct communication with financial counselors and these policies are explained in detail to guarantors who advise GCRMC that they are unable to pay their account or need help in structuring an affordable payment plan for their account This hospital shall render services to all members of the community who are in need of medical care regardless of the ability of the patient to pay for such services Charity care and discounts for the uninsured will be available for medically necessary hospital care provided to persons who meet the financial and documentation criteria defined in this policy Determinations hereunder will be based solely on the patient's ability to pay and will not be made on the basis of age, sex, race, creed, disability, sexual orientation or national origin GCRMC provides financial assistance to patients based on their income, assets, and needs Through our financial counseling services we assist patients with obtaining financial coverage or low-cost health insurance, or work with patients to arrange a manageable payment plan Uninsured patients are eligible for a 25% discount A 25% discount is applied to the total charges of a Self Pay Patient at the time of service or the 1st billing Notice will be sent at the time of the 1st billing informing the patient/guarantor that an additional 10% will be deducted if the account is paid within 30 days of the date of service

Identifier	ReturnReference	Explanation
		Part VI, Line 4 GCRMC continues to be the primary provider of healthcare services for all of Alamogordo, Holloman Air Force Base (HAFB), Otero County and part of Lincoln County As of July 2009, the population of Otero County was 63,201 inclusive of HAFB at 3,761 active military and 4,839 dependents, and the German Air Force at 450 active military and 675 dependents The primary and secondary service areas are considered to encompass a population of 104,280 According to census gov the median household income for Alamogordo in the 2006-2010 census was $41,640 14 1% of the people living in Alamogordo were below the Federal Poverty level according to the 2006-2010 census We continue to be the in-network provider for the largest employers in our primary service area with over 800 employees A decrease in primary care physicians and other specialties has contributed to some erosion of our market share Recruitment has been effective in new providers, i e , General and Orthopeadic surgeons Further efforts are to recruit pediatricians and internal medicine A large portion of the out-migration of the market is due to referrals from GCRMC for services not provided, such as invasive cardiology

Identifier	ReturnReference	Explanation
		Part VI, Line 6 The Board of Directors is the governing body of Gerald Champion Regional Medical Center The eleven members are business people of the primary service area, with no other connection The hospital extends medical staff privileges to all qualified physicians in the community Surplus funds are utilized for the purchase of capital equipment, electronic medical record software, and continuing education for clinical staff including physicians GCRMC views the position of sole provider as a significant commitment to the overall health and well being of the community We are not satisfied with just providing healthcare, we are challenged by the opportunity to have a positive effect on the quality of life experience in our community With this in mind, we strive to facilitate and share opportunities to educate and motivate a philosophy of wellness Our primary target is the disease process that we know can be eliminated or improved by changing or modifying human behavior As with any community, we serve a population that varies in its educational background We strive to develop programs that target the needs and understanding of our audience We utilize our physicians to provide open forums that present a topic followed by questions and time for individual discussion This type of program is offered with a free lunch, educational materials, and if appropriate, free screenings, such as glucose or blood pressure There is an average of 90 participants in each of these seminars The organization is very community-minded in its efforts to promote health Staff participate in Health Fairs in the public schools The organization holds Community Lunch events with Providers speaking to health related issues, i e arthritis, nephrology, neurology, orthopedic issues, etc Flu shots are distributed to community members Management and staff of GCRMC are part of community organizations The following classes are provided for the community in our conference room center Diabetic Education, Sign Language, narcotics Anonymous, Lamaze Classes, Tobacco Cessation, New Baby Class and CPR/Basic Life Support to name a few We are a top supporter of the United Way which provides money for many of the community organizations An annual Health Fair is held at the hospital each year The annual health fair serves approximately 75 community members We augment the annual health fair with onsite mini health screenings throughout the year This is offered to businesses, civic organizations and churches with minimal to no charge We offer free blood pressure screenings on a walk-in basis with educational materials in both Spanish and English This allows us to address the high rate of hypertension in our community, its significant effect on other diseases, and an overall wellness picture GCRMC partners with the American Cancer Society to offer the Look Good Feel Good Program and the Gift Closet The program is housed on campus and has brought a highly valued service to our community The Gift Closet provides free wigs, prosthesis, supplies, education and support to cancer patients and their families The opportunity to utilize our speaker's bureau is available to any organization in the community A presentation regarding health related topics can be prepared with limited notice to meet the needs of the organization The wealth of knowledge in our organization allows us to create an appropriate fit for the requested need At GCRMC, we feel it is important to embrace community needs that promote good citizenship As an organization we support employee involvement in outside activities through contributions, dedicated time and sponsorship Administration and staff members serve on community boards, dedicating many hours of support to those organizations During fiscal year 2011 GCRMC administration and staff participated in community projects with various organizations The total civic contribution to the community by GCRMC was $431,536 Our total civic in-kind contributions were $100,000+ in fiscal year 2011 We also recognized the positive effects of economic growth in the community by contributing $10,000 to the Otero County Economic Development Council in fiscal year 2011

Identifier	ReturnReference	Explanation
		Part VI, Line 7 n/a

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☑ Yes ☐ No

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

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

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) County of Otero1000 New York Ave Room 101 Alamogordo, NM 88310	85-6000236	Government	93,743				Public Health
(2) Otero County Fair Association410 Fairgrounds Rd Alamogordo, NM 88310	85-6011829	501(c)(3)	17,598				Public Relations
(3) Presbyterian Medical Services co Chaparral Family HealthPO Box 112 Carrizozo, NM 88301	85-0206810	501(c)(3)	133,337				Public Health
(4) United Way of Otero County1601 E 10th Street Suite B Alamogordo, NM 88310	85-0197559	501(c)(3)	17,659				Public Assistance
(5) Otero County Economic Development Council1301 N White Sands Blvd Alamogordo, NM 88310	85-0304073	501(c)(3) PF	10,000				Economic Development
(6) Presbyterian Medical Services co Sacramento Mountain CenterPO BOX 686 Cloudcraft, NM 88317	85-0206810	501(c)(3)	75,000				Public Health
(7) Flickinger Center1101 New York Ave Alamogordo, NM 88310	85-0326369	501(c)(3)	5,400				Cultural Development
(8) Alamogordo Chamber of Commerce1301 N White Sands Blvd Alamogordo, NM 88310	85-0109297	501(c)(6)	5,486				Public Health
(9) Zia Therapy Center900 First Street Alamogordo, NM 88310	85-0199135	501(c)(3)	9,580				Public Health
(10) American Cancer Society2120 1st Ave Alamogordo, NM 88310	84-1316555	501(c)(3)	2,500				Public Health

2 Enter total number of section 501(c)(3) and government organizations . . . . . ▶ 10

3 Enter total number of other organizations . . . . . ▶ 1

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

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

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

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 The organization only gave grants to government organizations and tax exempt organizations

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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
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

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**		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**	Yes	
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) Arthur Austin MD	(i)	221,077	0	396	11,336	15,757	248,566	0
	(ii)	0	0	0	0	0	0	0
(2) Robert James Heckert	(i)	357,670	70,000	7,260	0	0	434,930	0
	(ii)	0	0	0	0	0	0	0
(3) Morgan Hay	(i)	256,356	41,500	0	0	0	297,856	0
	(ii)	0	0	0	0	0	0	0
(4) Martha Gorman	(i)	165,705	0	618	11,221	410	177,954	0
	(ii)	0	0	0	0	0	0	0
(5) George Massoud	(i)	391,756	0	706	19,160	17,658	429,280	0
	(ii)	0	0	0	0	0	0	0
(6) Dennis Worthington	(i)	388,526	0	835	19,160	20,867	429,388	0
	(ii)	0	0	0	0	0	0	0
(7) Charles Race	(i)	669,240	16,450	172	0	172	686,034	0
	(ii)	0	0	0	0	0	0	0
(8) Shahid Mansoor	(i)	349,923	0	6,638	0	17,253	373,814	0
	(ii)	0	0	0	0	0	0	0
(9) Donald Montoya	(i)	334,428	12,500	10,247	0	717	357,892	0
	(ii)	0	0	0	0	0	0	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
	Part I, Line 7	The organization paid a bonus to all employees, which was based on performance in areas of customer service and financial measurements, which included operating margin The bonus was a fixed amount for the entire organization and was divided among all employees
Supplemental Information	Part III	Schedule J, Part II The CEO and CFO are paid by an unrelated management company, Quorum Health Resources

