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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 10-01-2010 and ending 09-30-2011

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

CENTRAL GEORGIA HEALTH SYSTEMS INC

Doing Business As

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

691 CHERRY STREET

Room/suite

City or town, state or country, and ZIP + 4

MACON, GA 31201

F Name and address of principal officer

A DONALD FAULK JR

691 CHERRY STREET SUITE 400

MACON, GA 31201

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.MCCG.ORG

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1994

M State of legal domicile

GA

Part I	Summary																								
Activities & Governance	<div><div>1</div><div>Briefly describe the organization's mission or most significant activities</div><div>CENTRAL GEORGIA HEALTH SYSTEMS, INC IS A NONPROFIT CORPORATION WHOSE PRIMARY PURPOSE IS TO SERVE AS A PARENT CORPORATION PROVIDING STRATEGIC DIRECTION TO THE MEDICAL CENTER OF CENTRAL GEORGIA, INC AND OTHER AFFILIATES IN SUPPORT OF THEIR MISSION OF PROVIDING A COMPREHENSIVE RANGE OF HIGH-QUALITY, REASONABLY PRICED HEALTH CARE SERVICES TO THE CENTRAL GEORGIA COMMUNITY</div></div>																								
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Part II

Signature Block

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

Sign Here

Signature of officer

RHONDA S PERRY CFO

Date

2012-08-14

Print/Type preparer's name

W Edward Phillips

Preparer's signature

W Edward Phillips

Date

Check if self-employed

PTIN

Firm's name

Firm's EIN

Firm's address

Phone no

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2010)

Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III ☐ Yes ☒ No

1

Briefly describe the organization's mission

CENTRAL GEORGIA HEALTH SYSTEMS, INC (CGHS) PRIMARY PURPOSE IS TO SERVE AS A CONTROLLING BODY FOR THE MEDICAL CENTER OF CENTRAL GEORGIA, INC , HEALTH SERVICES OF CENTRAL GEORGIA, INC , CENTRAL GEORGIA SENIOR HEALTH, INC AND MEDCEN COMMUNITY HEALTH FOUNDATION, INC AND OTHER AFFILIATED ENTITIES IN SUPPORT OF THEIR MISSION TO PROVIDE HEALTHCARE SERVICES IN CENTRAL GEORGIA

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 \$ 13,985,127 including grants of \$ 62,400) (Revenue \$ 19,902,726)

CENTRAL GEORGIA HEALTH SYSTEMS, INC ("CGHS") PRIMARY PURPOSE IS TO SERVE AS A CONTROLLING BODY FOR THE MEDICAL CENTER OF CENTRAL GEORGIA, INC , HEALTH SERVICES OF CENTRAL GEORGIA, INC , CENTRAL GEORGIA SENIOR HEALTH, INC AND MEDCEN COMMUNITY HEALTH FOUNDATION, INC AND OTHER AFFILIATED ENTITIES AND TO PROVIDE STRATEGIC DIRECTION, FINANCIAL MANAGEMENT, RESOURCE ALLOCATION AND OTHER SUPPORT TO ITS AFFILIATES IN THE PROVISION OF HEALTHCARE SERVICES TO THE CENTRAL GEORGIA COMMUNITY

4b

(Code) (Expenses \$ 12,796,147 including grants of \$) (Revenue \$ 16,397,353)

CENTRAL GEORGIA HEALTH SYSTEMS, INC OPERATES CENTRAL GEORGIA REHABILITATION HOSPITAL, LLC, THE FIRST REHABILITATION FACILITY ESTABLISHED IN CENTRAL GEORGIA AND ONE OF TWO FREE-STANDING REHABILITATION HOSPITALS IN THE STATE THE REHABILITATION HOSPITAL PROVIDES COMPREHENSIVE PHYSICAL REHABILITATION SERVICES ON AN INPATIENT AND OUTPATIENT BASIS IT IS LICENSED FOR 58 BEDS

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 \$ 26,781,274

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)? <i>If "Yes," complete Schedule A.</i> 	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?		No
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i>		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? <i>If "Yes," complete Schedule C, Part II.</i> 	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i>		
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? <i>If "Yes," complete Schedule D, Part I.</i>		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? <i>If "Yes," complete Schedule D, Part II.</i>		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i>		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? <i>If "Yes," complete Schedule D, Part IV.</i>		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i>		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	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? <i>If "Yes," complete Schedule D, Part VII.</i>		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? <i>If "Yes," complete Schedule D, Part VIII.</i> 	Yes	
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? <i>If "Yes," complete Schedule D, Part IX.</i> 	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i>		No
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)? <i>If "Yes," complete Schedule D, Part X.</i> 	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	Yes	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?		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? <i>If "Yes," complete Schedule F, Parts I and IV.</i>		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 ? <i>If "Yes," complete Schedule F, Parts II and IV.</i>		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 ? <i>If "Yes," complete Schedule F, Parts III and IV.</i>		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? <i>If "Yes," complete Schedule G, Part I (see instructions).</i>		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? <i>If "Yes," complete Schedule G, Part II.</i>		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	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).	Yes	

Part IV

Checklist of Required Schedules (continued)

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

<div>Part V</div> <div>Statements Regarding Other IRS Filings and Tax Compliance</div> <div>Check if Schedule O contains a response to any question in this Part V</div>			Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a0		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return.	2a423		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	Yes	
b	If "Yes," enter the name of the foreign country: CJ 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	7	
b	Enter the number of voting members included in line 1a, above, who are independent	1b	5	
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		No
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		No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a		No
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	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

Section B. Policies

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

			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	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	GA
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> 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.	RHONDA S PERRY 777 HEMLOCK STREET MACON, GA 31201 (478) 633-1452

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) KIM W JOHNSTON MD DIR/VICE CHAIR	1	X						0	0	0
(2) CONNIE CATER DIRECTOR	1	X						0	0	0
(3) HENRY KOPLIN DIRECTOR	1	X						0	0	0
(4) JAMES TIMOTHY JACKSON DIRECTOR	1	X						0	0	0
(5) JOAN WALTON DIRECTOR	1	X						0	0	0
(6) RUTH KNOX DIRECTOR	1	X						0	0	0
(7) STARR PURDUE DIRECTOR	1	X						0	0	0
(8) A DONALD FAULK JR PRESIDENT/CEO	40			X				7,940,312	0	61,400
(9) KENNETH B BANKS GEN COUNSEL/SEC	40			X				404,251	0	411,427
(10) RHONDA S PERRY SR VP/TREASURER	40			X				552,478	0	1,681,095
(11) ELBERT T MCQUEEN PRESIDENT/CEO	40				X			276,123	0	28,316
(12) HARRIS BRYAN FORLINES DIR REIMBURSEMENT	40					X		142,180	0	16,035
(13) KAREN M FARR AVP FINANCIAL SERVICES	40					X		181,727	0	28,091
(14) KATHERINE L BOWEN AVP FIN PLANNING BUDGET	40					X		174,749	0	24,432
(15) TRACY GRAY DIR APPLICATION SYSTEMS	40					X		168,350	0	14,771
(16) LORI W CASSIDY AVP HUMAN RESOURCES	40					X		211,734	0	31,224

Part VII

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b	Sub-Total									
c	Total from continuation sheets to Part VII, Section A									
d	Total (add lines 1b and 1c)							10,051,904	0	2,296,792

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: 32

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
KING AND SPALDING P O BOX 116133 ATLANTA, GA 303686133	LEGAL SERVICES	788,743
KAUFMAN HALL 5202 OLD ORCHARD RD ST N700 SKOKIE, IL 60077	CONSULTING SERVICES	240,000
MUNDER CAPITAL 480 PIERCE ST BIRMINGHAM, MI 48009	INVESTMENT MANAGEMENT SERVICE	186,076
DIXON HUGHES PLLC P O BOX 3049 ASHEVILLE, NC 288023049	AUDIT SERVICES	157,820
DAVITA 5200 VIRGINIA WAY BRENTWOOD, TN 37024	DIALYSIS SERVICES	150,456

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 11

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		0				
	b	Membership dues	1b						
	c	Fundraising events	1c						
	d	Related organizations	1d						
	e	Government grants (contributions)	1e						
	f	All other contributions, gifts, grants, and similar amounts not included above	1f						
	g	Noncash contributions included in lines 1a-1f \$							
	h	Total. Add lines 1a-1f							
	Program Service Revenue	2a	Business Code						15,291,083
MEDICARE MEDICAID REVENUE			621990						
b		PATIENT REVENUE			621990				
c		REBATE REVENUE			621990				
d		CAFETERIA SALES			621990				
e		SUPPORT REVENUE			541200				
f		All other program service revenue							
g		Total. Add lines 2a-2f			26,173				
			36,232,984						
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)			1,536			1,536	
	4	Income from investment of tax-exempt bond proceeds . . .			0				
	5	Royalties			0				
	6a	(i) Real			0				
		(ii) Personal							
	b	Less rental expenses							
	c	Rental income or (loss)			0				
	d	Net rental income or (loss)			0				
	7a	(i) Securities			-3,932			-3,932	
									943
		(ii) Other							4,875
									-3,932
	b	Less cost or other basis and sales expenses							
	c	Gain or (loss)			0				
	d	Net gain or (loss)			-3,932				
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18			0				
	a								
	b	Less direct expenses							
c	Net income or (loss) from fundraising events . . .			0					
9a	Gross income from gaming activities See Part IV, line 19 . . .			0					
a									
b	Less direct expenses								
c	Net income or (loss) from gaming activities . . .			0					
10a	Gross sales of inventory, less returns and allowances			0					
a									
b	Less cost of goods sold								
c	Net income or (loss) from sales of inventory . . .			0					
Miscellaneous Revenue				Business Code	4,864,423	67,095		4,797,328	
11a	PARTNERSHIP INVESTMENTS								
b									
c									
d	All other revenue			0					
e	Total. Add lines 11a-11d			4,864,423					
12	Total revenue. See Instructions			41,095,011	36,139,764	160,315	4,794,932		

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	62,400	62,400		
2	Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	2,322,548		2,322,548	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	19,520,303	16,512,927	3,007,376	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	947,342	947,342		
9	Other employee benefits	3,265,463	2,514,065	751,398	
10	Payroll taxes	1,634,482	1,208,242	426,240	
a	Fees for services (non-employees) Management	0			
b	Legal	1,661,914		1,661,914	
c	Accounting	460,177		460,177	
d	Lobbying	230		230	
e	Professional fundraising services See Part IV, line 17	0			
f	Investment management fees	736,660		736,660	
g	Other	1,955,761	1,202,436	753,325	
12	Advertising and promotion	103,630	103,574	56	
13	Office expenses	1,236,353	1,192,661	43,692	
14	Information technology	8,521	6,425	2,096	
15	Royalties	0			
16	Occupancy	490,238	407,544	82,694	
17	Travel	176,828	128,381	48,447	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	674	215	459	
20	Interest	0			
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	90,961	77,264	13,697	
23	Insurance	791,874	206,795	585,079	
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	EQUIPMENT RENTAL & MAINT	1,791,326	1,778,948	12,378	
b	TAXES & LICENSES	297,070	64,898	232,172	
c	BAD DEBTS	191,855	191,855		
d	GIFTS/ ENTERTAINMENT & AWARDS	61,905	61,465	440	
e	DUES & SUBSCRIPTIONS	41,064	5,481	35,583	
f	All other expenses	171,863	108,356	63,507	0
25	Total functional expenses. Add lines 1 through 24f	38,021,442	26,781,274	11,240,168	0
26	Joint costs. Check here <input checked="" type="checkbox"/> 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	0			

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			1,030,485	1	3,372,305
	2	Savings and temporary cash investments				2	
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			2,031,261	4	2,236,745
	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			93,934	8	93,770
	9	Prepaid expenses and deferred charges			668,718	9	129,198
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a	1,933,197			
	b	Less: accumulated depreciation	10b	1,517,307	463,467	10c	415,890
	11	Investments—publicly traded securities				11	
	12	Investments—other securities. See Part IV, line 11			0	12	0
	13	Investments—program-related. See Part IV, line 11			26,362,402	13	26,425,270
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			9,072,600	15	9,356,265
16	Total assets. Add lines 1 through 15 (must equal line 34)			39,722,867	16	42,029,443	
Liabilities	17	Accounts payable and accrued expenses			1,166,997	17	854,516
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities				20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties				23	
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities. Complete Part X of Schedule D			0	25	0
	26	Total liabilities. Add lines 17 through 25			1,166,997	26	854,516
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			38,555,870	27	41,174,927
	28	Temporarily restricted net assets				28	
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> 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			38,555,870	33	41,174,927
	34	Total liabilities and net assets/fund balances			39,722,867	34	42,029,443

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	41,095,011
2	Total expenses (must equal Part IX, column (A), line 25)	2	38,021,442
3	Revenue less expenses Subtract line 2 from line 1	3	3,073,569
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	38,555,870
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-454,512
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	41,174,927

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 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input checked="" type="checkbox"/> Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury

Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization CENTRAL GEORGIA HEALTH SYSTEMS INC	Employer identification number 58-2149127
--	--

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3

☐

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state

5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)

8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10

☐

An organization organized and operated exclusively to test for public safety See**section 509(a)(4).**

11

☒

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a

☐

Type I

b

☐

Type II

c

☒

Type III - Functionally integrated

d

☐

Type III - Other

e

☒

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box

g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support
			Yes	No	Yes	No	Yes	No	
(A) MEDICAL CENTER OF CENTRAL GEORGIA	582149128	3	Yes		Yes		Yes		0
Total									0

Part II

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

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

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

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

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

Part III

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

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

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

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

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2010. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization 		
b 33 1/3% support tests—2009. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization 		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions 		

Part IV

Supplemental Information. Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Explanation
AMOUNT OF SUPPORT, SCHEDULE A, PART IH(VII), CENTRAL GEORGIA HEALTH SYSTEMS, INC IS THE FUNCTIONALLY INTERGRATED PARENT ENTITY OF THE MEDICAL CENTER OF CENTRAL GEORGIA, INC CGHS IS RESPONSIBLE FOR STRATEGIC PLANNING, FINANCIAL MANAGEMENT AND RESOURCE ALLOCATION FOR MCCG AND ITS AFFILIATED ENTITIES ,

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization CENTRAL GEORGIA HEALTH SYSTEMS INC	Employer identification number 58-2149127
--	--

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization’s direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$ _____
3	Volunteer hours	_____

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$ _____
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$ _____
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If “Yes,” describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$ _____
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities	▶ \$ _____
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$ _____
4	Did the filing organization file Form 1120-POL for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization’s funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

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

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

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

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

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		230
	j Total lines 1c through 1i			230
	2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b If "Yes," enter the amount of any tax incurred under section 4912				
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912				
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?				

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
Description of other lobbying activities	Schedule C, Part II-B, Line 1i	LOBBYING EXPENSES FOR DUES PAID TO THE GEORGIA CHAMBER OF COMMERCE

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
CENTRAL GEORGIA HEALTH SYSTEMS INC

Employer identification number
58-2149127

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?	
	<div><input type="checkbox"/> Yes</div> <div><input type="checkbox"/> No</div>	
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	
	<div><input type="checkbox"/> Yes</div> <div><input type="checkbox"/> No</div>	

Part II

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

1

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

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

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes

☐ No

6

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

7

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

8

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

☐ Yes

☐ No

9

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

Part III

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

1a

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

b

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

(i)

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

(ii)

Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2010

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

3 Using the organization’s accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- ☐ Public exhibition

☐ Loan or exchange programs
- ☐ Scholarly research

☐ Other
- ☐ Preservation for future generations

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

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

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

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

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

	Amount
1c	
1d	
1e	
1f	

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

b If "Yes," explain the arrangement in Part XIV

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

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

2 Provide the estimated percentage of the year end balance held as

- Board designated or quasi-endowment ▶
- Permanent endowment ▶
- 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				0
b Buildings				0
c Leasehold improvements				0
d Equipment		1,933,197	1,517,307	415,890
e Other				0
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				415,890

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	41,095,011
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	38,021,442
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	3,073,569
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-453,569
9	Total adjustments (net) Add lines 4 - 8	9	-453,569
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	2,620,000

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	16,261,000
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	0
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	16,261,000
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	736,660
b	Other (Describe in Part XIV)	4b	24,097,351
c	Add lines 4a and 4b	4c	24,834,011
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	41,095,011

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	17,888,000
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	0
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	17,888,000
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	736,660
b	Other (Describe in Part XIV)	4b	19,396,782
c	Add lines 4a and 4b	4c	20,133,442
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	38,021,442

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
FIN 48 (ASC 740) footnote	Schedule D, Part X, Line 2	CGHS AND ITS AFFILIATES HAVE EVALUATED THEIR TAX POSITIONS AND HAVE DETERMINED THAT THEY DO NOT HAVE ANY MATERIAL UNRECOGNIZED TAX BENEFITS OR OBLIGATIONS AS OF SEPTEMBER 30, 2011. FISCAL YEARS ENDING ON OR AFTER SEPTEMBER 30, 2008 REMAIN SUBJECT TO EXAMINATION BY FEDERAL AND STATE TAX AUTHORITIES.

SCHEDULE H
(Form 990)

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

Department of the Treasury
Internal Revenue Service

Name of the organization
CENTRAL GEORGIA HEALTH SYSTEMS INC

Employer identification number
58-2149127

Part IFinancial Assistance and Certain Other Community Benefits at Cost

1a

Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a

1a

Yes

b

If "Yes," is it a written policy?

1b

Yes

2

If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year

☒ Applied uniformly to all hospitals

☐ Applied uniformly to most hospitals

☐ Generally tailored to individual hospitals

3

Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year

a

Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care

☐ 100%

☐ 150%

☐ 200%

☒ Other 1.25 %

b

Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care

☒ 200%

☐ 250%

☐ 300%

☐ 350%

☐ 400%

☐ Other _____ %

c

If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care

4

Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?

4

Yes

5a

Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?

5a

Yes

b

If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?

5b

No

c

If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?

5c

6a

Does the organization prepare a community benefit report during the tax year?

6a

Yes

6b

If "Yes," did the organization make it available to the public?

6b

Yes

Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H

7Financial 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)			494,147	0	494,147	1 300 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			205,384	0	205,384	0 540 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)			0	0	0	0 %
d Total Financial Assistance and Means-Tested Government Programs	0	0	699,531	0	699,531	1 840 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			0	0	0	0 %
f Health professions education (from Worksheet 5)			0	0	0	0 %
g Subsidized health services (from Worksheet 6)			0	0	0	0 %
h Research (from Worksheet 7)			0	0	0	0 %
i Cash and in-kind contributions to community groups (from Worksheet 8)			0	0	0	0 %
j Total Other Benefits	0	0	0	0	0	0 %
k Total. Add lines 7d and 7j	0	0	699,531	0	699,531	1 840 %

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

Cat No 50192T

Schedule H (Form 990) 2010

Part IICommunity Building Activities

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

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	
2	Enter the amount of the organization's bad debt expense (at cost)	2	91,745
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	0
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	12,741,260
6	Enter Medicare allowable costs of care relating to payments on line 5	6	10,111,123
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	2,630,137
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.		
<input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

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

Part IVManagement Companies and Joint Ventures

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

Schedule H (Form 990) 2010

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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

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

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

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
Community benefit report prepared by related organization	Schedule H, Part I, Line 6a	MEDICAL CENTER OF CENTRAL GEORGIA

Identifier	ReturnReference	Explanation
Bad Debt Expense excluded from financial assistance calculation	Schedule H, Part I, Line 7, column(f)	0

Identifier	ReturnReference	Explanation
Costing Methodology used to calculate financial assistance	Schedule H, Part I, Line 7	COST TO CHARGE RATIO FROM WORKSHEET 2 LOSS ON MEDICAID IS ACTUAL HOSPITAL TAXES PAID FROM GENERAL LEDGER HOSPITAL NOT ELIGIBLE TO PARTICIPATE IN GEORGIA MEDICAID PROGRAM DUE TO CURRENT RULES RELATED TO REHABILITATION HOSPITAL PARTICIPATION

Identifier	ReturnReference	Explanation
Bad debt expense - financial statement footnote	Schedule H, Part III, Line 4	THE COSTING METHODOLOGY USED IN DETERMINING THE AMOUNT REPORTED ON LINE 7 IS THE COST TO CHARGE RATIO CALCULATED PURSUANT TO THE IRS FORM 990 SCHEDULE H WORKSHEET 2 INSTRUCTIONS FOR THE SINGLE MEMBER LIMITED LIABILITY COMPANY THAT OPERATES THE REHAB FACILITY

Identifier	ReturnReference	Explanation
Collection practices for patients eligible for financial assistance	Schedule H, Part III, Line 9b	ONCE A PATIENT IS DETERMINED TO QUALIFY FOR CHARITY CARE, IT IS NOTED IN THE PATIENT'S FINANCIAL CHART AND ANY COLLECTION EFFORTS CEASE THE CONTROLLER OF THE ORGANIZATION REVIEWS THE FINANCIAL ACTIVITY ON OTHER ACCOUNTS TO DETERMINE IF THE ACCOUNT SHOULD BE TURNED OVER TO OUTSIDE COLLECTIONS IF A PATIENT ACCOUNT TURNED OVER TO COLLECTIONS IS LATER DETERMINED TO QUALIFY AS CHARITY CARE, THE ACCOUNT IS BROUGHT BACK FROM COLLECTIONS AND THE ACCOUNT WRITTEN OFF

Identifier	ReturnReference	Explanation
Needs assessment	Schedule H, Part VI, Line 2	WE HAVE NOT YET PERFORMED A COMMUNITY HEALTH ASSESSMENT WE DO WORK WITH COMMUNITY HEALTH WORKS (A REGIONAL HEALTH PROMOTION ORGANIZATION) TO IMPROVE THE HEALTH IN THE REGION

Identifier	ReturnReference	Explanation
Patient education of eligibility for assistance	Schedule H, Part VI, Line 3	PATIENTS ARE INFORMED OF AVAILABLE ASSISTANCE BY THE FOLLOWING METHOD THE CGRH BUSINESS OFFICE LIAISON OR DESIGNATED PATIENT ACCOUNT REPRESENTATIVE (PAR) WILL INTERVIEW PATIENTS WHO HAVE LITTLE OR NO THIRD PARTY COVERAGE AND WILL REQUEST DOCUMENTS TO SUPPORT THEIR NEED VIA A FINANCIAL DISCLOSURE FORM THE FINANCIAL DISCLOSURE FORM WILL ASCERTAIN MONTHLY BILLS AND ASSETS IN THE DETERMINATION OF PATIENT ABILITY TO PAY

Identifier	ReturnReference	Explanation
Community information	Schedule H, Part VI, Line 4	THE PRIMARY SERVICE AREA IS BIBB, CRAWFORD, HOUSTON, JONES, MONROE, PEACH AND TWIGGS COUNTIES. THERE ARE TWENTY-ONE COUNTIES IN THE SECONDARY SERVICE AREA. THE CURRENT POPULATION IN THE PRIMARY SERVICE AREA IS 406,725 AND THE SECONDARY SERVICE AREA HAS A POPULATION OF 389,460.

Identifier	ReturnReference	Explanation
Promotion of community health	Schedule H, Part VI, Line 5	THE ORGANIZATION IS PART OF A MULTI ENTITY HOSPITAL SYSTEM THAT PROVIDES MEDICAL SERVICES TO THE COMMUNITY THE ORGANIZATION HAS A BOARD COMPRISED OF MEMBERS OF THE COMMUNITY ANY SURPLUS FUNDS ARE USED FOR PROGRAM SERVICES AN EMERGENCY ROOM OPEN 24/7/365 IS AVAILABLE AT OUR SISTER ORGANIZATION, THE MEDICAL CENTER OF CENTRAL GEORGIA, ONE OF 5 LEVEL 1 TRAUMA CENTER'S IN THE STATE OF GEORGIA

Identifier	ReturnReference	Explanation
Affiliated health care system	Schedule H, Part VI, Line 6	PART VI, LINE 7 THE ORGANIZATION IS PART OF CENTRAL GEORGIA HEALTH SYSTEMS, INC , A MULTI-ENTITY HEALTHCARE SYSTEM OTHER ORGANIZATIONS IN THE SYSTEM INCLUDE MEDICAL CENTER OF CENTRAL GEORGIA, INC - A 637 BED HOSPITAL FACILITY THAT IS DESIGNATED AS A LEVEL 1 TRAUMA CENTER AND MAGNET HOSPITAL FOR NURSING HEALTH SERVICES OF CENTRAL GEORGIA, INC - PROVIDES FACULTY PHYSICIANS TO THE RESIDENCY TRAINING PROGRAMS OF THE MEDICAL CENTER OF CENTRAL GEORGIA AS WELL AS OTHER PHYSICIANS, NURSE PRACTITIONERS, AND PHYSICIAN ASSISTANTS CENTRAL GEORGIA SENIOR HEALTH, INC - A CONTINUING CARE RETIREMENT COMMUNITY (CCRC) OFFERS INDEPENDENT LIVING, ASSISTED LIVING, MEMORY SUPPORT AND SKILLED NURSING MEDCEN FOUNDATION, INC -PROVIDES FUNDRAISING AND SUPPORT FOR CENTRAL GEORGIA HEALTH SYSTEMS, INC AND ITS AFFILIATES

Identifier	ReturnReference	Explanation
State filing of community benefit report	Schedule H, Part VI, Line 7	GA

Identifier	ReturnReference	Explanation
FEDERAL POVERTY GUIDELINES	PART I, LINE 3C	TOTAL GROSS INCOME FOR THE PREVIOUS THREE MONTHS WILL BE USED TO DETERMINE ANNUAL INCOME PATIENT CLASSIFICATIONS WILL BE DETERMINED IN ACCORDANCE WITH THE MCCG SLIDING SCALE FOR INDIGENT/CHARITY PATIENTS THIS SCALE HAS BEEN ADOPTED BY CGRH AND WAS BASED ON THE MOST RECENTLY PUBLISHED FEDERAL POVERTY GUIDELINES

Identifier	ReturnReference	Explanation
RELATED ORGANIZATION	PART I, LINE 6A	THE COMMUNITY BENEFIT INFORMATION FOR CENTRAL GEORGIA REHABILITATION HOSPITAL, INC IS INCLUDED IN THE MEDICAL CENTER OF CENTRAL GEORGIA'S ANNUAL REPORT TO THE COMMUNITY

Identifier	ReturnReference	Explanation
COST TO CHARGE RATIO	PART I, LINE 7	THE COSTING METHODOLOGY USED IN DETERMINING THE AMOUNT REPORTED ON LINE 7 IS THE COST TO CHARGE RATIO CALCULATED PURSUANT TO THE IRS FORM 990 SCHEDULE H WORKSHEET 2 INSTRUCTIONS

Identifier	ReturnReference	Explanation
BAD DEBT	PART I, LINE 7F	BAD DEBT EXPENSE IN THE AMOUNT OF \$96,427 HAS BEEN REMOVED FROM TOTAL EXPENSE

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
CENTRAL GEORGIA HEALTH SYSTEMS INC

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

Employer identification number
58-2149127

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) AMERICAN CANCER SOCIETYPO BOX 4406 MACON,GA 31208	58-0659875	501(C)(3)	6,400				TO PROMOTE CANCER AWARENESS
(2) EDUCATION FIRST577 MULBERRY ST SUITE 1030 MACON,GA 31201	31-1815650	501(C)(3)	6,000				CHILDREN EDUCATION AND RECOGNITION
(3) SUSAN G KOMEN BREAST CANCER INC248 TOM HILL SR BLVD MACON,GA 31210	75-2881536	501(C)(3)	10,000				RACE FOR THE CURE- BREAST CANCER AWARENESS
(4) COMMUNITY HEALTH WORKS300 MULBERRY ST STE 603 MACON,GA 31201	58-2624455	501 (C)(3)	40,000				CONTINUING ED , CHILDHOOD OBESITY & TRAINING

2

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

4

3

Enter total number of other organizations

0

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
Procedures for monitoring use of grant funds	Schedule I, Part I, Line 2	CGHS REQUIRES ALL ORGANIZATIONS THAT RECEIVE SPONSORSHIPS TO PROVIDE PROOF OF THEIR NON PROFIT STATUS

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization CENTRAL GEORGIA HEALTH SYSTEMS INC	Employer identification number 58-2149127
--	--

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div> <div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain	1b	
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		
	<div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div> <div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	4a	No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a	The organization?	5a	No
b	Any related organization?	5b	No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?	6a	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 accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9	

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) A DONALD FAULK JR	(i) (ii)	705,046 0	210,066 0	7,025,200 0	50,716 0	10,684 0	8,001,712 0	 0
(2) KENNETH B BANKS	(i) (ii)	300,047 0	62,041 0	42,163 0	397,030 0	14,397 0	815,678 0	 0
(3) RHONDA S PERRY	(i) (ii)	413,105 0	111,218 0	28,155 0	1,676,164 0	4,931 0	2,233,573 0	 0
(4) ELBERT T MCQUEEN	(i) (ii)	206,284 0	48,800 0	21,039 0	20,196 0	8,120 0	304,439 0	 0
(5) HARRIS BRYAN FORLINES	(i) (ii)	121,659 0	15,245 0	5,276 0	7,673 0	8,362 0	158,215 0	 0
(6) KAREN M FARR	(i) (ii)	158,833 0	22,463 0	431 0	27,509 0	582 0	209,818 0	 0
(7) KATHERINE L BOWEN	(i) (ii)	153,173 0	21,539 0	37 0	13,191 0	11,241 0	199,181 0	 0
(8) TRACY GRAY	(i) (ii)	142,233 0	17,771 0	8,346 0	11,403 0	3,368 0	183,121 0	 0
(9) LORI W CASSIDY	(i) (ii)	180,176 0	22,735 0	8,823 0	22,862 0	8,362 0	242,958 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
Supplemental nonqualified retirement plan	Schedule J, Part I, Line 4b	EMPLOYER PAYMENT FROM 457(F) EXECUTIVE SUPPLEMENTAL RETIREMENT PLAN DON FAULK \$6,945,614. MCCG HAD A SUPPLEMENTAL EXECUTIVE BENEFIT PROGRAM ("SEBP") FOR CERTAIN EXECUTIVES THAT WAS DESIGNED AS A LOAN REGIME SPLIT DOLLAR LIFE INSURANCE PROGRAM. THIS PROGRAM WAS EXPECTED TO PROVIDE DEATH AND OTHER BENEFITS TO EXECUTIVES AND TO PROVIDE REPAYMENT OF LIFE INSURANCE PREMIUMS TO THE ORGANIZATION. AS A RESULT OF ECONOMIC CONDITIONS, THE LIFE INSURANCE POLICIES DID NOT PERFORM AS ANTICIPATED. DURING 2009, MCCG DETERMINED THAT IT WOULD SUSPEND ALL PREMIUM PAYMENTS AND REEVALUATE THE EFFECTIVENESS OF THE PROGRAM FOR ALL CURRENT PARTICIPANTS. DURING CALENDAR YEAR 2009, THE MCCG BOARD OF DIRECTORS, AFTER CONSULTATION WITH COMPENSATION AND LEGAL ADVISERS, ADOPTED A RESOLUTION TO MAKE PAYMENTS TO THE RETIRED PARTICIPANTS IN THE SEBP. IN CONSIDERATION FOR THE RECEIPT OF SUCH PAYMENT, THE RETIRED EXECUTIVES SURRENDERED SUBSTANTIALLY ALL RIGHTS AND BENEFITS (OTHER THAN A SMALL DEATH BENEFIT) UNDER THE SEBP TO THE ORGANIZATION. SUBSEQUENTLY, A SIMILAR DECISION WAS MADE FOR THE CURRENT (EMPLOYED) PARTICIPANTS WITH ANY PAYMENTS TO BE MADE DEPENDENT ON THE INDIVIDUAL CONTINUING TO PROVIDE SUBSTANTIAL SERVICES TO A SPECIFIED FUTURE DATE. IN ADDITION, MCCG AND ITS AFFILIATED ORGANIZATIONS ADOPTED A SERP PROGRAM FOR CERTAIN EXECUTIVES EFFECTIVE FOR SERVICES RENDERED ON OR AFTER JANUARY 1, 2010. THIS PROGRAM PROVIDES FOR ANNUAL ACCOUNT VESTING IF THE PARTICIPANT IS EMPLOYED ON DECEMBER 31 OF THE THIRD YEAR AFTER THE ACCOUNT IS CREATED. THE BENEFIT EQUALS THE ANNUAL INCREASE IN THE PRESENT VALUE OF A LIFETIME ANNUITY PAYABLE COMMENCING AT A SPECIFIED TARGETED FUTURE DATE. THE ANNUITY IS EQUAL TO 60% OF FINAL AVERAGE EARNINGS LESS (1) THE EXPECTED ANNUAL SEBP PAYMENT USED IN CALCULATING THE SEBP LUMP SUM PAYMENT, (2) THE ANNUAL BENEFIT PROVIDED UNDER THE DEFINED BENEFIT PLAN, AND (3) 100% OF THE PARTICIPANT'S SOCIAL SECURITY BENEFIT. AN ACTUARIAL CALCULATION HAS NOT YET BEEN MADE FOR THESE BENEFITS.
Non-fixed payments	Schedule J, Part I, Line 7	THIS PROGRAM IS ADMINISTERED BY THE CEO. A BUDGET FOR THE PROGRAM IS ESTABLISHED FOR REWARD AND RECOGNITION OF EXECUTIVES AND ORGANIZATIONAL LEADERS WHO GO ABOVE AND BEYOND THE SCOPE OF THEIR RESPONSIBILITIES. FOR EXAMPLE, THEY MAY COMPLETE A PROJECT, LEAD AN ORGANIZATIONAL INITIATIVE, OR EXCEL IN AN AREA THAT REPRESENTS EXCELLENCE UNDER ONE OF OUR ORGANIZATIONAL PILLARS - QUALITY, SERVICE EXCELLENCE, OUR PEOPLE, GROWTH, FINANCIAL PERFORMANCE. NEAR THE END OF THE FISCAL YEAR, NOMINATIONS ARE SOLICITED FROM THE LEADERSHIP TEAM. A PROPOSED FOR ALLOCATION OF THE AWARD IS DEVELOPED AND PRESENTED TO THE HR COMMITTEE OF THE BOARD FOR REVIEW, DISCUSSION, AND APPROVAL (PRIOR TO DISTRIBUTION). IN ADDITION, A MANAGEMENT INCENTIVE PLAN IS OFFERED TO CERTAIN KEY MEMBERS OF MANAGEMENT TO REWARD QUALITY PATIENT CARE AND OPTIMUM UTILIZATION OF FINANCIAL RESOURCES. ELIGIBILITY TO PARTICIPATE IN THE PLAN IS DEPENDENT ON RECOMMENDATIONS BY THE ASSISTANT VICE PRESIDENT OF HUMAN RESOURCES AND THE CEO OF CENTRAL GEORGIA HEALTH SYSTEMS. AN INCENTIVE COMMITTEE SELECTS THE PARTICIPANTS WHO MUST HOLD DIRECTOR OR ASSISTANT VICE PRESIDENT POSITIONS. THRESHOLD PERFORMANCE LEVELS FOR THE SYSTEM AND INDIVIDUAL PERFORMANCE GOALS MUST BE MET TO RECEIVE AN INCENTIVE. NET OPERATING MARGIN IS USED AS A CIRCUIT BREAKER TO PREVENT ANY PAYMENTS IF FINANCIAL PERFORMANCE IS BELOW AN ESTABLISHED THRESHOLD IN ORDER TO PROTECT THE FINANCIAL INTEGRITY OF THE SYSTEM. FINALLY, AN INCENTIVE OF UP TO \$500 IS OFFERED TO OTHER PERMANENT AND PART-TIME EMPLOYEES NOT ELIGIBLE FOR THE MANAGEMENT INCENTIVE PLAN (WITH CERTAIN OTHER PARTICIPATION RESTRICTIONS RELATED PRIMARILY TO ACTIVE STATUS, PROBATIONARY STATUS, ETC.).