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	City of Alamogordo	85-6000099		11-15-2007	384,685,000	Hospital Improvement, Expansion		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	38,485,000			
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	547,533			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	37,936,467			
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2007			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X						
b	Are there any research agreements that may result in private business use of bond-financed property?		X						
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?	X							
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 %							
6	Total of lines 4 and 5	0 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV Arbitrage

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

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

Identifier	Return Reference	Explanation
New Program Services	Form 990, Part III, line 2	The Hospital opened a Joint Center for Excellence July 1, 2011 A Sleep Center in Ruidoso also began providing services in February 2011 In addition to these new services, an Inpatient Rehabilitation Unit was opened in July 1, 2011 All three of these new services are in furtherance of their exempt purpose to provide health care services

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 3		The organization's CEO and CFO are employees of Quorum Health Resources, an unrelated management company

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 6		All members of the community are eligible to become voting members of the organization upon purchase of voting stock

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7a		The members have the right to elect the Board of Directors

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 8b		There are no committees with the authority to act on behalf of the governing board

Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 11		The return is reviewed by the CEO and CFO prior to filing

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	Each officer, director, and key employee is required to fill out a conflict of interest disclosure annually The forms are initially reviewed by the CFO If any conflicts exist, they are reviewed by the Board of Directors A person with a conflict is restricted from voting on related matters

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	The organization's CEO and CFO are employed by Quorum Health Resources (QHR) The organization's Board of Directors approves the contract with QHR annually based on comparability data In addition, the Joint Finance Committee reviews and approves monthly invoices to the organization for management fees from QHR In regard to other officers and key employees, the organization used multiple national and regional salary surveys to determine if/when our positions are showing a need for adjustment Each position within the hospital is compared to any available data from the surveys If a position shows a need to move to the next pay grade, the hospital determines the hourly amount all of the individual employees within that position need to move

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	The governing documents, conflict of interest policy and financial statement are all available upon request

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized gains on investments 4,884,018 ASV Book/K-1 Income Difference 29,531 White Sands Book/K-1 Income Difference 131 AIC Book/K-1 Income Difference 2,074 Total to Form 990, Part XI, Line 5 4,915,754

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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
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

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

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) Disproportionate 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
(1) Alamogordo Surgery Venture LLC 2351 25th Street Alamogordo, NM88310 06-1791828	Outpatient Surgery Center	NM	N/A	Related	1,258,789	181,114	Yes				No	40 500 %

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

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

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

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III or IV			
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	Yes	
b Gift, grant, or capital contribution to other organization(s)	1b		No
c Gift, grant, or capital contribution from other organization(s)	1c	Yes	
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	Yes	
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		No
o Reimbursement paid to other organization for expenses	1o	Yes	
p Reimbursement paid by other organization for expenses	1p	Yes	
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) Alamogordo Surgery Venture LLC	A	456,680	General Ledger
(2) Alamogordo Surgery Venture LLC	C	1,275,750	General Ledger
(3) Alamogordo Surgery Venture LLC	I		
(4) Alamogordo Surgery Venture LLC	K	257,620	General Ledger
(5) Alamogordo Surgery Venture LLC	O	7,559,040	General Ledger
(6) Alamogordo Surgery Venture LLC	P	240,467	General Ledger

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: 85-0138775
Name: Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Form 990, Schedule R, Part V - Transactions With Related Organizations

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	Alamogordo Surgery Venture LLC	A	456,680	General Ledger
(2)	Alamogordo Surgery Venture LLC	C	1,275,750	General Ledger
(3)	Alamogordo Surgery Venture LLC	I		
(4)	Alamogordo Surgery Venture LLC	K	257,620	General Ledger
(5)	Alamogordo Surgery Venture LLC	O	7,559,040	General Ledger
(6)	Alamogordo Surgery Venture LLC	P	240,467	General Ledger

Consolidated Financial Statements
June 30, 2011 and 2010

Otero County Hospital Association
d/b/a Gerald Champion Regional Medical Center

Independent Auditor's Report

The Board of Directors
Otero County Hospital Association
d/b/a Gerald Champion Regional Medical Center
Alamogordo, New Mexico

We have audited the accompanying consolidated balance sheets of Otero County Hospital Association d/b/a Gerald Champion Regional Medical Center (Medical Center) 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 consolidated financial statements are the responsibility of management Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting Accordingly, we do not express such an opinion An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

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

As discussed in Note 16 to the consolidated financial statements, the Medical Center has been named in a number of lawsuits involving services performed by employed physicians The ultimate outcome of the lawsuits cannot presently be determined, but management is of the opinion that it has appropriately reserved a liability for any related legal fees and losses, based on insurance coverage Nevertheless, due to uncertainties with the lawsuits, it is at least reasonably possible that management's view of the outcome will change in the near term In addition, as discussed in Note 19, on August 16, 2011, the Medical Center filed for Chapter 11 reorganization under the bankruptcy code

Eide Bailly LLP

Fargo, North Dakota
November 30, 2011

	2011	2010
Current Assets		
Cash and cash equivalents	$ 11,210,206	$ 13,331,501
Assets limited as to use	6,622,882	615,000
Receivables		
Patient, net of estimated uncollectibles of $22,043,000 in 2011 and $18,344,000 in 2010	13,919,686	12,931,542
Estimated third-party payor settlements	487,943	-
Other	954,786	816,021
Supplies	2,765,140	2,566,413
Prepaid expenses	2,202,994	1,322,415
Total current assets	38,163,637	31,582,892
Assets Limited as to Use	13,814,020	32,868,141
Property and Equipment, Net	101,805,145	75,834,692
Other Assets		
Noncurrent prepaid expenses	354,487	793,925
Investment in affiliates	308,626	336,114
Deferred financing costs, net of accumulated amortization of $61,635 in 2011 and $46,037 in 2010	400,627	416,225
Other intangible assets, net of accumulated amortization of $16,875 in 2011 and $13,125 in 2010	58,125	61,875
Total other assets	1,121,865	1,608,139
Total assets	$ 154,904,667	$ 141,893,864

See Notes to Consolidated Financial Statements

	2011	2010
Current Liabilities		
Current maturities of long-term debt	$ 976,796	$ 1,080,702
Accounts payable		
Trade	6,727,390	2,231,679
Estimated third-party payor settlements	-	2,271,888
Construction and retainage payables	5,967,882	1,194,510
Accrued expenses		
Salaries and wages	1,279,118	1,379,032
Vacation	2,652,213	2,232,088
Payroll taxes	206,724	175,562
Interest	4,746	9,728
Other	924,957	1,429,819
Total current liabilities	18,739,826	12,005,008
Other Long-Term Liabilities	2,500,000	770,000
Long-Term Debt, Less Current Maturities	37,060,139	36,955,000
Total liabilities	58,299,965	49,730,008
Unrestricted Net Assets		
Gerald Champion Regional Medical Center	95,965,484	91,529,937
Noncontrolling interests in ASV	639,218	633,919
Total unrestricted net assets	96,604,702	92,163,856
Total liabilities and net assets	$ 154,904,667	$ 141,893,864

	2011	2010
Unrestricted Revenues, Gains, and Other Support		
Patient service revenue (net of contractual adjustments and discounts)	$ 102,764,504	$ 101,643,796
Provision for bad debts	(7,837,782)	(7,669,284)
Net patient service revenue less provision for bad debts	94,926,722	93,974,512
Other revenue	2,187,401	2,213,950
Total revenues, gains, and other support	97,114,123	96,188,462
Expenses		
Salaries and wages	36,992,246	33,973,402
Employee benefits	8,700,401	8,505,496
Professional fees and purchased services	16,049,286	12,673,543
Utilities	5,985,507	5,311,143
Supplies and other	15,381,542	13,920,892
Insurance	1,181,679	1,019,151
Leases and rentals	1,240,858	1,120,854
Taxes	201,508	184,844
Interest	230,239	699,826
Depreciation and amortization	7,427,197	7,890,793
Other	2,086,357	1,933,193
Total expenses	95,476,820	87,233,137
Operating Income	1,637,303	8,955,325
Other Income (Losses)		
Reorganization costs (Note 20)	(863,070)	-
Investment income	5,551,233	2,577,829
Loss on sale of interest rate swaps	-	(3,281,500)
Gain (loss) on sale of property and equipment	(10,370)	281
Total other income (loss), net	4,677,793	(703,390)
Revenues in Excess of Expenses	6,315,096	8,251,935
Change in Fair Value of Interest Rate Swaps	-	2,292,297
Contributions for Long-Lived Assets	-	147,588
Distributions to Noncontrolling Interests in ASV	(1,874,250)	(1,902,691)
Sale of ASV Shares to Noncontrolling Shareholders	-	27,000
Increase in Unrestricted Net Assets	4,440,846	8,816,129
Net Assets, Beginning of Year	92,163,856	83,347,727
Net Assets, End of Year	$ 96,604,702	$ 92,163,856

	2011	2010
Operating Activities		
Increase in net assets	$ 4,440,846	$ 8,816,129
Adjustments to reconcile increase in net assets to net cash from operating activities		
Depreciation and amortization	7,427,197	7,744,162
Change in fair value of interest rate swaps	-	989,203
Contributions for long-lived assets	-	(147,588)
Net realized gains and losses on investments	(2,649,646)	(90,993)
Change in unrealized gains and losses on investments	(2,234,372)	(2,042,616)
Loss (gain) on disposal of property and equipment	10,370	(281)
Income (loss) from investment in affiliates included in investment income	(203,021)	94,034
Forgiveness of physician and other loans	-	146,631
Distributions to noncontrolling interests in ASV	1,874,250	1,902,691
Sale of ASV shares to noncontrolling shareholders	-	(27,000)
Changes in assets and liabilities		
Patient accounts receivable, net	(988,144)	(532,683)
Other accounts receivable	(187,270)	(1,125,970)
Supplies	(198,727)	(1,046,601)
Prepaid expenses	(880,579)	(303,407)
Accounts payable	4,495,711	(1,097,153)
Accrued expenses	1,571,529	1,972,604
Net amounts due to third-party payors	(2,271,888)	1,597,751
Net Cash From Operating Activities	10,206,256	16,848,913
Investing Activities		
Construction and purchase of property and equipment	(28,117,032)	(15,039,711)
Proceeds from sale of property and equipment	4,713	13,860
Increase investment in affiliates	-	(66,620)
Distributions from affiliates	230,509	135,593
Sale of ASV shares to noncontrolling shareholders	-	27,000
Proceeds from the sale of assets limited as to use	24,203,549	12,402,950
Cash invested in assets limited as to use	(6,273,292)	(9,462,668)
Net Cash Used For Investing Activities	(9,951,553)	(11,989,596)
Financing Activities		
Distributions to noncontrolling interests in ASV	(1,874,250)	(1,902,691)
Proceeds from long term-debt issuance	675,342	-
Principal payments on long-term debt	(1,177,090)	(2,015,289)
Payment to settle interest rate swaps	-	(3,281,500)
Contributions for long-lived assets	-	147,588
Net Cash Used For Financing Activities	(2,375,998)	(7,051,892)

Net Change in Cash and Cash Equivalents	$ (2,121,295)	$ (2,192,575)
Cash and Cash Equivalents, Beginning of Year	13,331,501	15,524,076
Cash and Cash Equivalents, End of Year	$ 11,210,206	$ 13,331,501
Supplemental Schedule of Cash Flow Information		
Cash paid for interest, net of amounts capitalized of $608,422 in 2010	$ 235,221	$ 702,378
Noncash Disclosure of Investing Activity		
Increase in construction payable for construction of property and equipment	$ 4,773,372	$ 22,039
Noncash Disclosure of Investing and Financing Activities		
Property and equipment acquired through issuance of capital lease agreements	$ 502,981	$ -

Note 1 - Organization and Significant Accounting Policies

Organization and Principles of Consolidation

Otero County Hospital Association, d/b/a Gerald Champion Regional Medical Center (Medical Center) is a 99-bed acute care hospital located in Alamogordo, New Mexico The Medical Center has a management agreement with Quorum Health Resources, LLC, a healthcare management company, to supervise and direct the daily operations of the Medical Center The agreement expires December 15, 2011 The agreement calls for the payment of an annual fee plus reimbursement of salaries, travel, and other expenses

The accompanying consolidated financial statements include the accounts and transactions of the Medical Center and its majority-owned subsidiary, Alamogordo Surgery Venture, LLC (ASV), collectively referred to as the Medical Center All significant intercompany balances and transactions have been eliminated The noncontrolling shareholder interests in ASV are reported as a component of the Medical Center's unrestricted net assets (Note 9)

Use of Estimates

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

Income Taxes

The Medical Center is organized as a New Mexico nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) The Medical Center is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS In addition, the Medical Center is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose, if any The ASV is a limited liability corporation for which the income is taxed to the respective members in their tax returns and, therefore, no income tax expense has been recorded in the consolidated financial statements

The Medical Center believes it has appropriate support for any tax positions taken affecting its annual filing requirements, and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements The Medical Center would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense, if such interest and penalties are incurred The Medical Center's historical Federal and state tax returns are subject to examinations by tax authorities

Fair Value Measurement

The Medical Center has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date Level 2 inputs are other than quoted prices included within Level 1 that are observable for the related asset or liability Level 3 inputs are unobservable inputs related to the asset or liability

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less, excluding assets limited as to use

Patient Receivables

Patient receivables are uncollateralized patient and third-party payor obligations Payments of patient receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim

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

The Medical Center`s process for calculating the allowance for doubtful accounts for self-pay patients has not significantly changed from June 30, 2010 to June 30, 2011 The Medical Center does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors The Medical Center has not significantly changed its charity care or uninsured discount policies during fiscal years 2010 or 2011 During fiscal year 2011, the Medical Center`s patient activity related to its charity care and uninsured discount policies significantly increased (Note 2)

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market

Investments and Investment Income

Investments in equity securities and exchange traded funds with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet Investments in cash and money markets or certificates of deposit are measured at historical cost, plus any accrued interest, which is considered a reasonable estimate of fair value Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law

Other investments consisting of unconsolidated limited partnership interests are recorded at estimated fair value Investments in limited partnerships are valued at the quoted market price for securities for which market quotations are readily available or estimated fair value as determined in good faith by the investment manager under the general supervision of the board of managers for the related funds Those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the difference could be material The cost of investments sold is determined using the specific identification method

The equity method of accounting for investments is used when the Medical Center has a 20 percent to 50 percent interest in other entities Under the equity method, original investments are recorded at cost and adjusted by the Medical Center's share of undistributed earnings or losses of the entity

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Directors for future capital improvements and assets held by a trustee under the bond indenture agreements Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets

Property and Equipment

Property and equipment acquisitions in excess of $1,000 are capitalized and recorded at cost Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment Amortization is included in depreciation and amortization in the financial statements The estimated useful lives of property and equipment are as follows

Land improvements	5-30 years
Buildings and fixed equipment	5-30 years
Equipment	3-20 years
Equipment under capital leases	3-5 years

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

Deferred Financing Costs

Deferred financing costs are amortized over the period the related obligation is outstanding using the straight line method, which approximates the effective interest method Amortization of deferred financing costs is included in depreciation and amortization in the consolidated financial statements

Other Intangible Assets

Intangible assets consisted of a noncompete agreement, patient records, and goodwill associated with the purchase of a physician practice Intangible assets are recorded at cost and amortized using a straight line method The noncompete agreement is being amortized over 20 years, the term of the related agreement Patient records were being amortized over 2 years, the expected useful life of the records, and written off during 2010 The goodwill was being amortized over 20 years During 2010, goodwill was reviewed for impairment and the unamortized balance at the time of this evaluation of $941,579 was written off and recorded to amortization expense

Self-funded Health Insurance

The Medical Center self-funds health benefits for eligible employees and their dependents Health insurance expense is recorded on an accrual basis An accrued liability which estimates claims incurred but not yet paid, is recorded at year-end The Medical Center has stop loss insurance to cover catastrophic claims