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
CENTRAL GEORGIA HEALTH SYSTEMS INC

Employer identification number
58-2149127

Identifier	Return Reference	Explanation
Review of form 990 by governing body	Form 990, Part VI, Section B, Line 11a	THE FORM 990 WAS PREPARED BY HOSPITAL PERSONNEL FROM INFORMATION PROVIDED BY MANAGEMENT AND FROM AUDITED FINANCIAL STATEMENTS (AUDITED BY AN INDEPENDENT ACCOUNTANT) IT IS REVIEWED BY OUR OUTSIDE TAX ADVISOR (ANOTHER INDEPENDENT CPA) AND BY MANAGEMENT OF CENTRAL GEORGIA HEALTH SYSTEMS A COPY OF THE FORM 990 WAS PROVIDED TO EACH BOARD MEMBER PRIOR TO FILING THE RETURN WITH THE INTERNAL REVENUE SERVICE

Identifier	Return Reference	Explanation
Conflict of interest policy	Form 990, Part VI, Section B, Line 12c	THE DEPARTMENT OF AUDIT AND COMPLIANCE ISSUES COL DISCLOSURE FORMS ANNUALLY TO OUR BOARD MEMBERS, ADMINISTRATION AND DIRECTORS. AUDIT AND COMPLIANCE RECEIVES, REVIEWS AND DOCUMENTS ALL POTENTIAL CONFLICTS (PERCEIVED AND REAL). THE RESULTS ARE TAKEN TO THE COMPLIANCE COMMITTEE WHERE THE REAL CONFLICTS OF INTEREST ARE DISCUSSED AND A PLAN FOR CORRECTIVE ACTION IS DEVELOPED. THE CORRECTIVE ACTION RECOMMENDATIONS ARE TAKEN TO THE VARIOUS BOARDS AND ADMINISTRATION FOR IMPLEMENTATION. ANY TIME A CHANGE IN A RELATIONSHIP OR NEW POTENTIAL CONFLICT EVOLVES, THE INDIVIDUAL MUST AMEND THEIR COI DISCLOSURE FORM.

Identifier	Return Reference	Explanation
Process used to establish compensation of top management official	Form 990, Part VI, Section B, Line 15a	THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS ENGAGES AN EXECUTIVE CONSULTING FIRM EVERY 2-3 YEARS TO REVIEW AND PROVIDE RECOMMENDATIONS REGARDING TOTAL COMPENSATION AND BENEFITS FOR THE EXECUTIVE LEADERSHIP TEAM. BASE COMPENSATION, INCENTIVE COMPENSATION, AND BENEFITS ARE INCLUDED IN THE REVIEW. THE EXECUTIVE CONSULTANTS REVIEW ORGANIZATION STRUCTURE, INDIVIDUAL JOB DESCRIPTIONS, AND DISCUSS SCOPE OF LEADERSHIP AND SPAN OF CONTROL WITH HR, THE COO, AND THE CEO AS A PART OF THE PROCESS TO DETERMINE PROPER PLACEMENT OF THE PAY GRADE AND LEVEL OF PARTICIPATION IN INCENTIVE AND BENEFITS PROGRAMS. THE COMPENSATION COMMITTEE PERIODICALLY REAFFIRMS THE TOTAL COMPENSATION PHILOSOPHY WHICH CURRENTLY TARGETS THE 75TH PERCENTILE OF TOTAL COMPENSATION FOR OUR LEADERSHIP TEAM. THE PEER GROUP USED IS NATIONAL HOSPITALS AND HEALTH SYSTEMS OF SIMILAR SIZE AND SCOPE. KEY EMPLOYEES AND OTHERS OUTSIDE OF THE EXECUTIVE LEADERSHIP TEAM HAVE COMPENSATION SET BY HR GUIDELINES AND/OR MARKET COMPENSATION STUDIES.

Identifier	Return Reference	Explanation
Process used to establish compensation of other officers/key employees	Form 990, Part VI, Section B, Line 15b	THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS ENGAGES AN EXECUTIVE CONSULTING FIRM EVERY 2-3 YEARS TO REVIEW AND PROVIDE RECOMMENDATIONS REGARDING TOTAL COMPENSATION AND BENEFITS FOR THE EXECUTIVE LEADERSHIP TEAM. BASE COMPENSATION, INCENTIVE COMPENSATION, AND BENEFITS ARE INCLUDED IN THE REVIEW. THE EXECUTIVE CONSULTANTS REVIEW ORGANIZATION STRUCTURE, INDIVIDUAL JOB DESCRIPTIONS, AND DISCUSS SCOPE OF LEADERSHIP AND SPAN OF CONTROL WITH HR, THE COO, AND THE CEO AS A PART OF THE PROCESS TO DETERMINE PROPER PLACEMENT OF THE PAY GRADE AND LEVEL OF PARTICIPATION IN INCENTIVE AND BENEFITS PROGRAMS. THE COMPENSATION COMMITTEE PERIODICALLY REAFFIRMS THE TOTAL COMPENSATION PHILOSOPHY WHICH CURRENTLY TARGETS THE 75TH PERCENTILE OF TOTAL COMPENSATION FOR OUR LEADERSHIP TEAM. THE PEER GROUP USED IS NATIONAL HOSPITALS AND HEALTH SYSTEMS OF SIMILAR SIZE AND SCOPE. KEY EMPLOYEES AND OTHERS OUTSIDE OF THE EXECUTIVE LEADERSHIP TEAM HAVE COMPENSATION SET BY HR GUIDELINES AND/OR MARKET COMPENSATION STUDIES.

Identifier	Return Reference	Explanation
Public Disclosure	Form 990, Part VI, Section C, Line 19	CGHS PROVIDES COPIES OF ITS GOVERNING AND OTHER CORPORATE DOCUMENTS UPON REQUEST

Identifier	Return Reference	Explanation
Other changes in net assets or fund balances	Form 990, Part XI, Line 5	EQUITY FROM THE MEDICAL CENTER OF CENTRAL GEORGIA - 4246618, ROUNDING - -5, TAX OVER BOOK PARTNERSHIP INCOME - -4701125,

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

CENTRAL GEORGIA HEALTH SYSTEMS INC

Employer identification number

58-2149127

Part I

Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) CENTRAL GA REHAB HOSPITAL LLC 3351 NORTHSIDE DRIVE MACON, GA 31210 30-0371539	REHABILITATION SERVICES	GA	16,394,819	14,095,225	NA

Part II

Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) CENTRAL GEORGIA SENIOR HEALTH INC 691 CHERRY STREET SUTIE 400 MACON, GA 31201 58-2345439	RETIREMENT COMMUNITY	GA	501(C)(3)	11 - Type II	CENTRAL GEORGIA HEALTH SYSTEMS	Yes	
(2) HEALTH SERVICES OF CENTRAL GEORGIA INC 691 CHERRY STREET SUTIE 400 MACON, GA 31201 58-2307485	HEALTHCARE SERVICES	GA	501(C)(3)	3	CENTRAL GEORGIA HEALTH SYSTEMS	Yes	
(3) MEDCEN COMMUNITY HEALTH FOUNDATION INC 858 HIGH STREET MACON, GA 31201 23-7363555	FUNDRAISING	GA	501(C)(3)	7	NA		No
(4) MEDICAL CENTER OF GEORGIA INC 691 CHERRY STREET SUTIE 400 MACON, GA 31201 58-2149128	HOSPITAL	GA	501(C)(3)	3	CENTRAL GEORGIA HEALTH SYSTEMS	Yes	

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?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) CENTRAL GEORGIA PET LLC 1650 HARDEMAN AVENUE MACON, GA31201 37-1464470	MEDICAL IMAGING CENTER	GA	MEDICAL CENTER OF CENTRAL GEORGIA INC	RELATED				No			No	
(2) SECURE HEALTH PLANS OF GEORGIA INC 577 MULBERRY STREET SUITE 1000 MACON, GA31201 58-2306549	MANAGED CARE	GA	NA	RELATED	236,380	3,231,845		No			No	50 388 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) CENTRAL GEORGIA HEALTH VENTURES INC 691 CHERRY STREET SUITE 400 MACON, GA31201 58-2164989	MANAGEMENT	GA	NA	C CORPORATION	4,161,889	8,403,935	1 00 %
(2) CENTRAL GEORGIA HOME CARE SERVICES INC 691 CHERRY STREET SUITE 400 MACON, GA31201 58-2457422	MED EQUIP SALE	GA	NA	C CORPORATION	1,191,097	0	1 00 %
(3) AMERICAN EAGLE INSURANCE CO RRG 40 MAIN STREET SUITE 500 BURLINGTON, VT05401 16-1645557	RISK MGMT	VT	NA	C CORPORATION	0	0	95 %
(4) CENTRA PROFESSIONAL INDEMNITY LTD PO BOX 1363 GRAND CAYMAN CJ	INSURANCE	CJ	NA	C CORPORATION	9,868,209	94,712,191	1 00 %

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by other organization(s)

f Sale of assets to other organization(s)

g Purchase of assets from other organization(s)

h Exchange of assets

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

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

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

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

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

n Sharing of paid employees

o Reimbursement paid to other organization for expenses

p Reimbursement paid by other organization for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

Yes

No

No

Yes

Yes

Yes

Yes

Yes

Yes

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)			
See Additional Data Table			
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2010

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation
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Software ID: 10000128

Software Version: v2010.1.0

EIN: 58-2149127

Name: CENTRAL GEORGIA HEALTH SYSTEMS INC

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) MEDICAL CENTER OF CENTRAL GEORGIA INC	O	15,220,091	
(2) MEDICAL CENTER OF CENTRAL GEORGIA INC	C	4,285,770	
(3) MEDICAL CENTER OF CENTRAL GEORGIA INC	J	1,300,000	
(4) MEDICAL CENTER OF CENTRAL GEORGIA INC	P	90,780	
(5) CENTRAL GEORGIA HOME CARE SERVICES	P	135,712	
(6) MEDICAL CENTER OF CENTRAL GEORGIA INC	P	18,204,295	
(7) CENTRA PROFESSIONAL INDEMNITY	R	7,450,010	
(8) MEDICAL CENTER OF CENTRAL GEORGIA	R	8,520,432	
(9) CENTRA PROFESSIONAL INDEMNITY	Q	8,520,432	
(10) CENTRAL GEORGIA HEALTH SYSTEMS INC	R	76,659	
(11) CENTRAL GEORGIA SENIOR HEALTH INC	R	180,606	
(12) CENTRA PROFESSIONAL INDEMNITY	Q	180,606	
(13) HEALTH SERVICES OF CENTRAL GEORGIA INC	R	1,367,445	
(14) CENTRA PROFESSIONAL INDEMNITY	Q	1,367,445	
(15) CENTRAL GEORGIA REHABILITATION SERVICES	R	122,652	
(16) CENTRA PROFESSIONAL INDEMNITY	Q	122,652	
(17) MEDICAL CENTER OF CENTRAL GEORGIA INC	J	57,756	
(18) CENTRAL GEORGIA PET LLC	I	57,756	
(19) MEDICAL CENTER OF CENTRAL GEORGIA INC	Q	964,000	
(20) CENTRAL GEORGIA PET LLC	R	964,000	
(21) MEDICAL CENTER OF CENTRAL GEORGIA INC	O	342,666	
(22) CENTRAL GEORGIA PET LLC	P	342,666	
(23) MEDICAL CENTER OF CENTRAL GEORGIA INC	R	102,020	
(24) SECURE HEALTH	Q	102,020	
(25) CENTRA PROFESSIONAL INDEMNITY	P	1,505,341	
(26) MEDICAL CENTER OF CENTRAL GEORGIA INC	O	1,505,341	
(27) HEALTH SERVICES OF CENTRAL GEORGIA INC	P	17,752,533	
(28) MEDICAL CENTER OF CENTRAL GEORGIA INC	O	17,752,533	
(29) HEALTH SERVICES OF CENTRAL GEORGIA INC	P	630,218	
(30) MEDICAL CENTER OF CENTRAL GEORGIA INC	O	630,218	

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
(31)	HEALTH SERVICES OF CENTRAL GEORGIA INC	O	31,238,580	
(32)	MEDICAL CENTER OF CENTRAL GEORGIA INC	P	31,238,580	
(33)	HEALTH SERVICES OF CENTRAL GEORGIA INC	O	2,887,503	
(34)	MEDICAL CENTER OF CENTRAL GEORGIA INC	P	2,887,503	
(35)	MEDICAL CENTER OF CENTRAL GEORGIA INC	C	16,535,613	
(36)	HEALTH SERVICES OF CENTRAL GEORGIA INC	B	16,535,613	
(37)	MEDICAL CENTER OF CENTRAL GEORGIA INC	J	630,909	
(38)	HEALTH SERVICES OF CENTRAL GEORGIA INC	I	630,909	
(39)	MEDICAL CENTER OF CENTRAL GEORGIA INC	F	99,935	
(40)	HEALTH SERVICES OF CENTRAL GEORGIA INC	G	99,935	
(41)	MEDICAL CENTER OF CENTRAL GEORGIA INC	I	62,127	
(42)	HEALTH SERVICES OF CENTRAL GEORGIA INC	J	62,127	
(43)	MEDCEN FOUNDATION INC	P	1,276,683	
(44)	MEDICAL CENTER OF CENTRAL GEORGIA INC	O	1,276,683	
(45)	MEDCEN FOUNDATION INC	I	53,872	
(46)	MEDICAL CENTER OF CENTRAL GEORGIA INC	J	53,872	
(47)	MEDCEN FOUNDATION INC	B	1,330,555	
(48)	MEDICAL CENTER OF CENTRAL GEORGIA INC	C	1,330,555	
(49)	CENTRAL GEORGIA SENIOR HEALTH INC	O	531,724	
(50)	MEDICAL CENTER OF CENTRAL GEORGIA INC	P	531,724	
(51)	CENTRAL GEORGIA SENIOR HEALTH INC	P	515,294	
(52)	MEDICAL CENTER OF CENTRAL GEORGIA INC	O	515,294	
(53)	CENTRAL GEORGIA HEALTH VENTURES INC	O	167,978	
(54)	MEDICAL CENTER OF CENTRAL GEORGIA INC	P	167,978	
(55)	CENTRAL GEORGIA HOME CARE SERVICES INC	P	2,593,357	
(56)	MEDICAL CENTER OF CENTRAL GEROGIA INC	O	2,593,357	
(57)	MEDICAL CENTER OF CENTRAL GEROGIA INC	J	88,246	
(58)	CENTRAL GEORGIA HOME CARE SERVICES INC	I	88,246	
(59)	CENTRAL GEORGIA HOME CARE SERVICES INC	N	256,836	
(60)	MEDICAL CENTER OF CENTRAL GEROGIA INC	N	256,836	

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
(61)	CENTRAL GEORGIA HOME CARE SERVICES INC	O	2,823,283	
(62)	MEDICAL CENTER OF CENTRAL GEROGIA INC	P	2,823,283	

**CENTRAL GEORGIA HEALTH SYSTEMS, INC.
AND AFFILIATES**

Consolidated Financial Statements
and
Supplemental Information

for the

Years Ended September 30, 2011 and 2010

(with Independent Auditors' Report thereon)

**CENTRAL GEORGIA HEALTH SYSTEMS, INC.
AND AFFILIATES**

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September 30, 2011 and 2010

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DIXON HUGHES GOODMAN^{LLP}

MEMBER OF THE DIXON HUGHES GOODMAN GROUP

Independent Auditors' Report

The Board of Directors
Central Georgia Health Systems, Inc. and Affiliates
Macon, Georgia

We have audited the accompanying consolidated balance sheets of Central Georgia Health Systems, Inc. (dba Central Georgia Health System) and Affiliates ("CGHS") as of September 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of CGHS's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Medcen Community Health Foundation, Inc. ("Medcen") or Centra Professional Indemnity, Ltd. ("CPI"), which are consolidated affiliates. Medcen and CPI had total assets of approximately \$60,935,000 and \$94,712,000, respectively, as of September 30, 2011, and total revenues of \$3,099,000 and \$9,868,000, respectively, for the year ended September 30, 2011. Medcen and CPI had total assets of approximately \$59,670,000 and \$97,286,000, respectively, as of September 30, 2010, and total revenues of \$2,760,000 and \$9,263,000, respectively, for the year ended September 30, 2010. Those statements were audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to data included for MedCen and CPI, consolidated affiliates, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 CGHS's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Central Georgia Health Systems, Inc. and Affiliates at September 30, 2011 and 2010, and the consolidated results of their operations, changes in their net assets, and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

As discussed in note 2 to the consolidated financial statements, Central Georgia Health Systems, Inc. adopted a new accounting principle generally accepted in the United States for noncontrolling interest in its subsidiaries during the year ended September 30, 2011.