Obligation under Interest Rate Swaps

The Medical Center used derivative financial instruments primarily to optimize borrowing costs under its financing strategy The Medical Center entered into derivative contracts, known as interest rate swaps, that effectively changed the interest rate of its borrowings These contracts hedged interest rate exposure for periods consistent with their underlying exposures and did not constitute investments independent of these exposures The Medical Center did not hold or issue financial instruments for trading purposes The interest rate swaps converted a portion of the Medical Center's floating rate bonds indentures into fixed rate debt on notional amounts The notional amounts of derivative financial instruments do not represent actual amounts exchanged by the parties, but instead represent the amounts on which the contracts were based Interest that was paid or received on these contracts was recorded to interest expense All interest rate swaps help by the Medical Center were sold on June 30, 2010

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose Permanently restricted net assets have been restricted by donors to be maintained by the Medical Center in perpetuity At June 30, 2011 and 2010, the Medical Center did not have any temporarily or permanently restricted net assets

Revenues in Excess of Expenses

Revenues in excess of expenses excludes changes in the fair value of interest rate swaps considered effective hedging instruments, transfers of assets to and from related parties for other than goods and services, and contributions for long-lived assets, including assets acquired using contributions which were restricted by donors

Patient Service Revenue (Net of Contractual Adjustments and Discounts)

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

The Medical Center recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy) On the basis of historical experience, a significant portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided Thus, the Medical Center records a significant provision for bad debts related to uninsured patients in the period the services are provided Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized for the years ended June 30, 2011 and 2010 from these major payor sources, is as follows

	2011	2010
Patient service revenue (net of contractual adjustments and discounts)		
Third-party payors	$ 90,634,242	$ 89,686,596
Self-pay	12,130,262	11,957,200
Total all payors	$ 102,764,504	$ 101,643,796

Charity Care

To fulfill its mission of community service, the Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue

Donor-restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets When donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the statement of operations

Advertising Costs

The Medical Center expenses advertising costs as they are incurred

Reclassifications

Reclassifications have been made to the June 30, 2010 consolidated financial statements to make it conform to the current year presentation Except as noted in Note 18, these reclassifications had no effect on previously reported operating results or changes in net assets

Note 2 - Charity Care

The Medical Center maintains records to identify and monitor the level of charity care it provides These records include the amount of charges foregone for services and supplies furnished under its charity care policy The amount of charges foregone, based on established rates, was $5,557,000 and $2,792,000 for the years ended June 30, 2011 and 2010

Note 3 - Patient Service Revenue (Net of Contractual Adjustments and Discounts)

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

Medicare. Inpatient acute care services and outpatient services provided 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 The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare fiscal intermediary The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2008

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology The Medical Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audit thereof by the Medicaid fiscal intermediary The Medical Center has an agreement with White Sands Health Care Systems, LLC (White Sands), a related party, to negotiate the reimbursement rates for inpatient and outpatient services with the third party payors involved in the State of New Mexico's Medicaid managed care program, Salud The Medical Center's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through the year ended June 30, 2008

Blue Cross. Inpatient services provided to Blue Cross subscribers are paid at prospectively determined rates per discharge Outpatient services are reimbursed at outpatient payment fee screens or at charges less a prospectively determined discount The prospectively determined discount is not subject to retroactive adjustment

The Medical Center has also entered into payment agreements with certain commercial insurance carriers and other organizations The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term Patient service revenue (net of contractual adjustments and discounts) increased for the year ended June 30, 2011 by approximately $1,896,000 and decreased for the year ended June 30, 2010 by approximately $401,000 due to changes in estimates and final settlements of prior year cost reports

A summary of patient service revenue and contractual adjustments and discounts for the years ended June 30, 2011 and 2010 is as follows

	2011	2010
Total patient service revenue	$ 216,567,431	$ 212,276,610
Contractual adjustments and discounts		
Hospital		
Medicare	(50,185,001)	(54,787,039)
Medicaid	(23,562,007)	(17,362,240)
Blue Cross	(5,515,836)	(5,956,950)
Other	(29,017,778)	(26,163,149)
Clinics	(5,522,305)	(6,363,436)
Total contractual adjustments and discounts	(113,802,927)	(110,632,814)
Patient service revenue (net of contractual adjustments and discounts)	$ 102,764,504	$ 101,643,796

Note 4 - Assets Limited as To Use and Investment Income

Assets Limited as to Use

The composition of assets limited as to use at June 30, 2011 and 2010 is shown in the following table Investments in cash and cash equivalents and certificates of deposit are stated at historical cost due to the nearness to maturity, which is considered an approximate of fair value All other investments are stated at fair value

	2011	2010
By Board for Expansion and Replacement		
Cash and cash equivalents	$ -	$ 84,934
Certificates of deposit	2,659,430	6,029,665
Mutual funds	10,975,943	14,418,085
Mondrian Global Fixed Income Fund, L P	1,687,846	1,511,466
Exchange traded fund - Rydex Top 50	-	1,125,972
Sanderson International Value	-	5,580,913
Aetos Capital Funds, LLC		
Multi-Strategy Arbitrage Fund	1,366,091	1,273,534
Distressed Investment Strategies Fund	946,332	876,674
Long/Short Strategies Fund	2,044,131	1,714,551
Opportunities Fund	-	187,788
	19,679,773	32,803,582
Interest receivable	48,168	39,081
Less amount shown as current	(5,967,882)	-
	13,760,059	32,842,663
Under Bond Indenture for Expansion and Replacement		
Cash and cash equivalents	-	19,121
Under Bond Indenture for Debt Service		
Cash and cash equivalents	708,961	621,357
Less amount shown as current	(655,000)	(615,000)
	53,961	6,357
Total noncurrent assets limited as to use	$ 13,814,020	$ 32,868,141

Investment Income

Investment income and gains and losses on assets limited as to use, cash and cash equivalents, and other investments consist of the following for the years ended June 30, 2011 and 2010

	2011	2010
Other income		
Interest and dividend income	$ 464,194	$ 538,254
Change in unrealized gains and losses on investments	2,234,372	2,042,616
Realized gains (losses) on investments, net	2,649,646	90,993
Income (loss) from investment in affiliates (Note 7)	203,021	(94,034)
	$ 5,551,233	$ 2,577,829

Note 5 - Property and Equipment

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

	2011		2010	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 2,965,786	$ -	$ 3,001,414	$ -
Land improvements	3,262,938	1,702,222	3,215,847	1,523,889
Buildings and fixed equipment	74,371,784	23,148,859	69,302,116	19,657,897
Equipment	59,913,378	42,341,460	55,818,575	38,941,882
Construction in progress	28,483,800	-	4,620,408	-
	$ 168,997,686	$ 67,192,541	$ 135,958,360	$ 60,123,668
Net property and equipment		$ 101,805,145		$ 75,834,692

Depreciation expense for the years ending June 30, 2011 and 2010 totaled $7,279,559 and $6,722,519

Construction in progress at June 30, 2011 represents costs for a new patient tower, central energy plant, equipment, and access (road) improvements (the Project), and various smaller projects The estimated cost to complete these projects is approximately $8 million, which is currently financed with cash from operations The Project began in July 2010 and is estimated to be completed in November 2011 The Project includes approximately 52,000 square feet of new space, an expanded Fairgrounds Road (Note 17), which will reach from hospital property on North Scenic Drive to White Sands Boulevard, a new central energy plant of approximately 7,600 square feet (including 5,000 square feet for storage), and a medical office building of 7,200 square feet

Construction in progress includes interest capitalized during the year ended June 30, 2010, which included interest expense of $608,422, net of interest income of $4,800, for a total of $603,622

Note 6 - Investment in Affiliates

The Medical Center's ownership interest in affiliated companies, with the respective investment basis at June 30, 2011 and 2010, are as follows

	2011		2010	
	Ownership	Balance	Ownership	Balance
Alamogordo Imaging Center, LLC	27 10%	$ 108,635	27 10%	$ 139,384
White Sands Community Health	50 00%	199,991	50 00%	196,730
		$ 308,626		$ 336,114