Dixon Hughes Goodman LLP

Atlanta, Georgia
January 27, 2012

Central Georgia Health Systems, Inc. and Affiliates

Consolidated Balance Sheets
(dollars in thousands)

September 30, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 62,089	\$ 63,279
Short-term investments	564,602	558,495
Patient accounts receivable, less allowance for uncollectible accounts of \$33,198 and \$38,192 in 2011 and 2010, respectively	131,600	121,468
Third-party settlements	386	7,473
Other accounts and notes receivable	9,503	15,020
Prepaid expenses and other current assets	10,572	11,326
Total current assets	<u>778,752</u>	<u>777,061</u>
Assets limited as to use	158,413	161,510
Long-term investments	15,229	9,745
Property and equipment, net	393,288	387,904
Cash surrender value of insurance policies	18,521	19,565
Other	<u>5,794</u>	<u>5,360</u>
 Total assets	 <u>\$ 1,369,997</u>	 <u>\$ 1,361,145</u>

The accompanying notes are an integral part of these consolidated financial statements

<u>Liabilities and Net Assets</u>	<u>2011</u>	<u>2010</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 25,208	\$ 28,400
Accrued compensation and withholdings	31,720	37,206
Entrance fee deposits and refunds payable	1,128	390
Estimated third-party settlements	5,164	-
Other current liabilities	14,762	28,019
Current portion of long-term debt	4,695	10,090
Total current liabilities	<u>82,677</u>	<u>104,105</u>
Long-term debt, excluding current portion	186,547	191,223
Reserve for self-insured losses	51,817	44,590
Accrued pension benefit liability	106,442	72,453
Deferred revenue from entrance fees	36,398	36,938
Other long-term liabilities	41,550	36,781
Asset retirement obligation	3,716	4,218
Total liabilities	<u>509,147</u>	<u>490,308</u>
Net assets		
Unrestricted	802,086	813,344
Temporarily restricted	54,400	53,203
Total net assets excluding noncontrolling interest	<u>856,486</u>	<u>866,547</u>
Noncontrolling interest in subsidiaries	<u>4,364</u>	<u>4,290</u>
Total net assets	<u>860,850</u>	<u>870,837</u>
Total liabilities and net assets	<u>\$ 1,369,997</u>	<u>\$ 1,361,145</u>

Central Georgia Health Systems, Inc. and Affiliates

Consolidated Statements of Operations
(dollars in thousands)

For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted revenues, gains, and other support		
Net patient service revenue	\$ 692,751	\$ 698,166
Other revenue	42,611	40,356
Total unrestricted revenues, gains, and other support	<u>735,362</u>	<u>738,522</u>
Expenses		
Labor and employee benefits	364,694	350,581
Supplies and other expenses	261,968	239,972
Depreciation and amortization	40,119	39,578
Provision for uncollectible accounts	37,539	54,340
Interest	7,269	7,676
Total expenses	<u>711,589</u>	<u>692,147</u>
Income from operations	23,773	46,375
Other income (loss)		
Investment income	36,839	29,040
Change in fair value of interest rate swap	(3,018)	(4,330)
Other	(3,630)	(1,543)
Total other income	<u>30,191</u>	<u>23,167</u>
Excess of unrestricted revenues, gains, and other support over expenses	53,964	69,542
Excess of unrestricted revenues, gains, and other support over expenses attributable to noncontrolling interest	<u>(637)</u>	<u>(1,022)</u>
Excess of unrestricted revenues, gains, and other support over expenses attributable to controlling interest	<u>\$ 53,327</u>	<u>\$ 68,520</u>

The accompanying notes are an integral part of these consolidated financial statements

Central Georgia Health Systems, Inc. and Affiliates

Consolidated Statements of Changes in Net Assets
(dollars in thousands)

For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted net assets, controlling interest		
Excess of unrestricted revenues, gains, and other support over expenses	\$ 53,327	\$ 68,520
Net unrealized (losses) gains on investments	(26,601)	18,562
Change in pension plan and post retirement health care plan funded status	(40,415)	(17,226)
Contribution	424	677
Net assets released from restriction and other	<u>2,007</u>	<u>1,304</u>
 (Decrease) increase in unrestricted net assets, controlling interest	 (11,258)	 71,837
Unrestricted net assets, noncontrolling interest		
Excess of unrestricted revenues, gains, and other support over expenses	637	1,022
Distribution to noncontrolling interest	<u>(563)</u>	<u>(610)</u>
 Increase in unrestricted net assets, noncontrolling interest	 74	 412
Temporarily restricted net assets		
Contributions	2,729	2,753
Investment gain	475	4,068
Net assets released from restrictions	<u>(2,007)</u>	<u>(1,304)</u>
Increase in temporarily restricted net assets	<u>1,197</u>	<u>5,517</u>
 (Decrease) increase in net assets	 (9,987)	 77,766
 Net assets at beginning of year	 <u>870,837</u>	 <u>793,071</u>
 Net assets at end of year	 <u><u>\$ 860,850</u></u>	 <u><u>\$ 870,837</u></u>

The accompanying notes are an integral part of these consolidated financial statements

Central Georgia Health Systems, Inc. and Affiliates

Consolidated Statements of Cash Flows
(dollars in thousands)

For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating activities		
(Decrease) increase in net assets	\$ (9.987)	\$ 77.766
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities		
Net realized and unrealized losses (gains) on investments	1.478	(31.778)
Net restricted contributions and investment (income) loss	(2.254)	(6.821)
Change in pension plan and post retirement health care plan funded status	40.415	17.226
Change in fair value of interest rate swap	3.018	4.330
Depreciation and amortization	40.119	39.578
Loss on disposal of property and equipment	2.758	1.271
Provision for uncollectible accounts	37.539	54.340
Amortization of deferred revenues	(2.171)	(1.793)
Proceeds from non-refundable entrance fees	727	3.044
Changes in operating assets and liabilities		
Patient accounts receivable, net	(47.671)	(47.325)
Other assets, prepaid expenses, and supplies	4.405	(1.886)
Accounts payable and accrued expenses	(3.192)	4.285
Accrued compensation and withholdings	(5.486)	10.044
Estimated third-party payor settlements	12.251	(11.670)
Entrance fee deposits	1.599	(538)
Other current liabilities	(13.257)	(11.031)
Supplemental benefit plan	1.044	(2.000)
Other long-term liabilities	(1.931)	(433)
Reserve for self-insured losses	7.227	(6.214)
Accrued pension benefit liability	(3.246)	(2.538)
Net cash provided by operating activities	<u>63.385</u>	<u>87.857</u>
Investing activities		
Purchase of property and equipment, net of retirements	(46.810)	(47.446)
Purchases of investments, net	(13.069)	(30.958)
Change in assets limited as to use, net	3.097	(8.295)
Net cash used in investing activities	<u>(56.782)</u>	<u>(86.699)</u>
Financing activities		
Principal payments on long-term debt	(10.090)	(9.950)
Net restricted contributions and investment income (loss)	2.254	6.821
Refund of entrance fees	(4.150)	(3.146)
Proceeds from refundable entrance fees	4.193	3.784
Net cash used in financing activities	<u>(7.793)</u>	<u>(2.491)</u>
Net change in cash and cash equivalents	(1.190)	(1.333)
Cash and cash equivalents at beginning of year	<u>63.279</u>	<u>64.612</u>
Cash and cash equivalents at end of year	<u><u>\$ 62.089</u></u>	<u><u>\$ 63.279</u></u>

The accompanying notes are an integral part of these consolidated financial statements

**CENTRAL GEORGIA HEALTH SYSTEMS, INC.
AND AFFILIATES**

Notes to Consolidated Financial Statements

For the Years Ended September 30, 2011 and 2010
(All tabular amounts in thousands)

1 Organization and General

Central Georgia Health Systems, Inc. (dba Central Georgia Health System) was incorporated on November 17, 1994, as a nonprofit corporation whose primary purpose is to serve as a controlling body for the Medical Center of Central Georgia, Inc. ("MCCG") and other affiliated entities, in supporting their mission of coordinating the functions of individual corporate providers of a comprehensive range of high quality, reasonably priced health care services to the central Georgia community. These entities described below are consolidated to form Central Georgia Health Systems, Inc. and Affiliates ("CGHS")

Medical Center of Central Georgia, Inc. - MCCG is a nonprofit medical center whose primary purpose is to provide inpatient, outpatient, physician care, home care, emergency and other health care related services to the central Georgia community. MCCG operates the Doctors Office Building, Central Georgia Pet, LLC and the Hospice of Central Georgia. MCCG is a controlled affiliate of CGHS.

MCCG leases certain assets from the Macon-Bibb County Hospital Authority (the "Authority") for a term of 30 years. Pursuant to the lease agreement dated February 14, 1995, effective October 1, 1995, substantially all assets of the Authority were transferred to MCCG and substantially all liabilities and operating responsibilities of the Authority were assumed by MCCG. Pursuant to the new lease agreement dated July 1, 2005, the lease term has been extended to July 1, 2045. In addition, MCCG pays bond indebtedness, the related interest thereon, and certain other expenses of the Authority. At the expiration or termination of the agreement, all assets of MCCG and certain interests of affiliated entities shall be distributed, subject to such debt or other liabilities as may be applicable, to the Authority.

Central Georgia Health Ventures, Inc. ("CGHV") - CGHV was incorporated on February 14, 1995 and is a taxable corporation whose primary purpose is to operate Central Georgia Home Care Services, Inc. ("CGHC")

Health Services of Central Georgia, Inc. ("HSCG") - HSCG, incorporated on February 24, 1997, is a nonprofit corporation whose primary purpose is to employ healthcare providers such as physicians, nurse practitioners and physician assistants that are in short supply in private practice and to provide medical education.

Central Georgia Senior Health, Inc. d/b/a Carlyle Place ("CGSH") - CGSH, incorporated on May 2, 1997, is a nonprofit corporation whose primary purpose is to construct, own, and operate a continuing care retirement community in Macon, Georgia.

Medcen Community Health Foundation, Inc. ("Medcen") - Medcen, incorporated on July 13, 1973, is a nonprofit corporation whose primary purpose is to raise funds of any kind or character to be used exclusively for charitable, medical, educational, and scientific purposes at or in connection with CGHS.

Centra Professional Indemnity, Ltd. ("CPI") - CPI, incorporated on November 14, 1995, is a controlled foreign corporation whose primary purpose is to provide certain professional and workers' compensation insurance coverage for CGHS

American Eagle Insurance Company Risk Retention Group ("American Eagle") - American Eagle, incorporated on August 1, 2003, under the laws of the state of Vermont, insures and reinsures medical malpractice risk for physicians and physician groups. American Eagle ceased operations as of July 1, 2011.

Central Georgia Rehabilitation Hospital, LLC ("CGRH") - CGRH is a Georgia limited liability company whose sole member is Central Georgia Health System, Inc. The Limited Liability Company operating agreement was made effective as of June 28, 2006, by Central Georgia Health Systems, Inc. CGRH is operated with the sole mission to provide rehabilitation services to the central Georgia community.

Central Georgia PET, LLC ("PET") - PET was incorporated on December 5, 2001, for the purpose of operating an outpatient radiology imaging center. MCCG has a 66.7% ownership interest in PET whose operations are consolidated within MCCG's consolidated financial statements. Included in unrestricted net assets at September 30, 2011 and 2010, are approximately \$429,000 and \$477,000, respectively, representing the noncontrolling interest in PET.

Secure Health Plans of Georgia, LLC ("SHPG") - SHPG, incorporated on November 6, 1996, is a limited liability company whose primary purpose is to provide certain health care services through the establishment, operation, and maintenance of a diversified portfolio of insurance products. CGHS provided 50.4% of the capital of SHPG. Included in unrestricted net assets at September 30, 2011 and 2010, are \$3,935,000 and \$3,813,000, respectively, representing the noncontrolling interest in SHPG.

2 **Significant Accounting and Reporting Policies**

A summary of the significant accounting and reporting policies followed by CGHS in the preparation of its consolidated financial statements is presented below.

Accounting Standards - CGHS follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the "FASB." The FASB sets accounting principles generally accepted in the United States of America ("GAAP") that CGHS follows to ensure consistent reporting of its financial condition, results of operations, and cash flows. References to GAAP issued by the FASB in these footnotes are to the *FASB Accounting Standards Codification*, sometimes referred to as the "Codification" or "ASC." Updates to the Codification are referred to as Accounting Standard Updates ("ASU").

Principles of Consolidation - The consolidated financial statements include the accounts of CGHS and all affiliated entities. All significant intercompany transactions and accounts have been eliminated in consolidation.

Noncontrolling Interest in Subsidiary - During 2011, CGHS adopted new GAAP guidance for noncontrolling interest in subsidiaries. As required by the guidance, presentation and disclosure has been applied retrospectively and are included in the consolidated balance sheets and the consolidated statements of operations and changes in net assets. In addition, the adoption had the effect of increasing beginning unrestricted net assets by \$4,290,000 and \$3,878,000 at October 1, 2010 and October 1, 2009, respectively, due to the retrospective application of this new guidance.

Fair Value Measurements - GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value, and GAAP establishes a three level hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities such as debt and equity securities, mutual funds, and money market accounts that are traded in an active market, and other cash equivalents. Level one investments include common stocks, equity mutual funds and money market funds that are traded in an active market.
- Level 2 - Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. CGHS's level two investments include corporate bonds, U.S. government obligations, and asset and mortgage backed securities. CGHS utilizes a third party pricing service to determine the fair value of each of these investment securities. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. CGHS's level three investments include limited liability partnerships and limited liability companies. The fair value for these investments are determined by applying CGHS's ownership percentage to the net asset value of the investment fund. Underlying investments of the funds include hedge funds, real estate funds, mortgage back securities, asset backed securities and global equity fund of funds.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand, deposits with banks, overnight sweep repurchase agreements and investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding assets limited as to use. From time to time CGHS deposits at banks exceed the Federal Deposit Insurance Corporation insurance limit. By policy, the amount of credit exposure to any one institution is limited, and such investments are generally not collateralized.

Investments - Investments in marketable equity securities and all investments in debt securities are stated at fair value in the consolidated balance sheets. All investments have been designated by management to be other than trading securities. Investment income or loss (including realized gains and losses on investments, interest, dividends and other-than-temporary impairment in investments) is

included in the excess of unrestricted revenues, gains, and other support over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of unrestricted revenues, gains, and other support over expenses.

Management evaluates individual securities to ascertain whether other-than-temporary impairment ("OTTI") has occurred. Management considers several factors including when the security might recover in value, declines in market value below 80% of the original cost for a period in excess of a year, and whether or not management intends to hold the respective security until the anticipated recovery in value occurs. Based on this evaluation, CGHS recognized approximately \$2,086,000 of OTTI for the year ended September 30, 2010. This amount is included as a reduction of investment income in the accompanying consolidated statements of operations and changes in net assets. No OTTI was recognized during 2011. During 2011 and 2010, approximately \$262,000 and \$3,163,000, respectively, of OTTI losses recognized in previous years were realized when the corresponding investments were sold.

Assets Limited as to Use - Assets limited as to use include assets held by trustees under bond indenture agreements, held for use for Medcen activities and by donor restrictions, set aside for the self-insurance reserve fund, or set aside by the Board of Directors ("Board") for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

Interest Rate Swap - CGHS utilizes an interest rate swap to manage the variability in interest rates on certain of its variable rate debt. Derivative instruments are required to be reported at fair value as either assets or liabilities in the balance sheet. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, an entity must designate the hedging instrument, based upon the exposure being hedged. For derivative instruments not designated as hedging instruments, the changes in fair value are recognized in the performance indicator.

The performance indicator (excess of unrestricted revenues, gains, and other support over expenses) reported by not-for-profit healthcare organizations is analogous to income from continuing operations of a for-profit enterprise. CGHS does not account for the interest rate swap under hedge accounting, and, accordingly, changes in the value of the swap are recorded above the performance indicator. Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been used had a ready market for the securities existed.

Net Patient Service Revenue and Patient Accounts Receivable - CGHS has agreements with third-party payors that provide for payments at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments under reimbursement agreements with third-party payors due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Allowance for Uncollectible Accounts - The allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections, considering business and economic conditions, trends in health care coverage and other collection indicators. Periodically, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review are then used to make any modifications to the provision for bad debts to establish an appropriate allowance for uncollectible accounts.

Inventory - Inventory is included as a component of other current assets on the consolidated balance sheets, and consists primarily of medical supplies stated principally at the lower of average cost or market.

Property and Equipment - Property and equipment acquisitions are recorded on the basis of cost. Expenditures for maintenance and repairs are charged to expense. Expenditures that materially increase the value of property and equipment or extend useful lives are capitalized as a cost of the applicable property and equipment. CGHS removes the costs and related allowances from the accounts for properties sold or retired.

Property and equipment are depreciated using straight-line methods over their estimated economic lives. Useful lives range from 5 to 25 years for land improvements, 20 to 40 years for buildings, and 5 to 15 years for equipment.

Long-Lived Assets - Periodically, reviews are performed of long-lived assets, such as property and equipment and goodwill, to determine whether any impairment exists. Management believes that the long-lived assets in the accompanying consolidated balance sheets are appropriately valued at September 30, 2011 and 2010.

Vacation Policy - Employee vacation pay is accrued when earned by the employee and is recorded within accrued compensation and withholdings on the consolidated balance sheets.

Entrance Fee Deposits - Deposits received from future residents (10% of the entrance fee) of the continuing care retirement community are held in an escrow account, earning interest, until the residents move into the continuing care retirement community. These deposits are recorded as a current liability.

Refundable and Nonrefundable Entrance Fees - Refundable and nonrefundable entrance fees are received from residents upon admission to the continuing care retirement community.

Certain contracts with residents stipulate that entrance fees are refundable on a vacated unit when the entrance fee on a comparable unit has been collected. Refundable entrance fees are recorded as deferred revenue and amortized on a straight-line basis over the remaining useful life of the facility.

Certain contracts with residents stipulate that entrance fees are not refundable forty-eight months after the original contract date. Nonrefundable entrance fees are recorded as deferred revenue and amortized on a straight-line basis over the life expectancy of the resident on the date of occupancy. Unamortized deferred revenue from nonrefundable entrance fees is recorded as revenue upon a resident's death or the termination of the contract.

Temporarily Restricted Net Assets - Temporarily restricted net assets are those whose use is restricted by the donor for a specific time period or purpose.

Reserve for Self-Insured Losses – CGHS is insured by CPI for certain professional and workers' compensation insurance. CPI determines its provision for known cases on the basis of the losses reported to it by a claims handler. CPI has engaged the services of independent consulting actuaries to advise on the required level of total outstanding loss reserves. The provision for outstanding loss reserves is therefore based upon the advice of these actuaries and management's best estimate for the ultimate development of losses reported.

Changes in estimates of outstanding claims reserves resulting from the continuous review process and differences between estimates and payments are recognized in income in the period in which they are determined.

CPI records its estimated liabilities gross of any amounts recoverable under its own reinsurance, which amounts, if any, are recorded separately in the consolidated balance sheets. In the event that CPI reinsurers are unable to meet their obligations under the reinsurance agreements, CPI would be liable to pay all losses under the reinsurance assumed but would only receive reimbursement to the extent that the reinsurers can meet their obligations.

Operating and Nonoperating Activities - CGHS's primary purpose is to provide diversified health care services to the community. As such, activities related to the ongoing operations of CGHS are classified as operating activities. Operating revenues include those generated from direct patient care, related support services, and sundry revenues related to the operation of CGHS. Activities not directly related to the ongoing operations of CGHS, or that occur infrequently, are reported as other revenue. Included in other revenue are activities related to cafeteria, parking, grant, and other miscellaneous revenues. In addition, gains or losses from disposition of operating properties, earnings on interest bearing deposits, change in fair values of interest rate swaps, interest on nonoperating investments, and marketable securities that are used to support health related activities are reported as other income.

Charity Care - CGHS provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. CGHS accepts all patients regardless of their ability to pay. Because CGHS does not pursue collection of amounts determined to qualify as charity care, such amounts are excluded from net patient service revenue. Partial payments to which CGHS is entitled from public assistance programs on behalf of patients that meet CGHS's charity care criteria are reported as net patient service revenue.

Excess of Unrestricted Revenues, Gains, and Other Support Over Expenses - The consolidated statements of operations include excess of unrestricted revenues, gains, and other support over expenses. Changes in unrestricted net assets which are excluded from excess of unrestricted revenues, gains, and other support over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, changes in unfunded pension and postretirement plan gains and losses, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Gifts, Contributions, and Grants - Gifts, contributions, and grants are recorded at market value as of the date of receipt. Noncash items are recorded at market value on the date of the gift. Contributions restricted by the donor are recorded in restricted net assets at market value on the date of the contribution.

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 a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reported in the consolidated statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Income Tax - Central Georgia Health Systems, Inc., MCCG, HSCG, CGSH, and Medcen are organizations exempt from federal income tax, pursuant to Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. CPI is a foreign corporation not subject to tax in the United States. PET, CGRH and SHPG are organized under Georgia law and the Internal Revenue Code as limited liability companies ("LLC"). The members of an LLC report taxable income or loss on their corporate or individual tax returns. CGHS's share of income from PET, CGRH and SHPG operations is not considered unrelated business income ("UBI") and is therefore not subject to tax.

CGHV and American Eagle are subject to income tax. With respect to its for-profit subsidiaries, CGHS accounts for income taxes in accordance with the liability method under which deferred tax assets and liabilities are determined based on the differences between the financial accounting and tax bases of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the currently enacted tax rate expected to apply to taxable income in the periods that the deferred tax asset or liability is expected to be realized or settled.

CGHS and its affiliates have evaluated their tax positions and have determined that they do not have any material unrecognized tax benefits or obligations as of September 30, 2011. Fiscal years ending on and after September 30, 2008 remain subject to examination by federal and state tax authorities.

Use of Estimates - The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Asset Retirement Obligations - A conditional asset retirement obligation is an unconditional legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. CGHS recognizes a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated.

Cash Surrender Value of Insurance Policies – CGHS previously had a supplemental executive benefit program (“SEBP”) for current and retired executives (“Executive” or “Executives”) that was designed to protect against the loss of key employees. CGHS paid premiums on insurance policies for each Executive in the plan. CGHS anticipated that the cash surrender value of the policies would grow to amounts sufficient for the Executives to take withdrawals from, or borrow against, the value to supplement the Executives’ retirement income. During 2009, CGHS suspended the SEBP program and stopped making further premium payments on the insurance policies.

CGHS continues to retain an assigned interest in the life insurance policies. As such, CGHS records the cash surrender value of the policies, which is included as a long-term asset.

Pension Plan and Postretirement Health Care Benefits - CGHS sponsors a defined benefit pension plan and a postretirement health care plan. CGHS recognizes the overfunded and underfunded status of the defined benefit pension and postretirement plans in its balance sheets. Changes in the funded status are recorded in the year in which the changes occurred through changes in unrestricted net assets. Plan assets and benefit obligations are measured as of the date of the fiscal year-end balance sheet.

Subsequent Events – CGHS evaluated the effect subsequent events would have on the consolidated financial statements from October 1, 2011 through January 27, 2012, which is the date the consolidated financial statements were issued.

Recent Accounting Pronouncements - In August 2010, the FASB issued ASU No. 2010-23, *Measuring Charity Care for Disclosure* (“ASU 2010-23”). The provisions of ASU 2010-23 are intended to reduce the diversity in how charity care is calculated and disclosed by health care entities. Charity care is required to be measured at cost, defined as the direct and indirect costs of providing the charity care. As CGHS does not recognize revenue when charity care is provided, ASU 2010-23 will have no effect on the consolidated statements of operations and changes in net assets. ASU 2010-23 only requires additional disclosures, including the method used to estimate the cost of charity care. This new guidance is effective for CGHS for the year ended September 30, 2012.

In August 2010, the FASB issued ASU No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries* (“ASU 2010-24”). ASU 2010-24 prohibits the netting of insurance recoveries against a related claim liability and requires the claim liability to be calculated without consideration of insurance recoveries. This guidance is effective for CGHS for the year ended September 30, 2012.

In July 2011, the FASB issued ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The amendments in this update require certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts), as well as to provide enhanced disclosures about policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. This guidance is effective for CGHS for the year ended September 30, 2013.

3 **Net Patient Service Revenue**

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

Medicare

Medicare inpatient and outpatient services, with certain limited exceptions, are based on a prospective reimbursement methodology referred to as the Prospective Payment System ("PPS") for inpatients and Ambulatory Payment Classifications ("APCs") for outpatients. Under PPS, a hospital is reimbursed at predetermined rates for an episode of care based on diagnosis-related groups ("DRGs") for inpatients and APCs for outpatients, which classify treatments for illnesses according to the estimated intensity of hospital resources necessary to furnish care for each diagnosis. As a teaching hospital, CGHS receives payments for training physicians and other medical professionals (graduate medical education or GME payments). These payments are in two different forms, direct medical education ("DME") and indirect medical education ("IME") payments. DME payments support the direct costs of training while IME payments support the higher infrastructure that teaching hospitals incur relating to teaching, and higher patient acuity. As a hospital serving a disproportionate share of low-income patients (Medicare and Medicaid patients eligible to receive supplemental Social Security income), CGHS also receives additional payments in the form of disproportionate share payments.

CGHS is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report and audits thereof by the Medicare fiscal intermediary. CGHS's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. CGHS's cost reports have been audited and final settled by the Medicare fiscal intermediary through September 30, 2006. Desk review adjustments have been received for the 2007, 2008 and 2009 cost report years, and these changes from prior year estimates have been recorded in estimated third party payor settlements.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a diagnostic related group based methodology that is not subject to retroactive settlement. Outpatient services are paid on a cost reimbursement methodology subject to certain limits. Services rendered under this program are recorded at established rates and reduced to the estimated amount due from the third-party payors through recording of contractual adjustments and other discounts. Because CGHS cannot pursue collections for the contractual or discounted amounts, they are not reported as revenue.

Beginning June 1, 2006, Georgia Medicaid moved a significant portion of its recipients to managed care companies called Care Management Organizations ("CMO"). Contractual payments are made by the CMO for services provided using the same methodology and payment rates as traditional Medicaid. CGHS's cost reports have been audited and final settled by the Medicaid fiscal intermediary through September 30, 2006.

Managed Care and Other Payors

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

Net patient service revenues are reported at the estimated net realizable amounts from 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 are adjusted in future periods as interim or final settlements are determined. In the opinion of management, adequate provisions have been made for any adjustments that may result from such reviews. However, it is reasonably possible that recorded estimates will change by material amounts in the near term. Net patient service revenue increased approximately \$7,914,000 and \$1,681,000 for 2011 and 2010, respectively, due to changes in amounts previously estimated as a result of final settlements and changes in estimates.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. CGHS believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the consolidated financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 created the Recovery Audit Contractors ("RAC") program to detect and correct improper payments in the Medicare program. The RAC reviews in Georgia began in late 2009 and continued in 2011. Management believes its billings policies will not result in significant overpayments, however, the effect of RAC reviews cannot be reasonably estimated, and the results of such reviews could materially affect the future operations of CGHS.

Gross patient service charges and net patient service revenue for the years ended September 30 include

	<u>2011</u>	<u>2010</u>
Gross patient service charges	\$ 1,902,726	\$ 1,804,434
Contractual adjustments		
Medicare	584,009	523,863
Medicaid	244,550	244,934
Other	<u>300,186</u>	<u>259,897</u>
Total contractual adjustments	1,128,745	1,028,694
Charity care		
Charity care charges	75,181	74,219
County contributions from tax revenue	(688)	(938)
Other state funding	<u>(2,528)</u>	<u>(3,293)</u>
Net charity care	71,965	69,988
Other allowances	<u>9,265</u>	<u>7,586</u>
Total deductions from gross patient service charges	<u>1,209,975</u>	<u>1,106,268</u>
Net patient service revenue	\$ <u>692,751</u>	\$ <u>698,166</u>

Indigent Care Trust Fund - Under the provisions of the Georgia Indigent Care Trust Fund Act ("ICTF"), Medicaid disproportionate share hospitals ("DSH") may contribute funds to be used by the State in the Medicaid program and which will be supplemented by federal funds (combination dollars). The combination dollars are returned to DSH as additional Medicaid inpatient reimbursement.

Amounts recorded in the consolidated financial statements related to the ICTF are summarized approximately as follows

	<u>2011</u>	<u>2010</u>
Amounts received from the ICTF	\$ 10,148	\$ 13,593
Contribution to ICTF	<u>3,524</u>	<u>4,742</u>
Excess received over contribution	\$ <u>6,624</u>	\$ <u>8,851</u>

Upper Payment Limit - Under the provisions of the Georgia Upper Payment Limit Rate adjustments ("UPL"), government owned or operated hospitals, nursing homes and critical access eligible hospitals may contribute funds to be used by the state in the Medicaid program, which will be supplemented by federal funds (combination dollars).

Amounts recorded in the consolidated financial statements related to the UPL are summarized approximately as follows

	<u>2011</u>	<u>2010</u>
Amounts received from UPL	\$ 7.164	\$ 1.215
Contributions to UPL	<u>2.064</u>	<u>416</u>
Excess received over contribution	\$ <u><u>5,100</u></u>	\$ <u><u>799</u></u>

Net amounts received under the ICTF and UPL programs are within net patient revenue. The federal government does not ensure future ICTF and UPL funding. Reduced ICTF and UPL funding may impact the CGHS's operations.

4 **Investments**

Investments are summarized as follows

	<u>2011</u>	<u>2010</u>
Short-term investments		
Money market fund	\$ 34.268	\$ 31.110
Equity securities	219.052	253.475
Alternative investments	158.945	141.601
Asset backed securities	48.876	60.910
U S Treasury obligations and other government backed securities	41.262	26.725
Corporate bonds	<u>62.199</u>	<u>44.674</u>
	\$ <u><u>564,602</u></u>	\$ <u><u>558,495</u></u>
Long-term investments in real estate funds	\$ <u><u>15,229</u></u>	\$ <u><u>9,745</u></u>

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, the possibility is reasonable that changes in the values of investment securities will occur in the near term and that these changes could materially affect the amounts reported in the consolidated balance sheets.

CGHS invests in alternative investments that are defined as venture capital, international and domestic private equity investments, and absolute return (hedge) funds. Long-term investments are alternative investment real estate funds that require seven to ten year fund terms before the investments can be liquidated.

The recorded market price for alternative investments is estimated by the individual investment manager taking into account such factors as the financial condition of each investee, economic and market conditions affecting their operations, any changes in management, the length of time since the initial investment, recent transactions involving the securities of the investee, the value of similar securities issued by companies in the same or similar businesses, and limited marketability of the portfolio.

Valuations provided by the general partners and investment managers are evaluated by management through accounting and financial reporting processes to review and monitor existence and valuation assertions. Due to the inherent uncertainty of valuation of the alternative investments, the fair values estimated by the individual investment manager, in the absence of readily ascertainable market values, may not necessarily represent the amounts that could be realized from sales or other dispositions of investments, and the differences may be material.