The Medical Center's share of income or loss from these affiliates recorded as investment income was a gain of $203,021 for the year ended June 30, 2011 and a loss of $94,034 for the year ended June 30, 2011 (Note 4)

The Medical Center leases a building to Alamogordo Imaging Center, LLC under a long term lease agreement which calls for monthly payments of $4,257 through February 2015 During the years ended June 30, 2011 and 2010, the Medical Center recorded rental revenue totaling approximately $51,000 under the terms of this lease

Unaudited, condensed financial information for these entities as of and for the years ended June 30, 2011 and 2010 is as follows

	2011		2010	
	White Sands Community Health (unaudited)	Alamogordo Imaging Center (unaudited)	White Sands Community Health (unaudited)	Alamogordo Imaging Center (unaudited)
Total assets	$ 405,740	$ 586,766	$ 396,191	$ 805,153
Total liabilities	705	183,939	823	291,173
Equity	405,035	402,828	395,368	513,980
Total revenues	125,160	1,356,490	121,357	1,250,830
Total expenses	125,801	989,143	119,850	953,272

Note 7 - Leases

The Medical Center leases certain equipment under noncancelable long-term lease agreements Certain leases have been recorded as capital leases and others as operating leases Total lease expense for the years ended June 30, 2011 and 2010 for all operating leases was $1,240,858 and $1,120,854

Note 8 - Long-Term Debt

	2011	2010
Hospital Improvement and Refunding Revenue Bonds		
Series 2007A Bonds (1) (2)		
Variable rate bonds, interest due monthly, principal due in varying annual installments commencing July 2019 to July 2037	$ 30,465,000	$ 30,465,000
Series 2007B Bonds (1) (2)		
Taxable variable rate bonds, interest due monthly, principal due in varying annual installments to July 2018	6,490,000	7,105,000
7% note payable, due in monthly installments of $6,587 including interest to June 2016, secured by building	324,595	-
7% note payable, due in monthly installments of $13,096 including interest to June 2013, secured by substantially all assets of Alamogordo Surgery Venture, LLC and guaranteed by the Medical Center	292,157	-
Capital lease obligations	465,183	-
7% note payable	-	465,702
	38,036,935	38,035,702
Less current maturities	(976,796)	(1,080,702)
Long term debt, less current maturities	$ 37,060,139	$ 36,955,000

(1) The Series 2007A Bonds consist of tax-exempt bonds with a maximum variable interest rate based on the U S Dollar SIFMA Municipal Swap Index variable rate, plus 15 basis points, not to exceed the lesser of 12 percent per annum or the maximum rate permitted by law The interest rate in effect as of June 30, 2011 and 2010 was 145 percent and 230 percent See note (2) below for interest rate swap

The Series 2007B Bonds consist of taxable bonds with a maximum variable interest rate based on 102 percent of the one-month LIBOR variable rate, not to exceed the lesser of 12 percent per annum or the maximum rate permitted by law The interest rate in effect as of June 30, 2011 and 2010 was 209 percent and 450 percent See note (2) below for interest rate swap

(2) The Medical Center entered into two interest rate protection agreements with a financial institution related to the Series 2007A Bonds The first swap contract, effective November 2007, had an initial notional amount of $20,000,000 Pursuant to this contract, the Medical Center paid a fixed rate of 4 225 percent per annum in exchange for the U S Dollar SIFMA Municipal Swap Index variable rate The second swap contract, effective April 2008, had an initial notional amount of $10,000,000 Pursuant to this contract, the Medical Center paid a fixed rate of 3 094 percent per annum in exchange for the U S Dollar SIFMA Municipal Swap Index variable rate

The Medical Center entered into a separate interest rate protection agreement with a financial institution related to the Series 2007B Bonds This swap contract was effective April 2008 and had an initial notional amount of $8,000,000 Pursuant to this contract, the Medical Center paid a fixed rate of 3 854 percent per annum in exchange for the U S Dollar one-month LIBOR variable rate

The swap contracts were issued at market terms so that they had no fair value at inception The swap contracts are designed to hedge the risk of changes in interest payments on the Bonds caused by changes in the variable interest rates The notional amounts under the swap contracts decreased annually in connection with principal payments on related Bonds Since the critical terms of the swap contracts and the Bonds were the same, the swap contracts effectively hedged the risk of changes in interest payments Due to this, the change in the fair value of the swap contracts was excluded from revenues in excess of expenses The change in the fair value of the swap contracts for the year ended June 30, 2010 was ($989,203)

The carrying amounts of the swap contracts had been recorded at fair value All swap contracts were terminated on June 30, 2010, at which time the Medical Center paid $3,281,500 to settle the contracts At June 30, 2010, the swap contracts were considered to no longer hedge the risk of changes in interest payments and the accumulated changes in the fair value of the swap contracts, previously recognized as a component of net assets, was reclassified into revenues in excess of expenses The amount reclassified into revenues in excess of expenses at June 30, 2010 was a loss of $3,281,500

Long-term debt maturities are as follows

Year Ending June 30,	Amount
2012	$ 976,796
2013	1,032,978
2014	935,834
2015	929,334
2016	896,993
Thereafter	33,265,000
Total	$ 38,036,935

Under the terms of the Revenue Bonds, the Medical Center is required to satisfy certain measures of performance As of and for the year ended June 30, 2011 and 2010, the Medical Center has met all of its bond covenants

Note 9 - Ownership Interests in ASV

The effects of changes in the Medical Center's ownership interest in ASV on the Medical Center's net assets are as follows

	Total	Medical Center	Noncontrolling Interests
Net Asset Balance, July 1, 2009	$ 83,347,727	$ 82,660,373	$ 687,354
Revenues in excess of expenses	8,251,935	6,440,514	1,811,421
Change in fair value of interest rate swaps	2,292,297	2,292,297	-
Contributions for long-lived assets	147,588	147,588	-
Distributions to noncontrolling shareholders	(1,902,691)	-	(1,902,691)
Sale of ASV shares to noncontrolling shareholders	27,000	(10,835)	37,835
Change in net assets	8,816,129	8,869,564	(53,435)
Net Assets Balance, June 30, 2010	92,163,856	91,529,937	633,919
Revenues in excess of expenses	6,315,096	4,435,547	1,879,549
Distributions to noncontrolling shareholders	(1,874,250)	-	(1,874,250)
Change in net assets	4,440,846	4,435,547	5,299
Net Assets Balance, June 30, 2011	$ 96,604,702	$ 95,965,484	$ 639,218

Note 10 - Defined Contribution Plan

The Medical Center has a voluntary defined contribution pension plan under which employees may elect to become participants upon reaching age 18 and completion of one year of service (1,000 hours) Eligible employees may contribute up to 100 percent of their eligible annual compensation to the plan (limited to an annual maximum of $15,500) The Medical Center contributes annually to the plan five percent of compensation for each eligible participant Employer and employee contributions are deposited with the plan trustee who invests the plan assets Total employer contributions made to the defined contribution pension plan for the years ended June 30, 2011 and 2010 was $1,404,623 and $1,215,733

Note 11 - Concentrations of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are insured under third-party payor agreements The mix of receivables from third-party payors and patients at June 30, 2011 and 2010 was as follows

	2011	2010
Medicare	29%	37%
Medicaid	18%	12%
Blue Cross	7%	7%
Commercial insurance	7%	7%
Champus	9%	6%
Other third-party payors and patients	30%	31%
	100%	100%

The Medical Center's cash balances are maintained in various bank deposit accounts At various times during the year, the balance of these deposits may be in excess of federally insured limits

Note 12 - Functional Expenses

The Medical Center provides health care services to residents within its geographic location Expenses related to providing these services by functional class for the years ended June 30, 2011 and 2010 are as follows

	2011	2010
Patient healthcare services	$ 80,534,698	$ 73,581,151
General and administrative	14,942,122	13,651,986
	$ 95,476,820	$ 87,233,137

Note 13 - Labor Agreement

At June 30, 2011, approximately 18 percent of the Medical Center's employees are working under a collective bargaining agreement On July 12, 2010, the Medical Center renegotiated the collective bargaining agreement and it is effective through July 13, 2013