Investment income for assets limited as to use and short-term investments for the years ended September 30 includes

	<u>2011</u>	<u>2010</u>
Investment income		
Interest and dividends	\$ 11,716	\$ 15,824
Net realized gains (losses)		
Loss on OTTI	-	(2,086)
OTTI loss previously recognized	262	3,163
Realized gains	<u>24,861</u>	<u>12,139</u>
	<u>25,123</u>	<u>13,216</u>
	\$ <u>36,839</u>	\$ <u>29,040</u>
Other changes in unrestricted net assets		
Unrealized gains (losses) on investments, other than trading securities	\$ <u>(26,601)</u>	\$ <u>18,562</u>

The following table shows the gross unrealized losses and fair value of CGHS's short-term investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized position at September 30, 2011 and 2010

	September 30, 2011					
	Less than 12 Months		12 Months or Greater		Total	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Corporate bonds	\$ 22,315	\$ (792)	\$ 2,801	\$ (226)	\$ 25,116	\$ (1,018)
Equity securities	86,837	(15,053)	2,644	(651)	89,481	(15,704)
Asset backed surities	16,111	(402)	4,147	(235)	20,258	(637)
Alternative investments	<u>37,299</u>	<u>(1,380)</u>	<u>235</u>	<u>(238)</u>	<u>37,534</u>	<u>(1,618)</u>
Total	\$ <u>162,562</u>	\$ <u>(17,627)</u>	\$ <u>9,827</u>	\$ <u>(1,350)</u>	\$ <u>172,389</u>	\$ <u>(18,977)</u>

	September 30, 2010					
	Less than 12 Months		12 Months or Greater		Total	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Equity securities	\$ 33,357	\$ (2,387)	\$ 22,528	\$ (2,578)	\$ 55,885	\$ (4,965)
Asset backed securities	7,649	(114)	2,262	(114)	9,911	(228)
U S government and agency securities	<u>12,938</u>	<u>(169)</u>	<u>2,575</u>	<u>(43)</u>	<u>15,513</u>	<u>(212)</u>
Total	\$ <u>53,944</u>	\$ <u>(2,670)</u>	\$ <u>27,365</u>	\$ <u>(2,735)</u>	\$ <u>81,309</u>	\$ <u>(5,405)</u>

The unrealized losses on CGHS's investments were caused by changes in interest rates, the performance of the various companies in which CGHS maintains an equity interest, and the performance of the mortgage securities. Because CGHS anticipates that these investments will recover in the near term and that CGHS has the ability and intent to hold these investments until a recovery of fair value, CGHS does not consider the investments included in the above table to be other-than-temporarily impaired at September 30, 2011 and 2010.

5 Assets Limited as to Use

The composition of assets limited as to use stated at fair value is set forth in the following table

	<u>2011</u>	<u>2010</u>
Self-insurance reserve fund		
Cash and cash equivalents	\$ 2,434	\$ 1,395
U S corporate bonds	25,093	21,633
U S government securities	10,114	20,617
U S mortgage and asset backed securities	26,625	19,800
Equity securities	18,306	23,986
Other	<u>12,140</u>	<u>9,855</u>
	94,712	97,286
Medcen Foundation, Inc		
Cash and cash equivalents	283	363
Money market funds	3,273	2,859
U S government securities	2,501	3,706
U S corporate bonds	6,108	5,086
Mortgage backed securities	2,549	2,229
Mutual funds	7,434	8,440
Equity securities	17,978	20,145
Private equities	<u>19,102</u>	<u>15,545</u>
	59,228	58,373
Reservation deposits, held under escrow agreement		
Cash and cash equivalents	233	648
Held by trustee under indenture agreement		
Money market funds	-	940
Designated by Board		
Other	<u>4,240</u>	<u>4,263</u>
	\$ <u>158,413</u>	\$ <u>161,510</u>

The self-insurance reserve fund amounts are held primarily by CPI in connection with the insurance program

6 Property and Equipment

Property and equipment consisted of the following at September 30

	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 28,003	\$ 28,277
Buildings and improvements	388,162	388,743
Parking deck	46,473	46,473
Movable equipment	278,733	276,014
Fixed equipment	<u>94,391</u>	<u>98,688</u>
	835,762	838,195
Less accumulated depreciation	<u>464,830</u>	<u>473,599</u>
	370,932	364,596
Construction-in-progress	<u>22,356</u>	<u>23,308</u>
	\$ <u>393,288</u>	\$ <u>387,904</u>

Depreciation expense for the years ended September 30, 2011 and 2010 amounted to approximately \$38,668,000 and \$38,095,000, respectively

7 Asset Retirement Obligations

The fair value of a liability for a conditional asset retirement obligation is recognized in the period in which it occurred if a reasonable estimate of fair value can be made. CGHS has determined that conditional legal obligations exist for its facilities related primarily to asbestos materials. CGHS has recorded a liability of approximately \$3,716,000 and \$4,218,000 for the estimated present value for the conditional asset retirement obligation at September 30, 2011 and 2010, respectively. Discount rates used to calculate the present value of the obligation were 5.0% and 5.5% at September 30, 2011 and 2010, respectively. A related amount is recorded in property and equipment of approximately \$1,453,000 and \$1,317,000, representing the remaining un-depreciated cost of the asset retirement obligation at September 30, 2011 and 2010, respectively.

8. Long-Term Debt

MCCG, CGHS, Medcen, and HSCG comprise the Obligated Group. CGSH is a limited obligor in respect to the Series 2000 Revenue Anticipation Certificates. A summary of long-term debt of the Obligated Group at September 30 follows:

	<u>2011</u>	<u>2010</u>
Revenue Anticipation Certificates, Series 2009 issued in September 2009, fixed interest rates, ranging between 4% and 5%, due in varying installments beginning in 2019 to 2035, collateralized by the gross revenues of the Obligated Group, amount is net of unamortized bond discount of \$56 and \$58, respectively	\$ 80,744	\$ 80,742

	<u>2011</u>	<u>2010</u>
Revenue Anticipation Certificates, Series 2003A variable interest rates, 0 14% at September 30, 2011, due in varying installments to 2028, collateralized by the gross revenues of the Obligated Group	\$ 15,075	\$ 15,775
Revenue Anticipation Certificates, Series 2003B variable interest rates, 0 15% at September 30, 2011, due in varying installments to 2028, collateralized by the gross revenues of the Obligated Group	16,400	17,200
Revenue Anticipation Certificates, Series 2000 issued in May 2000, variable interest rates, 0 14% at September 30, 2011, due in varying installments to 2035, collateralized by the 2000-A Master Note of the Obligated Group	43,350	44,500
Revenue Anticipation Certificates, Series 1998 issued in December 1998, variable interest rate, at 0 15% at September 30, 2011, due in varying installments to 2018, collateralized by the gross revenues of the Obligated Group	17,000	17,000
Revenue Anticipation Certificates, Series 1997 issued in July 1997, variable interest rates, 0 15% at September 30, 2011, due in varying installments to 2018, collateralized by the gross revenues of the Obligated Group	15,300	17,100
Revenue Anticipation Certificates, Series 1993C issued in October 1993, interest rates ranging from 5 25% to 5 30%, due in varying installments to 2013, collateralized by the gross revenues of the Obligated Group, amount is net of unamortized bond discount of \$2 and \$12, respectively	3,373	6,403
Revenue Anticipation Certificates, Series 1993A issued in September 1993, paid during 2011, 2010 amount is net of unamortized bond discount of \$7	<div style="text-align: center;">-</div> <div style="text-align: right;">191,242</div>	<div style="text-align: right;">2,593</div> <div style="text-align: right;">201,313</div>
Less current portion	<div style="text-align: right;">4,695</div>	<div style="text-align: right;">10,090</div>
	\$ <u>186,547</u>	\$ <u>191,223</u>

In September 2009, the Authority issued \$80,800,000 Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (The Medical Center of Central Georgia, Inc Project), Series 2009 Certificates ("Series 2009 Certificates") The proceeds of the Series 2009 Certificates were

loaned to MCCG to (i) pay off two bank loans totaling \$80,000,000 obtained during 2009 that had been used to redeem the Series 2005 Certificates, and (ii) pay the costs of issuing the Series 2009 Certificates

MCCG guarantees payment of the 1993A, 1993C, 1997, 1998, 2000, 2003A, 2003B and 2009 Revenue Anticipation Certificates (collectively, the "Certificates") to the Macon-Bibb County Hospital Authority in the form of a lease and transfer agreement. On November 1, 1995, the Master Trust Indenture (the "Indenture") for the Certificates was amended to include all members of the Obligated Group under the provisions of the Agreement. To secure prompt payment of principal and interest on the Certificates and secure performance of its obligation, the Obligated Group granted a security interest in its gross revenues (as more fully defined in the Indenture) and in all its property. The Obligated Group is subject to certain covenants, including limitations on additional indebtedness, transfers of assets, maintenance of certain amounts of insurance, and certain other financial covenants under the terms of the Indenture.

Coinciding with the above redemption, the Series 2003 Certificates were segregated into Series 2003A and Series 2003B. The Series 2003A and 2003B along with several of the existing Certificates were remarketed with new direct-pay letters of credit, as follows:

	<u>Unused Letter of Credit Amount</u>
Series 1997	\$ 15,572
Series 1998	17,303
Series 2000	44,133
Series 2003A	15,276
Series 2003B	16,616

The Series 1997, 1998 and 2003 B letters of credit expire on December 1, 2012, and the Series 2000 and 2003 A expire on January 1, 2016.

Interest paid in 2011 and 2010 totaled approximately \$7,085,000 and \$6,815,000, respectively.

Principal maturities of long-term debt are as follows:

Years ending September 30

2012	\$ 4,695
2013	8,203
2014	5,075
2015	9,415
2016	9,570
Thereafter	<u>154,284</u>
	\$ <u>191,242</u>

9 **Interest Rate Swaps**

On October 1, 2001, CGSH entered into an interest rate swap agreement in relation to \$23,000,000 of its Revenue Anticipation Bonds, Series 2000. This interest rate swap agreement, which expires on September 1, 2021, requires CGSH to make fixed-rate interest payments of 4.1% on a monthly basis in return for receiving a monthly variable-rate interest payment. As of September 30, 2011, the floating interest rate, which is based on 67% of LIBOR, was 0.2%. The fair value of CGSH's interest swap liability was approximately \$3,115,000 and \$3,110,000 at September 30, 2011 and 2010, respectively, which is included in other long-term liabilities in the accompanying consolidated balance sheets. The fair value of the interest rate swap decreased approximately \$5,000 and \$624,000 for the years ended September 30, 2011 and 2010, respectively.

MCCG has an interest rate swap agreement ("interest rate swap") relating to a portion of the \$52,000,000 Series 2005 Revenue Anticipation Bonds ("2005 Series"). Although the 2005 Series was refinanced during 2009, the interest rate swap agreement remains intact. The interest rate swap, which expires on August 1, 2035, requires MCCG to make fixed-rate interest payments of 3.1% on a monthly basis in return for receiving a monthly variable-rate interest payment equal to 67% of LIBOR, which was 0.15% at September 30, 2011. The fair value of MCCG's interest swap was a liability of approximately \$11,442,000 and \$8,429,000 at September 30, 2011 and 2010, respectively. These amounts are included in other long-term liabilities in the accompanying consolidated balance sheets. The fair value of the interest rate swap decreased approximately \$3,013,000 and \$3,706,000 for the years ended September 30, 2011 and 2010, respectively.

10 **Deferred Revenues from Entrance Fees**

Unamortized deferred revenues from entrance fees as of September 30 are as follows:

	<u>2011</u>	<u>2010</u>
Refundable fees	\$ 31,645	\$ 30,457
Nonrefundable fees	<u>21,550</u>	<u>21,969</u>
	53,195	52,426
Less accumulated amortization	<u>16,797</u>	<u>15,488</u>
	\$ <u>36,398</u>	\$ <u>36,938</u>

Amortization of the refundable and nonrefundable entrance fees was approximately \$2,171,000 and \$1,793,000 for the years ended September 30, 2011 and 2010, respectively.

11 **Postretirement Benefit Plans**

Defined Benefit Pension Plan - CGHS has a noncontributory defined benefit pension plan ("pension plan") covering substantially all employees of CGHS. The benefits are based on years of service and the employee's highest compensation during three of the employee's last ten years of service. CGHS's funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus any additional amounts CGHS may determine to be appropriate.

The Board of Directors of CGHS approved a redesign of the pension plan that was effective on January 1, 2008. The changes included freezing the plan as of December 31, 2007, with the plan closed to any new participants and all participants at December 31, 2007 remaining in the plan. Plan participants under the age of 40 on January 1, 2008 no longer accumulate benefits. Plan participants age 40 and over on January 1, 2008 continue to accumulate plan benefits. CGHS offers an enhanced match in their defined contribution plan to offset the benefits that any new and under the age of 40 participants would have or were receiving under the plan.

Defined Benefit Health Care Plan - CGHS sponsors a defined benefit health care plan ("health plan") that provides postretirement medical benefits to full-time employees who have worked 15 years and attained age 55 while in service with CGHS. The plan is contributory with retiree contributions adjusted annually, and it contains other cost-sharing features such as deductibles and coinsurance. CGHS's policy is to fund the cost of medical benefits in amounts determined at the discretion of management.

The funded status of the pension plan and health plan is measured as the difference between the fair value of the plans' assets and the projected benefit obligation of the plans.

The following tables present a reconciliation of the beginning and ending balances of the plans' projected benefit obligation, the fair value of plan assets, and the funded status of the plans.

	<u>Defined Benefit Pension Plan</u>		<u>Defined Benefit Health Care Plan</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Projected benefit obligation, beginning of year	\$ 230.142	\$ 201.612	\$ 26.059	\$ 24.469
Change in benefit obligation				
Service cost	6.473	6.048	563	458
Interest cost	11.961	11.344	1.152	1.295
Actuarial (gain) loss	28.884	17.932	3.116	2.316
Benefits paid	(7.398)	(6.794)	(2.899)	(2.479)
Change in plan provisions	<u>-</u>	<u>-</u>	<u>193</u>	<u>-</u>
Projected benefit obligation, end of year	<u>\$ 270,062</u>	<u>\$ 230,142</u>	<u>\$ 28,184</u>	<u>\$ 26,059</u>

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Fair value of plan assets, beginning of year	\$ 157,689	\$ 141,469	\$ -	\$ -
Change in plan assets				
Actual return on plan assets	1,911	15,014	-	-
Contributions of plan sponsor	11,418	8,000	2,899	2,479
Benefits paid	<u>(7,398)</u>	<u>(6,794)</u>	<u>(2,899)</u>	<u>(2,479)</u>
Fair value of plan assets, end of year	\$ <u>163,620</u>	\$ <u>157,689</u>	\$ <u>-</u>	\$ <u>-</u>
Unfunded status at end of year	\$ <u>(106,442)</u>	\$ <u>(72,453)</u>	\$ <u>(28,184)</u>	\$ <u>(26,059)</u>

Amounts recognized on the consolidated balance sheets at September 30, 2011 and 2010, are as follows

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Other current liabilities	\$ -	\$ -	\$ 2,395	\$ 2,279
Other long-term liabilities	-	-	25,789	23,780
Accrued pension plan liability	<u>106,442</u>	<u>72,453</u>	<u>-</u>	<u>-</u>
	\$ <u>106,442</u>	\$ <u>72,453</u>	\$ <u>28,184</u>	\$ <u>26,059</u>

Included in unrestricted net assets at September 30, 2011 and 2010, are the following amounts that have not yet been recognized in the net periodic pension and postretirement benefit cost

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Unrecognized prior service cost (credit)	\$ -	\$ 36	\$ (94)	\$ (344)
Unrecognized actuarial loss (gain)	<u>109,479</u>	<u>72,208</u>	<u>2,732</u>	<u>(198)</u>
	\$ <u>109,479</u>	\$ <u>72,244</u>	\$ <u>2,638</u>	\$ <u>(542)</u>

Changes recognized in unrestricted net assets for the years ended September 30, 2011 and 2010, are as follows

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Prior service credit	\$ -	\$ -	\$ 194	\$ -
Net actuarial loss (gain)	41.626	16.758	3,116	2,316
Amortization of prior service costs	(36)	(43)	56	56
Amortization of actuarial gain (loss)	<u>(4,355)</u>	<u>(1,867)</u>	<u>(186)</u>	<u>6</u>
	<u>\$ 37,235</u>	<u>\$ 14,848</u>	<u>\$ 3,180</u>	<u>\$ 2,378</u>

The estimated prior service cost and net gain to be recognized in net periodic pension expense and net periodic postretirement cost during the next fiscal year are as follows

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Prior service cost (credit)	\$ -	\$ 36	\$ (36)	\$ (56)
Actuarial loss (gain)	8,104	4,355	-	186

A summary of the components of net periodic benefit cost at September 30, 2011 and 2010 is as follows

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Service cost	\$ 6,473	\$ 6,049	\$ 563	\$ 458
Interest cost	11,961	11,344	1,152	1,295
Expected return on plan assets	(14,653)	(13,841)	-	-
Amortization of unrecognized prior service cost (credit)	36	43	(56)	(56)
Amortization of net loss (gain)	<u>4,355</u>	<u>1,867</u>	<u>185</u>	<u>(6)</u>
	<u>\$ 8,172</u>	<u>\$ 5,462</u>	<u>\$ 1,844</u>	<u>\$ 1,691</u>

Assumptions used in determining the actuarial present value of the projected benefit obligations as of September 30, 2011 and 2010, are as follows

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Weighted-average discount rate	5.54%	5.28%	5.15%	4.62%
Rate of increase in compensation levels	3.00%	3.00%	-	-

Assumptions used in determining the net periodic benefit cost for the years ended September 30, 2011 and 2010 are as follows

	<u>Defined Benefit Pension Plan</u>		<u>Defined Benefit Health Care Plan</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Weighted-average discount rate	5.28%	5.72%	4.62%	5.53%
Rate of increase in compensation levels	3.00%	3.00%	-	-
Expected long-term rate of return on assets	8.50%	8.50%	-	-

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is 5% for 2011 and thereafter. The health care cost trend rate assumption has an effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of September 30, 2011, by approximately \$1,701,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2011 by approximately \$208,000.