Note 14 - Fair Value of Assets

Assets measured at fair value on a recurring basis at June 30, 2011 and 2010 are as follows

	Quoted Prices Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2011			
Mutual funds			
Small cap equities	$ 942,204	$ -	$ -
Natural resources equities	3,529,061	-	-
Intermediate term fixed income	6,504,678	-	-
Alternative investments			
Mondrian Global Fixed Income Fund, L P	-	1,687,846	-
Aetos Capital Funds, LLC			
Multi-Strategy Arbitrage Fund	-	-	1,366,091
Distressed Investment Strategies Fund	-	-	946,332
Long/Short Strategies Fund	-	-	2,044,131
Total assets	$ 10,975,943	$ 1,687,846	$ 4,356,554
June 30, 2010			
Mutual funds			
Small cap equities	$ 609,393	$ -	$ -
Mid and large cap equities	2,280,988		
Natural resources equities	2,453,291		
Emerging markets equities	1,231,873		
Intermediate term fixed income	7,160,118		
Inflation-protected fixed income	682,422		
Exchange traded fund - Rydex Top 50	1,125,972	-	-
Alternative investments			
Sanderson International Value	-	5,580,913	-
Mondrian Global Fixed Income Fund, L P	-	1,511,466	-
Aetos Capital Funds, LLC			
Multi-Strategy Arbitrage Fund	-	-	1,273,534
Distressed Investment Strategies Fund	-	-	876,674
Long/Short Strategies Fund	-	-	1,714,551
Opportunities Fund	-	-	187,788
Total assets	$ 15,544,057	$ 7,092,379	$ 4,052,547

Mutual funds and exchange traded funds are valued using quoted market prices The fair value of alternative funds measured using Level 2 inputs is based on quoted market prices for underlying or similar securities The fair value of alternative investments measured using Level 3 inputs is based on the Medical Center`s pro-rata interest in the net assets of the alternative investment funds as determined by the Fund`s investment manager Information such as restrictions on or illiquidity is considered in determining fair value

Considerable judgment is required to interpret the factors used to develop estimates of fair value Accordingly, the estimates may not be indicative of the amounts the Medical Center could realize in a current market exchange and the differences could be material to the financial statements The use of different factors or estimation methodologies could have a significant effect on the estimated fair value

The following is a reconciliation of activity for 2011 and 2010 for assets measured at fair value based upon significant unobservable (non-market) information

	Alternative Investments
Balance, June 30, 2009	$ 2,320,960
Unrealized gains	231,587
Purchases	1,500,000
Balance, June 30, 2010	4,052,547
Unrealized gains	304,007
Redemptions	(196,960)
Purchases	196,960
Balance, June 30, 2011	$ 4,356,554

On July 1, 2011, the Medical Center sold its interests in the Aetos Capital Funds, LLC investments, which are measured at fair value using Level 3 inputs The Medical Center received 90 percent of the fair value of the investments immediately The remaining 10 percent will be held by Aetos Capital Funds, LLC until the investments' financial statements are audited The investments use a fiscal year-end of January 31, therefore, the Medical Center expects to receive a final settlement from these investments in early 2012

Note 15 - Fair Value of Financial Instruments

Financial instruments measured at fair value in the consolidated balance sheets are noted in Note 14 The Medical Center considers the carrying amount of significant classes of financial instruments in the consolidated balance sheets, including cash and cash equivalents and certificates of deposit included in cash and cash equivalents and assets limited as to use, accounts receivable, accounts payable, construction payables, and accrued expenses to be reasonable estimates of fair value due to their length of maturity at June 30, 2011 and 2010

Investments in affiliates are investments for which no quoted market prices are available and a reasonable estimate of fair value cannot be determined without incurring excessive costs These investments are recorded using the equity method, with summary financial information disclosed in Note 6

Management has estimated the fair value of bonds payable approximate book value as they are variable rate bonds payable that approximate prevailing market rates Management has estimated the fair value of notes payable and the capitalized lease obligation approximate book value as of June 30, 2011 and 2010 due to the length of maturity and expects any differences to be immaterial

Note 16 - Contingencies

Malpractice Insurance

The Medical Center has malpractice insurance coverage to provide protection for professional liability losses on a claims-made and reported basis subject to a limit of $1 million per claim and $3 million annual aggregate limit and additional umbrella coverage of $5 million As of April 9, 2011, the Medical Center added excess liability coverage of $10 million beyond the umbrella coverage for all claims reported after the effective date, except for claims associated with certain specific physicians, as noted below under "Litigation, Claims, and Disputes " Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured

Self Funded Medical Insurance Plan

The Medical Center participates in a self-funded medical insurance plan The terms of the plan call for the reimbursements to the plan administrator for all claims paid, up to a maximum amount of $100,000 per employee per year, and an aggregate maximum based on a percentage of expected plan benefits incurred during the contract period Amounts accrued for outstanding medical claims as of June 30, 2011 and 2010 was approximately $326,000 and $300,000, which is included in trade accounts payable in the accompanying consolidated financial statements

Litigation, Claims, and Disputes

The Medical Center has been named in several lawsuits involving services provided by employed physicians, of which a number claims remain outstanding The lawsuits are covered, under the Medical Center's insurance at the time the claims were made, subject to a stated deductible amount per claim, up to a maximum of $8 million Because of the uncertainty of the outcome of litigation and the amount of time and resources it would take to defend against the lawsuits, the Medical Center elected to file for protection under Chapter 11 of the bankruptcy code (Note 19) Management is not able to assess the ultimate resolution of these matters, however, they believe the Medical Center has adequately reserved a liability for any related legal fees and losses, based on insurance coverage

The Medical Center is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs The health care industry is subject to numerous laws and regulations of federal, state, and local governments Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously, billed and collected revenues from patient services Management believes that the Medical Center is in substantial compliance with current laws and regulations

Note 17 - Commitment

As discussed in Note 5, a portion of construction in progress at June 30, 2011 consists of an expanded access road, Fairgrounds Road, which will reach from the Medical Center property on North Scenic Drive to White Sands Boulevard The Medical Center made a commitment to the City of Alamogordo (City) that approximately one year after completion and final inspection, the road will be transferred to the City Any future maintenance and other costs after the transfer would be the responsibility of the City As of June 30, 2011, the construction in progress balance was approximately $1,796,000 The expected cost to complete the Medical Center's portion of the road project is approximately $10,000 for a total expected cost of $1,806,000

Note 18 - Changes in Accounting Principles

In accordance with Accounting Standards Update (ASU) No 2010-07, *Not for Profit Entities (Topic 958) – Mergers and Acquisitions*, the Medical Center changed its method of accounting for noncontrolling interests in consolidated subsidiaries In accordance with the implementation guidance, the Medical Center retroactively applied the presentation requirements to 2010 The impact on 2010 was a decrease to the increase in unrestricted net assets of $53,435 and an increase to the July 1, 2009 net assets of $687,354 in the consolidated statements of operations and changes in net assets In addition, unrestricted net assets increased $633,919 in the 2010 consolidated balance sheet

As of and for the year ended June 30, 2011, the Medical Center early adopted the provisions of ASU No 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, as allowable In accordance with the implementation guidance, the Medical Center retroactively applied the presentation requirements to 2010 The impact on 2010 was a decrease to total revenues, gains, and other support of $7,669,284, and a decrease to total expenses of $7,669,284 in the consolidated statements of operations and changes in net assets There was no impact on operating income or net assets

Note 19 - Subsequent Events

On August 16, 2011, the Medical Center filed for Chapter 11 reorganization under the bankruptcy code in the state of New Mexico The filing will result in a reorganization of the Medical Center, however, it did not interrupt normal operations The Medical Center is in the process of completing the filing and court proceedings and cannot estimate the impact of the reorganization on the consolidated financial statements The Medical Center has classified expenditures directly related to the reorganization as nonoperating expenses in the consolidated statements of operations and changes in net assets There were no additional effects on the consolidated financial statements as of June 30, 2011

The Medical Center has evaluated subsequent events through November 30, 2011, the date which the consolidated financial statements were issued