CGHS uses fair market value as the market-related value of assets in calculating the expected return on the plan assets component of net periodic pension expense and net periodic postretirement benefit for the years ended September 30, 2011 and 2010.

During 2012, CGHS expects to contribute approximately \$16,842,000 and \$2,395,000, respectively, to its defined benefit pension plan and health care plan.

Benefits expected to be paid in each of the next five fiscal years and thereafter are estimated as follows:

	<u>Defined Benefit Pension Plan</u>	<u>Defined Benefit Health Care Plan</u>
Years ending September 30		
2012	\$ 8,283	\$ 2,395
2013	8,664	2,340
2014	9,194	2,237
2015	9,853	2,250
2016	10,734	2,312
2017-2021	71,126	11,746

The target allocation for the pension plan is as follows as of September 30, 2011 and 2010:

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Equity securities	28%	50%	72%
Debt securities	15%	35%	55%
Alternative investments	7%	15%	23%

To develop the expected long-term rate of return on assets assumptions. CGHS considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio

The Plan investment strategy is focused on matching the emerging long-term needs of the retirement plan with the proven, long-term performance patterns of the various investment markets. The Plan's investments represent the opportunity to reduce CGHS's cost of funding plan benefits, provide a funding resource for possible future enhancement of plan benefits, and insulate the Plan's assets against deterioration of purchasing power caused by inflation.

The target allocation of all assets is to reflect proper diversification in order to reduce the potential of a single security or single sector of securities having a disproportionate impact on the portfolio. In an effort to maintain the overall risk level of the portfolio within an acceptable range, the relative mix of asset classes will be rebalanced back toward the target allocations as opportunities permit, but in any event not less often than annually. CGHS utilizes an outside investment consultant to implement its investment strategy.

Fair values of the pension plan investments are summarized as follows:

	<u>Pension Assets at Fair Value</u> <u>as of September 30, 2011</u>		
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 8,149	\$ -	\$ -
Mutual funds			
Equities	<u>22,548</u>	<u>-</u>	<u>-</u>
Total mutual funds	22,548	-	-
Alternative investments			
Debt securities	-	-	13,391
Equities	-	-	8,229
Real estate	-	-	6,321
Multi-category	<u>-</u>	<u>-</u>	<u>8,372</u>
Total alternative investments	-	-	36,313
U S government securities			
U S treasuries	2,874	-	-
GNMA, FNMA, FHLMC pools		9,884	-
Government collateralized mortgage and asset backed	<u>-</u>	<u>3,650</u>	<u>-</u>
Total U S government securities	2,874	13,534	-
Corporate bonds			
Domestic	16,171	-	-
Foreign	<u>2,336</u>	<u>-</u>	<u>-</u>
Total corporate obligations	18,507	-	-

Pension Assets at Fair Value as of September 30, 2011, continued			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks			
Domestic	\$ 47,248	\$ -	\$ -
Foreign	<u>3,861</u>	<u>-</u>	<u>-</u>
Total common stocks	51,109	-	-
Mortgage and asset back securities	-	8,773	-
Real estate investment trusts	1,564	-	-
Exchange traded funds	<u>249</u>	<u>-</u>	<u>-</u>
	\$ <u>105,000</u>	\$ <u>22,307</u>	\$ <u>36,313</u>

Pension Assets at Fair Value as of September 30, 2010			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 2,826	\$ -	\$ -
Equity mutual funds	24,439	-	-
Alternative investments	-	-	28,385
U S government securities			
U S treasuries	3,537	-	-
Government agencies	604	-	-
GNMA, FNMA, FHLMC pools	-	11,014	-
Government collateralized mortgage and asset backed	<u>-</u>	<u>5,609</u>	<u>-</u>
Total U S government securities	4,141	16,623	-
Corporate bonds			
Domestic	13,086	-	-
Foreign	<u>1,200</u>	<u>-</u>	<u>-</u>
Total corporate bonds	14,286	-	-
Common stocks			
Domestic	54,069	-	-
Foreign	<u>2,251</u>	<u>-</u>	<u>-</u>
Total common stocks	56,320	-	-
Mortgage and asset backed securities	-	8,147	-
Real estate investment trusts	1,771	-	-
Exchange traded funds	<u>751</u>	<u>-</u>	<u>-</u>
	\$ <u>104,534</u>	\$ <u>24,770</u>	\$ <u>28,385</u>

The table below sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended September 30, 2011

Beginning balance	\$ 28,385
Realized gains	130
Unrealized gains	2,107
Purchases, net	<u>5,691</u>
Ending balance	\$ <u>36,313</u>

12 **Incentive Plan Payable**

The purpose of the plan is to motivate each employee to work toward achieving certain performance goals. Incentive plan payments in the amount of approximately \$3,088,000 and \$4,235,000 to employees of CGHS at September 30, 2011 and 2010, respectively, were approved by the Board of Directors and are included in accrued compensation and withholdings in the accompanying balance sheets.

13 **Income Taxes**

Deferred income taxes, which as of September 30, 2011 and 2010, have no net carrying value, reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes. As of September 30, 2011 and 2010, CGHS had deferred tax assets of approximately \$6,100,000 and \$7,400,000, respectively, relating principally to net operating loss carryovers. As of September 30, 2011 and 2010, such deferred tax assets were offset by a valuation allowance of approximately \$6,100,000 and \$7,400,000, respectively.

Federal net operating loss carryovers for CGHV totaled approximately \$16,100,000 at September 30, 2011, and will expire between 2017 and 2030.

14 **Commitments and Contingencies**

Litigation - CGHS is involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on CGHS's consolidated financial position.

MCCG is currently under investigation by the U.S. Department of Health and Human Services, Office of Inspector General ("OIG"). In August 2008, a subpoena (the "Short-Stay Matter") was received requesting documents concerning Medicare reimbursement for zero- and one-day stays, three-day inpatient admissions, where the patient was discharged directly to a skilled nursing facility, and billing of evaluation and medical services. In April 2009, a second subpoena was received related to the Short-Stay Matter requesting certain medical records. MCCG has provided, and is continuing to provide, the documents and other information requested and is working with outside counsel and consultants to determine medical necessity of each claim.

In September 2010, MCCG received a letter from the OIG making the hospital aware that it was conducting an investigation to determine whether or not certain hospitals have submitted claims for payment for the implantation of implantable cardioverter defibrillators ("ICD's") which were not medically indicated or otherwise violated Medicare payment policy. MCCG has received an initial

analysis of claims submitted to Medicare that relate to services that were potentially excluded from coverage and are currently in the process of evaluating a sample of these claims

In November 2011, MCCG received a subpoena from the OIG in connection with an investigation into possible improper claims submitted to federal health care programs. The subpoena requests the production of documents and other materials related to certain contracts with a vendor, and focuses on contracts containing "upfront" payments or discounts that may have been provided by the vendor.

The OIG has made no specific demand for payment for these matters, and the investigations are ongoing. Management is hopeful that all issues raised in the investigation will be resolved in the favor of MCCG. Because these are ongoing investigations and they involve interpretation of complex regulatory matters, a loss, if any, is highly uncertain and cannot be reasonably estimated. As such, no amount has been accrued in the consolidated financial statements at September 30, 2011. Due to the nature of the matter, this assessment may be subject to material adverse change in the near term.

General and Professional Liability Insurance - CGHS is currently insured for commercial general liability on an occurrence basis and professional liability on a claims-made basis by Centra Professional Indemnity, Ltd. ("CPI"), a wholly-owned subsidiary of CGHS, and excess coverage by commercial insurance carriers through CPI. The excess coverage limits are \$50,000,000 for 2011 and 2010. The coverage for professional liability is limited to claims incurred and reported during its term. Actuarially determined funding is provided for losses.

For all claims prior to October 1, 2002, the policy had a limit of \$2 million per occurrence and \$6 million in aggregate. For all claims between October 1, 2002 and September 30, 2004, the policy had a limit of \$4 million per occurrence and \$12 million in aggregate, and for all claims between October 1, 2004 and September 30, 2006, the policy had a limit of \$4 million per occurrence and \$14 million in aggregate. Effective October 1, 2006, the policy has a limit of \$4 million per occurrence and \$20 million in aggregate.

CPI also insures CGHS on an occurrence basis for workers' compensation insurance, which has a limit of \$500,000 per occurrence, with no aggregate limit per year. Beginning April 1, 2011, CPI began insuring CGHS for equipment maintenance and repairs with limits of liability of \$2,500,000 per claim and annual aggregate.

During 2011 and 2010, CGHS paid premiums of approximately \$10,270,000 and \$10,523,000, respectively, to CPI for these coverages. These premiums have been properly eliminated from consolidated statements of operations. The reserve for self-insured losses totaled approximately \$51,817,000 and \$44,590,000 at September 30, 2011 and 2010, respectively, and are comprised of reported loss reserves and incurred but not reported loss reserves.

Employee Group Health Insurance - CGHS is self-insured for its employee group health insurance. CGHS has estimated and recorded accruals for claims incurred, but not reported or paid prior to the fiscal year-end.

Property and Equipment - CGHS has commitments for purchases of property and equipment of approximately \$39,000,000 at September 30, 2011.

Management Agreement - During 2011, CGHS began providing financial assistance and management assistance to a hospital in Peach County, Georgia under a management agreement.

CGHS expects to continue this relationship during 2012 and is currently negotiating a formal lease agreement with the Peach County Hospital Authority

15 **Temporarily Restricted Net Assets**

Temporarily restricted net assets as of September 30 are available for the following purposes

	<u>2011</u>	<u>2010</u>
Promises for future years	\$ 1.254	\$ 864
Program grants		
Pathology development	6.148	6.112
Children's Hospital	11.871	11.383
Regional health education center	948	941
Research and education	5.287	5.313
HEAT Trust	2.758	2.968
Community grants	7.104	7.052
Hospice inpatient facility	4.099	4.588
Emergency center	1.660	1.647
Georgia Heart Center	9.142	9.077
Critical care center	1.158	783
Other grants	<u>2.971</u>	<u>2.475</u>
	\$ <u>54,400</u>	\$ <u>53,203</u>

16 **Concentrations of Credit Risk**

CGHS grants credit to patients, substantially all of whom reside in central Georgia. CGHS generally does not require collateral or other security in extending credit to patients, however, they routinely obtain assignment of (or are otherwise entitled to receive) patients' benefits payable under their health programs, plans, or policies (e.g. Medicare, Medicaid, Blue Cross, and other preferred provider arrangements and commercial insurance policies). Revenue from the Medicare and Medicaid programs accounted for approximately 45% and 46% of CGHS's net patient revenue for the years ended September 30, 2011 and 2010, respectively.

The mix of receivables from patients and third-party payors at September 30, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Medicare	30%	29%
Medicaid	16	13
Blue Cross	13	12
Other third-party payors	30	31
Patients	<u>11</u>	<u>15</u>
	<u>100%</u>	<u>100%</u>

CGHS recognizes that revenues and receivables from government agencies are significant to its operations, but it does not believe that there are any significant credit risks associated with these government agencies.

17 **Functional Expenses**

CGHS does not present expense information by functional classification because its resources and activities are primarily related to providing health care services. Further, since CGHS receives substantially all of its resources from providing health care services in a manner similar to a business enterprise, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged their stewardship responsibilities.

18 **Fair Value of Financial Instruments**

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

Cash and cash equivalents The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate their fair value.

Investments Fair values, which are the amounts reported in the consolidated balance sheets, are based on quoted market prices, if available, estimated using quoted market prices for similar securities, or estimated using pricing models, discounted cash flow methodologies, or similar techniques.

Patient accounts receivable The carrying amounts reported in the consolidated balance sheets for patient accounts receivable approximate their fair values.

Due to or from related parties The carrying amounts reported in the consolidated balance sheets for due to or from related parties approximate their fair values.

Assets limited as to use Fair values, which are the amounts reported in the consolidated balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Accounts payable and accrued expenses The carrying amounts reported in the consolidated balance sheets for accounts payable and accrued expenses approximate their fair value.

Accrued compensation and withholdings The carrying amounts reported in the consolidated balance sheets for accrued compensation and withholdings approximate their fair value.

Estimated third-party payor settlements The carrying amounts reported in the balance sheets for estimated third-party payor settlements approximate their fair value.

Long-term debt Fair values of CGHS's revenue anticipation certificates are based on current traded value. The fair value of CGHS's remaining long-term debt is estimated using discounted cash flow analyses, based on CGHS's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of CGHS's long-term debt at September 30 are as follows

	<u>2011</u>		<u>2010</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	\$ 191,242	\$ 193,117	\$ 201,313	\$ 204,535

Derivative Financial Instruments The fair value of the derivative financial instruments are determined from a discounted cash flow model based on projected interest rates during the term of the contract and amounts outstanding on the corresponding long-term debt. In addition, credit risk associated with the counter party (when an asset) or CGHS (when a liability) is factored into the fair value model.

The following summarizes CGHS's assets and (liabilities) by level

	<u>Assets (Liabilities) at Fair Value</u> <u>as of September 30, 2011</u>		
	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Short-term investments			
Money market accounts	\$ 34,268	\$ -	\$ -
Asset backed			
Credit card receivable	-	844	-
Auto loan receivable	-	16,080	-
Collateralized mortgage obligation	-	23,052	-
Other	<u>-</u>	<u>8,900</u>	<u>-</u>
Total other asset backed	-	48,876	-
Corporate bonds			
Domestic	-	53,888	-
Foreign	<u>-</u>	<u>8,311</u>	<u>-</u>
Total corporate bonds	-	62,199	-
Government securities			
FHLMC	-	436	-
FNMA	-	10,738	-
GNMA	-	1,296	-
Federal Home Loans Bank bonds	-	2,159	-
Federal Farm Credit Bank bonds	-	1,273	-
US Treasuries	<u>-</u>	<u>25,360</u>	<u>-</u>
Total government securities	-	41,262	-

	<u>Assets (Liabilities) at Fair Value, continued</u> <u>as of September 30, 2011</u>		
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities			
Real estate investment trusts	\$ 824	\$ -	\$ -
Mutual funds	42,921	10,251	-
Common stock			
Consumer staples	28,539	-	-
Health care	25,164	-	-
Information technology	24,760	-	-
Financials	22,900	-	-
Consumer discretionary	19,198	-	-
Energy	16,250	-	-
Industrials	13,272	-	-
Materials	6,705	-	-
Foreign	6,270	-	-
Other	<u>1,998</u>	<u>-</u>	<u>-</u>
Total common stocks	<u>165,056</u>	<u>-</u>	<u>-</u>
Total equity securities	208,801	10,251	-
Alternative investments			
Commodities	-	-	52,827
Asset backed securities	-	-	2,586
Multi-category	-	-	26,800
Equities	-	-	27,995
Debt securities	<u>-</u>	<u>-</u>	<u>48,737</u>
Total alternative investments	<u>-</u>	<u>-</u>	<u>158,945</u>
	<u>\$ 243,069</u>	<u>\$ 162,588</u>	<u>\$ 158,945</u>
Long-term investments in real estate funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,229</u>
Included in other long-term liabilities			
Interest rate swap	<u>\$ -</u>	<u>\$ (14,557)</u>	<u>\$ -</u>

Assets (Liabilities) at Fair Value as of September 30, 2011, continued			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Included in assets limited as to use			
Money market funds	\$ 5,707	\$ -	\$ -
Equity securities			
Mutual funds	9,244	-	-
Common stocks			
Consumer discretionary, staples	4,916	-	-
Information technology	3,109	-	-
Materials and industrials	2,930	-	-
Health care	2,618	-	-
Financials	1,808	-	-
Energy	1,108	-	-
Foreign	946	-	-
Other equity securities	17,040	-	-
U S corporate bonds	-	31,201	-
U S government securities			-
U S Treasury securities	7,236	-	-
U S Federal Agency securities	-	5,379	-
Mortgage-backed and asset backed securities	-	29,174	-
Alternative investments	-	-	19,102

	<u>Assets (Liabilities) at Fair Value</u> <u>as of September 30, 2010</u>		
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investments			
Money market funds	\$ 31.110	\$ -	\$ -
Equity securities	253.475	-	-
Alternative investments	-	-	141.601
U S mortgage-backed securities	-	60.910	-
U S government issues and asset backed securities	26.725	-	-
U S mortgage-backed and asset backed securities	-	44.674	-
Included in assets limited as to use			
Cash equivalents	4.254	-	-
Equity securities	52.571	-	-
U S corporate bonds	-	26.719	-
U S government securities	15.477	8.846	-
U S mortgage-backed securities	-	22.029	-
Alternative investments	-	-	15.545
Long-term investments in real estate funds	-	-	9.745
Included in other long-term liabilities			
Interest rate swap	-	(11.539)	-

The table below sets forth a summary of changes in the fair value of CGHS's level 3 short-term and long-term investments for the year ended September 30, 2011

Beginning balance	\$ 151.346
Gain on market value	3.575
Sales	(7.000)
Purchases	<u>26.253</u>
Ending balance	\$ <u>174.174</u>

The table below sets forth a summary of changes in the fair value of CGHS's level 3 assets limited as to use for the year ended September 30, 2011

Beginning balance	\$	15,545
Gain		2,280
Purchases		<u>1,277</u>
Ending balance	\$	<u>19,102</u>

Capital Commitments – CGHS has future capital commitment requirements to invest additional amounts in certain level 3 investments. At September 30, 2011, the outstanding commitments totaled approximately \$30,200,000.