Consolidating and Supplementary Information
June 30, 2011 and 2010

Otero County Hospital Association
d/b/a Gerald Champion Regional Medical Center

Independent Auditor's Report on Consolidating and Supplementary Information

The Board of Directors
Otero County Hospital Association
d/b/a Gerald Champion Regional Medical Center
Alamogordo, New Mexico

We have audited the consolidated financial statements of Otero County Hospital Association d/b/a Gerald Champion Regional Medical Center as of and for the years ended June 30, 2011 and 2010, and our report thereon dated November 30, 2011, which expressed an unqualified opinion on those financial statements, appears on page 1 Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The consolidating information on pages 25 through 30 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements The supplementary information on page 31 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The consolidating and supplementary information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America In our opinion, the consolidating and supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Eide Bailly LLP

Fargo, North Dakota
November 30, 2011

	Hospital	ASV	Total
Current Assets			
Cash and cash equivalents	$ 11,101,383	$ 108,823	$ 11,210,206
Assets limited as to use	6,622,882	-	6,622,882
Receivables			
Patient	35,962,887	-	35,962,887
Less allowance for uncollectible accounts	(22,043,201)	-	(22,043,201)
Estimated third-party payor settlements	487,943	-	487,943
Other	1,027,931	733,930	1,761,861
Supplies	2,765,140	-	2,765,140
Prepaid expenses	2,186,717	16,277	2,202,994
Total current assets	38,111,682	859,030	38,970,712
Assets Limited as to Use	13,814,020	-	13,814,020
Property and Equipment, Net	100,972,982	832,163	101,805,145
Other Assets			
Noncurrent prepaid expenses	354,487	-	354,487
Investment in affiliates	737,453	-	737,453
Deferred financing costs, net	400,627	-	400,627
Other intangible assets, net	58,125	-	58,125
Total other assets	1,550,692	-	1,550,692
Total assets	$ 154,449,376	$ 1,691,193	$ 156,140,569

Eliminations	Consolidated
$ -	$ 11,210,206
-	6,622,882
-	35,962,887
-	(22,043,201)
-	487,943
(807,075)	954,786
-	2,765,140
-	2,202,994
(807,075)	38,163,637
-	13,814,020
-	101,805,145
-	354,487
(428,827)	308,626
-	400,627
-	58,125
(428,827)	1,121,865
$ (1,235,902)	$ 154,904,667

	Hospital	ASV	Total
Current Liabilities			
Current maturities of long-term debt	$ 835,931	$ 140,865	$ 976,796
Accounts payable - trade	7,361,704	134,704	7,496,408
Construction and retainage payables	5,967,882	-	5,967,882
Accrued expenses			
Salaries and wages	1,260,266	18,852	1,279,118
Vacation	2,618,571	33,642	2,652,213
Interest	4,746	-	4,746
Payroll taxes and other	184,737	21,987	206,724
Other	841,208	121,806	963,014
Total current liabilities	19,075,045	471,856	19,546,901
Other Long-Term Liabilities	2,500,000	-	2,500,000
Long-Term Debt, Less Current Maturities	36,908,847	151,292	37,060,139
Total liabilities	58,483,892	623,148	59,107,040
Unrestricted Net Assets			
Gerald Champion Regional Medical Center	95,965,484	1,068,045	97,033,529
Noncontrolling interests in ASV	-	-	-
Total unrestricted net assets	95,965,484	1,068,045	97,033,529
Total liabilities and net assets	$ 154,449,376	$ 1,691,193	$ 156,140,569

Eliminations	Consolidated
$ -	$ 976,796
(769,018)	6,727,390
-	5,967,882
-	1,279,118
-	2,652,213
-	4,746
-	206,724
(38,057)	924,957
(807,075)	18,739,826
-	2,500,000
-	37,060,139
(807,075)	58,299,965
(1,068,045)	95,965,484
639,218	639,218
(428,827)	96,604,702
$ (1,235,902)	$ 154,904,667

	Hospital	ASV	Total
Unrestricted Revenues, Gains, and Other Support			
Patient service revenue (net of contractual adjustments and discounts)	$ 102,764,504	$ 7,559,040	$ 110,323,544
Provision for bad debts	(7,837,782)	-	(7,837,782)
Net patient service revenue less provision for bad debts	94,926,722	7,559,040	102,485,762
Other revenue	2,644,081	-	2,644,081
Total revenues, gains, and other support	97,570,803	7,559,040	105,129,843
Expenses			
Salaries and wages	35,691,432	1,300,814	36,992,246
Employee benefits	8,177,634	522,767	8,700,401
Professional fees and purchased services	22,791,240	817,086	23,608,326
Utilities and maintenance	5,779,349	206,158	5,985,507
Supplies	15,041,711	339,831	15,381,542
Insurance	1,151,842	29,837	1,181,679
Leases and rentals	1,143,428	554,110	1,697,538
Taxes	201,508	-	201,508
Interest	202,550	27,689	230,239
Depreciation and amortization	7,182,409	244,788	7,427,197
Other	1,738,203	348,154	2,086,357
Total expenses	99,101,306	4,391,234	103,492,540
Operating Income (Loss)	(1,530,503)	3,167,806	1,637,303
Other Income (Losses)			
Reorganization costs (Note 20)	(863,070)	-	(863,070)
Investment income (loss)	6,839,490	63	6,839,553
Loss on sale of property and equipment	(10,370)	-	(10,370)
Other income, net	5,966,050	63	5,966,113
Revenues in Excess of Expenses	4,435,547	3,167,869	7,603,416
Distributions to Shareholders	-	(3,150,000)	(3,150,000)
Increase in Unrestricted Net Assets	4,435,547	17,869	4,453,416
Net Assets, Beginning of Year	91,529,937	1,050,176	92,580,113
Net Assets, End of Year	$ 95,965,484	$ 1,068,045	$ 97,033,529

Eliminations	Consolidated
$ (7,559,040)	$ 102,764,504
-	(7,837,782)
(7,559,040)	94,926,722
(456,680)	2,187,401
(8,015,720)	97,114,123
-	36,992,246
-	8,700,401
(7,559,040)	16,049,286
-	5,985,507
-	15,381,542
-	1,181,679
(456,680)	1,240,858
-	201,508
-	230,239
-	7,427,197
-	2,086,357
(8,015,720)	95,476,820
-	1,637,303
-	(863,070)
(1,288,320)	5,551,233
-	(10,370)
(1,288,320)	4,677,793
(1,288,320)	6,315,096
1,275,750	(1,874,250)
(12,570)	4,440,846
(416,257)	92,163,856
$ (428,827)	$ 96,604,702

	Hospital	ASV	Total
Current Assets			
Cash and cash equivalents	$ 13,263,880	$ 67,621	$ 13,331,501
Assets limited as to use	615,000	-	615,000
Receivables			
Patient	31,275,566	-	31,275,566
Less allowance for uncollectible accounts	(18,344,024)	-	(18,344,024)
Other	871,859	698,776	1,570,635
Supplies	2,566,413	-	2,566,413
Prepaid expenses	1,304,847	17,568	1,322,415
Total current assets	31,553,541	783,965	32,337,506
Assets Limited as to Use	32,868,141	-	32,868,141
Property and Equipment, Net	74,762,289	1,072,403	75,834,692
Other Assets			
Noncurrent prepaid expenses	793,925	-	793,925
Investment in affiliates	752,371	-	752,371
Deferred financing costs, net	416,225	-	416,225
Goodwill and other intangible assets, net	61,875	-	61,875
Total other assets	2,024,396	-	2,024,396
Total assets	$ 141,208,367	$ 1,856,368	$ 143,064,735

Eliminations	Consolidated
$ -	$ 13,331,501
-	615,000
-	31,275,566
-	(18,344,024)
(754,614)	816,021
-	2,566,413
-	1,322,415
(754,614)	- 31,582,892
-	32,868,141
-	75,834,692
-	793,925
(416,257)	336,114
-	416,225
-	61,875
(416,257)	1,608,139
$ (1,170,871)	$ 141,893,864

	Hospital	ASV	Total
Current Liabilities			
Current maturities of long-term debt	$ 615,000	$ 465,702	$ 1,080,702
Accounts payable			
Trade	2,800,394	147,842	2,948,236
Estimated third-party payor settlements	2,271,888	-	2,271,888
Construction and retainage payables	1,194,510	-	1,194,510
Accrued expenses			
Salaries and wages	1,321,327	57,705	1,379,032
Vacation	2,210,552	21,536	2,232,088
Interest	9,728	-	9,728
Payroll taxes	168,216	7,346	175,562
Other	1,361,815	106,061	1,467,876
Total current liabilities	11,953,430	806,192	12,759,622
Other Long-Term Liabilities	770,000	-	770,000
Long-Term Debt, Less Current Maturities	36,955,000	-	36,955,000
Total liabilities	49,678,430	806,192	50,484,622
Unrestricted Net Assets			
Gerald Champion Regional Medical Center	91,529,937	1,050,176	92,580,113
Noncontrolling interests in ASV	-	-	-
Total unrestricted net assets	91,529,937	1,050,176	92,580,113
Total liabilities and net assets	$ 141,208,367	$ 1,856,368	$ 143,064,735

Eliminations	Consolidated
$ -	$ 1,080,702
(716,557)	2,231,679
-	2,271,888
-	1,194,510
-	1,379,032
-	2,232,088
-	9,728
-	175,562
(38,057)	1,429,819
(754,614)	12,005,008
-	770,000
-	36,955,000
(754,614)	49,730,008
(1,050,176)	91,529,937
633,919	633,919
(416,257)	92,163,856
$ (1,170,871)	$ 141,893,864

	Hospital	ASV	Total
Unrestricted Revenues, Gains, and Other Support			
Patient service revenue (net of contractual adjustments and discounts)	$ 101,643,796	$ 7,460,193	$ 109,103,989
Provision for bad debts	(7,669,284)	-	(7,669,284)
Net patient service revenue less provision for bad debts	93,974,512	7,460,193	101,434,705
Other revenue	2,670,432	198	2,670,630
Total revenues, gains, and other support	96,644,944	7,460,391	104,105,335
Expenses			
Salaries and wages	32,662,521	1,310,881	33,973,402
Employee benefits	7,970,994	534,502	8,505,496
Professional fees and purchased services	19,262,115	871,621	20,133,736
Utilities and maintenance	5,133,211	177,932	5,311,143
Supplies and other	13,560,783	360,109	13,920,892
Insurance	979,658	39,493	1,019,151
Leases and rentals	966,562	610,972	1,577,534
Taxes	184,844	-	184,844
Interest	657,729	42,097	699,826
Depreciation and amortization	7,636,546	254,247	7,890,793
Other	1,685,667	247,526	1,933,193
Total expenses	90,700,630	4,449,380	95,150,010
Operating Income	5,944,314	3,011,011	8,955,325
Other Income (Losses)			
Investment income (loss)	3,766,584	342	3,766,926
Loss on sale of interest rate swaps	(3,281,500)	-	(3,281,500)
Loss on sale of property and equipment	281	-	281
Other income (loss), net	485,365	342	485,707
Revenues in Excess of Expenses	6,429,679	3,011,353	9,441,032
Change in Fair Value of Interest Rate Swaps	2,292,297	-	2,292,297
Contributions for Long-Lived Assets	147,588	-	147,588
Distributions to Shareholders	-	(3,222,376)	(3,222,376)
Sale of ASV Shares to Noncontrolling Shareholders	-	-	-
Increase in Unrestricted Net Assets	8,869,564	(211,023)	8,658,541
Net Assets, Beginning of Year	82,660,373	1,261,199	83,921,572
Net Assets, End of Year	$ 91,529,937	$ 1,050,176	$ 92,580,113

Eliminations	Consolidated
$ (7,460,193)	$ 101,643,796
-	(7,669,284)
(7,460,193)	93,974,512
(456,680)	2,213,950
(7,916,873)	96,188,462
-	33,973,402
-	8,505,496
(7,460,193)	12,673,543
-	5,311,143
-	13,920,892
-	1,019,151
(456,680)	1,120,854
-	184,844
-	699,826
-	7,890,793
-	1,933,193
(7,916,873)	87,233,137
-	8,955,325
(1,189,097)	2,577,829
-	(3,281,500)
-	281
(1,189,097)	(703,390)
(1,189,097)	8,251,935
-	2,292,297
-	147,588
1,319,685	(1,902,691)
27,000	27,000
157,588	8,816,129
(573,845)	83,347,727
$ (416,257)	$ 92,163,856

	2011		
	Inpatient	Outpatient	Total
Patient Service Revenue			
Routine services			
Adults and pediatrics	$ 6,148,800	$ 733,922	$ 6,882,722
Nursery	507,051	960	508,011
	6,655,851	734,882	7,390,733
Ancillary services			
Emergency room	2,191,375	14,194,689	16,386,064
Intensive Care	4,652,585	116,200	4,768,785
Surgical services	10,136,156	18,213,437	28,349,593
Anesthesiology	624,834	2,336,423	2,961,257
Recovery room	1,079,399	740,075	1,819,474
OB/GYN	2,058,232	146,310	2,204,542
Delivery room	1,043,116	220,720	1,263,836
Pharmacy	9,633,914	16,464,898	26,098,812
IV Solutions	2,698,119	4,104,113	6,802,232
Laboratory	10,221,496	34,222,814	44,444,310
Blood bank	628,074	419,564	1,047,638
Central service supplies	1,902,268	2,416,895	4,319,163
Cardiac telemetry	4,089,289	258,127	4,347,416
Cardiopulmonary	4,155,811	1,817,237	5,973,048
Stress testing	18,970	1,478,746	1,497,716
EKG/EEG	1,686,104	4,110,644	5,796,748
Sleep studies	7,243	3,309,274	3,316,517
Physical therapy	1,715,832	73,727	1,789,559
Radiology	1,895,385	8,072,874	9,968,259
CT scan	3,176,897	12,356,740	15,533,637
MRI	983,249	4,359,212	5,342,461
Ultrasound	794,493	4,256,716	5,051,209
Nuclear imaging	231,353	1,407,150	1,638,503
Life transitions	1,261,079	450,535	1,711,614
Other patient revenue	48,411	795,000	843,411
Physician practices	-	11,457,859	11,457,859
	66,933,684	147,799,979	214,733,663
	$ 73,589,535	$ 148,534,861	222,124,396
Charity care			(5,556,965)
Total patient service revenue			216,567,431
Contractual Adjustments			
Medicare			(50,185,001)
Medicaid			(23,562,007)
Blue Cross			(5,515,836)
Other			(34,540,083)
Total contractual adjustments			(113,802,927)
Net Patient Service Revenue			$ 102,764,504

2010		
Inpatient	Outpatient	Total
$ 8,155,827	$ 512,307	$ 8,668,134
534,155	512	534,667
8,689,982	512,819	9,202,801
1,987,857	12,297,265	14,285,122
5,651,677	108,135	5,759,812
11,328,668	17,456,152	28,784,820
740,159	2,172,207	2,912,366
1,373,055	752,180	2,125,235
2,197,647	141,182	2,338,829
1,073,923	205,002	1,278,925
11,208,293	14,729,472	25,937,765
3,079,317	3,784,838	6,864,155
10,360,854	30,240,090	40,600,944
694,438	461,053	1,155,491
2,193,525	2,457,874	4,651,399
4,304,624	218,630	4,523,254
4,398,189	1,635,745	6,033,934
38,112	1,362,163	1,400,275
2,075,041	3,630,052	5,705,093
2,588	3,891,281	3,893,869
1,407,164	35,020	1,442,184
1,961,803	6,081,048	8,042,851
3,149,954	11,065,542	14,215,496
1,215,425	4,318,004	5,533,429
801,952	3,763,166	4,565,118
386,239	1,465,281	1,851,520
32,000	60,150	92,150
51,237	706,534	757,771
-	11,114,460	11,114,460
71,713,741	134,152,526	205,866,267
$ 80,403,723	$ 134,665,345	215,069,068
		(2,792,458)
		212,276,610
		(54,787,039)
		(17,362,240)
		(5,956,950)
		(32,526,585)
		(110,632,814)
		$ 101,643,796