19 **Equity Investments**

Central Georgia Health Network, LLC - Central Georgia Health Network, LLC was incorporated on October 25, 1996, for the purpose of participating in contracts with preferred provider organizations, health maintenance organizations or other alternative health care delivery systems. MCCG owns 29% of the common stock in Central Georgia Health Network, Inc. MCCG's investment of approximately \$90,000 is recorded under the cost method of accounting.

Central Georgia MRI, LLC - Central Georgia MRI, LLC ("CG MRI") was incorporated on October 2, 2000, as a joint venture with Radiology Associates to share the cost of an MRI laboratory. CG MRI became operational on September 16, 2002. CGHV provided 50% of the capital in CG MRI and records the investment under the equity method of accounting. The investment amounted to approximately \$391,000 and \$513,000 at September 30, 2011 and 2010, respectively.

Georgia Magnetic Imaging Center, Ltd. - Georgia Magnetic Imaging Center, Ltd. ("GMIC") was incorporated on March 22, 1985 to own and operate certain medical equipment. CGHV purchased a 49.5% ownership interest in GMIC on December 31, 2002 for \$1,181,000 and records the investment on the equity method of accounting. The investment amounted to approximately \$837,000 and \$942,000 at September 30, 2011 and 2010, respectively.

Supplemental Information



DIXON HUGHES GOODMAN^{LLP}
ATTORNEYS AT LAW

Independent Auditors' Report on Supplemental Information

The Board of Directors
Central Georgia Health Systems, Inc. and Affiliates
Macon, Georgia

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental information accompanying the consolidated financial statements is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the 2011 basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2011 basic consolidated financial statements taken as a whole.

Dixon Hughes Goodman LLP

Atlanta, Georgia
January 27, 2012

Central Georgia Health Systems, Inc. and Affiliates

Consolidating Balance Sheet (dollars in thousands)

September 30, 2011

	Central Georgia Health Systems, Inc	Medical Center of Georgia, Inc	MedCen Community Health Foundation, Inc	Central Georgia Senior Health, Inc	Health Services of Central Georgia, Inc	Central Georgia Health Ventures, Inc	Central Georgia Rehabilitation Hospital, LLC	Centra Professional Indemnity, Ltd	Secure Health Plans of Georgia, LLC	Eliminations	Consolidated
Assets											
Current assets											
Cash and cash equivalents	\$ 977	\$ 52,945	\$ -	\$ 1,257	\$ 234	\$ 1,915	\$ 2,395	\$ -	\$ 2,366	\$ -	\$ 62,089
Short-term investments	-	517,051	-	47,551	-	-	-	-	-	-	564,602
Patient accounts receivable, net	-	126,055	-	-	2,045	1,263	2,237	-	-	-	131,600
Estimated third-party settlements	-	-	-	-	-	-	386	-	-	-	386
Other accounts and notes receivable	156	5,647	1,380	782	689	419	-	-	586	(156)	9,503
Prepaid expenses and other current assets	3	10,152	-	80	49	13	219	-	56	-	10,572
Total current assets	1,136	711,850	1,380	49,670	3,017	3,610	5,237	-	3,008	(156)	778,752
Assets limited as to use	-	-	59,228	233	-	971	-	94,712	3,269	-	158,413
Long-term investments	-	15,229	-	-	-	-	-	-	-	-	15,229
Investments in subsidiaries	23,319	-	-	-	-	-	-	-	-	(23,319)	-
Intercompany	369	(9,803)	-	(72)	(9)	1,069	8,446	-	-	-	-
Property and equipment, net	4	353,910	239	36,415	1,740	431	412	-	137	-	393,288
Cash surrender value of insurance policies	-	18,521	-	-	-	-	-	-	-	-	18,521
Other	3,106	2,715	88	790	994	1,228	-	-	-	(3,127)	5,794
Total assets	\$ 27,934	\$ 1,092,422	\$ 60,935	\$ 87,036	\$ 5,742	\$ 7,309	\$ 14,095	\$ 94,712	\$ 6,414	\$ (26,602)	\$ 1,369,997

Central Georgia Health Systems, Inc. and Affiliates

Consolidating Balance Sheet (dollars in thousands)

September 30, 2011

	Central Georgia Health Systems, Inc	Medical Center of Georgia, Inc	MedCen Community Health Foundation, Inc	Central Georgia Senior Health, Inc	Health Services of Central Georgia, Inc	Central Georgia Health Ventures, Inc	Central Georgia Rehabilitation Hospital, LLC	Centra Professional Indemnity, Ltd	Secure Health Plans of Georgia, LLC	Eliminations	Consolidated
<u>Liabilities, net assets and stockholder's equity</u>											
Current liabilities											
Accounts payable and accrued expenses	\$ 359	\$ 22 059	\$ 92	\$ 825	\$ 1 072	\$ 153	\$ 89	\$ 302	\$ 196	\$ 61	\$ 25 208
Accrued compensation and withholdings	-	31 030	-	-	-	269	-	-	421	-	31 720
Current portion of long-term debt	-	3 500	-	1 195	-	-	-	-	-	-	4 695
Entrance fee deposits	-	-	-	1 128	-	-	-	-	-	-	1 128
Estimated third-party settlements	-	5 164	-	-	-	-	-	-	-	-	5 164
Other current liabilities	400	12 166	67	-	130	14	6	1 938	41	-	14 762
Total current liabilities	759	73 919	159	3 148	1 202	436	95	2 240	658	61	82 677
Long-term debt less current portion	-	144 392	-	42 155	-	-	-	-	-	-	186 547
Reserve for self-insured losses	-	-	-	-	-	-	-	51 817	-	-	51 817
Accrued pension benefit liability	-	106 442	-	-	-	-	-	-	-	-	106 442
Deferred revenues from entrance fees less current portion	-	-	-	36 398	-	-	-	-	-	-	36 398
Other long-term liabilities	-	37 230	-	3 115	-	971	-	-	234	-	41 550
Asset retirement obligation	-	3 716	-	-	-	-	-	-	-	-	3 716
Total liabilities	759	365 699	159	84 816	1 202	1 407	95	54 057	892	61	509 147
Net assets											
Unrestricted net assets - controlling interest	27 175	726 294	6 376	2 220	4 540	-	14 000	-	-	21 481	802 086
Temporarily restricted	-	-	54 400	-	-	-	-	-	-	-	54 400
Noncontrolling interest in subsidiary	-	429	-	-	-	-	-	-	-	3 935	4 364
Total net assets	27 175	726 723	60 776	2 220	4 540	-	14 000	-	-	25 416	860 850
Stockholder's equity											
Common stock	-	-	-	-	-	-	-	17	3 731	(3 748)	-
Paid-in-capital	-	-	-	-	-	25 895	-	1 653	-	(27 548)	-
(Accumulated deficit) retained earnings	-	-	-	-	-	(19 993)	-	38 985	1 791	(20 783)	-
Total liabilities net assets and stockholder's equity	\$ 27 934	\$ 1 092 422	\$ 60 935	\$ 87 036	\$ 5 742	\$ 7 309	\$ 14 095	\$ 94 712	\$ 6 414	\$ (26 602)	\$ 1 369 997

See accompanying Independent Auditors' Report on Supplemental Information

Central Georgia Health Systems, Inc. and Affiliates

Consolidating Schedule of Operations and Changes in Net Assets (dollars in thousands)

For the Year Ended September 30, 2011

	Central Georgia Health Systems, Inc	Medical Center of Georgia, Inc	MedCen Community Health Foundation, Inc	Central Georgia Senior Health, Inc	Health Services of Central Georgia, Inc	Central Georgia Health Ventures, Inc	Central Georgia Rehabilitation Hospital, LLC	American Eagle RRG	Centra Professional Indemnity, Ltd	Secure Health Plans of Georgia, LLC	Eliminations	Consolidated
Unrestricted revenues, gains and other support												
Net patient service revenues	\$ -	\$ 649,803	\$ -	\$ 790	\$ 20,762	\$ 4,999	\$ 16,397	\$ -	\$ -	\$ -	\$ -	\$ 692,751
Other revenue	440	25,646	3,099	13,564	(24)	323	-	-	9,868	6,072	(16,377)	42,611
Total revenues, gains and other support	440	675,449	3,099	14,354	20,738	5,322	16,397	-	9,868	6,072	(16,377)	735,362
Expenses												
Labor and employee benefits	18,569	294,283	1,014	6,575	28,426	3,201	9,216	-	-	3,410	-	364,694
Supplies and other expenses	(14,374)	261,425	2,027	4,540	4,392	1,883	4,194	1,599	11,332	2,471	(17,521)	261,968
Depreciation and amortization	1	35,918	2	2,940	959	142	90	-	-	67	-	40,119
Provision for uncollectible accounts	-	35,765	-	-	1,318	264	192	-	-	-	-	37,539
Interest	-	6,036	-	1,233	-	-	-	-	-	-	-	7,269
Total expenses	4,196	633,427	3,043	15,288	35,095	5,490	13,692	1,599	11,332	5,948	(17,521)	711,589
Income (loss) from operations	(3,756)	42,022	56	(934)	(14,357)	(168)	2,705	(1,599)	(1,464)	124	1,144	23,773
Other income (loss)												
Investment income	(573)	29,827	10	2,287	31	1,098	1	9	4,029	222	(102)	36,839
Change in fair value of interest rate swap	-	(3,013)	-	(5)	-	-	-	-	-	-	-	(3,018)
Contribution	-	1,505	-	-	-	-	-	-	-	-	(1,505)	-
Other	-	(1,477)	-	-	(9)	-	(4)	-	-	(122)	(2,018)	(3,630)
Excess of revenues, gains and other support over (under) expenses	(4,329)	68,864	66	1,348	(14,335)	930	2,702	(1,590)	2,565	224	(2,481)	53,964
Other changes in net assets	4,247	(82,458)	1,197	(2,313)	16,536	(2,382)	-	382	(3,044)	-	3,884	(63,951)
Total change in net assets	(82)	(13,594)	1,263	(965)	2,201	(1,452)	2,702	(1,208)	(479)	224	1,403	(9,987)
Net assets (liabilities) at beginning of year	27,257	740,317	59,513	3,185	2,339	7,354	11,298	1,208	41,134	5,298	(28,066)	870,837
Net assets (liabilities) at end of year	\$ 27,175	\$ 726,723	\$ 60,776	\$ 2,220	\$ 4,540	\$ 5,902	\$ 14,000	\$ -	\$ 40,655	\$ 5,522	\$ (26,663)	\$ 860,850

See accompanying Independent Auditors' Report on Supplemental Information

**CENTRAL GEORGIA HEALTH SYSTEMS, INC.
AND AFFILIATES**

Consolidated Financial Statements
and
Supplemental Information

for the

Years Ended September 30, 2011 and 2010

(with Independent Auditors' Report thereon)

**CENTRAL GEORGIA HEALTH SYSTEMS, INC.
AND AFFILIATES**

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September 30, 2011 and 2010

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DIXON HUGHES GOODMAN^{LLP}

MEMBER OF THE DIXON HUGHES GOODMAN GROUP

Independent Auditors' Report

The Board of Directors
Central Georgia Health Systems, Inc. and Affiliates
Macon, Georgia

We have audited the accompanying consolidated balance sheets of Central Georgia Health Systems, Inc. (dba Central Georgia Health System) and Affiliates ("CGHS") as of September 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of CGHS's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Medcen Community Health Foundation, Inc. ("Medcen") or Centra Professional Indemnity, Ltd. ("CPI"), which are consolidated affiliates. Medcen and CPI had total assets of approximately \$60,935,000 and \$94,712,000, respectively, as of September 30, 2011, and total revenues of \$3,099,000 and \$9,868,000, respectively, for the year ended September 30, 2011. Medcen and CPI had total assets of approximately \$59,670,000 and \$97,286,000, respectively, as of September 30, 2010, and total revenues of \$2,760,000 and \$9,263,000, respectively, for the year ended September 30, 2010. Those statements were audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to data included for MedCen and CPI, consolidated affiliates, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 CGHS's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Central Georgia Health Systems, Inc. and Affiliates at September 30, 2011 and 2010, and the consolidated results of their operations, changes in their net assets, and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

As discussed in note 2 to the consolidated financial statements, Central Georgia Health Systems, Inc. adopted a new accounting principle generally accepted in the United States for noncontrolling interest in its subsidiaries during the year ended September 30, 2011.

Dixon Hughes Goodman LLP

Atlanta, Georgia
January 27, 2012

Central Georgia Health Systems, Inc. and Affiliates

Consolidated Balance Sheets
(dollars in thousands)

September 30, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 62.089	\$ 63.279
Short-term investments	564.602	558.495
Patient accounts receivable, less allowance for uncollectible accounts of \$33.198 and \$38.192 in 2011 and 2010, respectively	131.600	121.468
Third-party settlements	386	7.473
Other accounts and notes receivable	9.503	15.020
Prepaid expenses and other current assets	10.572	11.326
Total current assets	<u>778.752</u>	<u>777.061</u>
Assets limited as to use	158.413	161.510
Long-term investments	15.229	9.745
Property and equipment, net	393.288	387.904
Cash surrender value of insurance policies	18.521	19.565
Other	<u>5.794</u>	<u>5.360</u>
 Total assets	 <u><u>\$ 1,369,997</u></u>	 <u><u>\$ 1,361,145</u></u>

The accompanying notes are an integral part of these consolidated financial statements

<u>Liabilities and Net Assets</u>	<u>2011</u>	<u>2010</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 25,208	\$ 28,400
Accrued compensation and withholdings	31,720	37,206
Entrance fee deposits and refunds payable	1,128	390
Estimated third-party settlements	5,164	-
Other current liabilities	14,762	28,019
Current portion of long-term debt	4,695	10,090
Total current liabilities	<u>82,677</u>	<u>104,105</u>
Long-term debt, excluding current portion	186,547	191,223
Reserve for self-insured losses	51,817	44,590
Accrued pension benefit liability	106,442	72,453
Deferred revenue from entrance fees	36,398	36,938
Other long-term liabilities	41,550	36,781
Asset retirement obligation	3,716	4,218
Total liabilities	<u>509,147</u>	<u>490,308</u>
Net assets		
Unrestricted	802,086	813,344
Temporarily restricted	54,400	53,203
Total net assets excluding noncontrolling interest	<u>856,486</u>	<u>866,547</u>
Noncontrolling interest in subsidiaries	<u>4,364</u>	<u>4,290</u>
Total net assets	<u>860,850</u>	<u>870,837</u>
Total liabilities and net assets	<u>\$ 1,369,997</u>	<u>\$ 1,361,145</u>

Central Georgia Health Systems, Inc. and Affiliates

Consolidated Statements of Operations
(dollars in thousands)

For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted revenues, gains, and other support		
Net patient service revenue	\$ 692,751	\$ 698,166
Other revenue	42,611	40,356
Total unrestricted revenues, gains, and other support	<u>735,362</u>	<u>738,522</u>
Expenses		
Labor and employee benefits	364,694	350,581
Supplies and other expenses	261,968	239,972
Depreciation and amortization	40,119	39,578
Provision for uncollectible accounts	37,539	54,340
Interest	7,269	7,676
Total expenses	<u>711,589</u>	<u>692,147</u>
Income from operations	23,773	46,375
Other income (loss)		
Investment income	36,839	29,040
Change in fair value of interest rate swap	(3,018)	(4,330)
Other	(3,630)	(1,543)
Total other income	<u>30,191</u>	<u>23,167</u>
Excess of unrestricted revenues, gains, and other support over expenses	53,964	69,542
Excess of unrestricted revenues, gains, and other support over expenses attributable to noncontrolling interest	<u>(637)</u>	<u>(1,022)</u>
Excess of unrestricted revenues, gains, and other support over expenses attributable to controlling interest	<u>\$ 53,327</u>	<u>\$ 68,520</u>

The accompanying notes are an integral part of these consolidated financial statements

Central Georgia Health Systems, Inc. and Affiliates

Consolidated Statements of Changes in Net Assets
(dollars in thousands)

For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted net assets, controlling interest		
Excess of unrestricted revenues, gains, and other support over expenses	\$ 53,327	\$ 68,520
Net unrealized (losses) gains on investments	(26,601)	18,562
Change in pension plan and post retirement health care plan funded status	(40,415)	(17,226)
Contribution	424	677
Net assets released from restriction and other	<u>2,007</u>	<u>1,304</u>
 (Decrease) increase in unrestricted net assets, controlling interest	 (11,258)	 71,837
 Unrestricted net assets, noncontrolling interest		
Excess of unrestricted revenues, gains, and other support over expenses	637	1,022
Distribution to noncontrolling interest	<u>(563)</u>	<u>(610)</u>
 Increase in unrestricted net assets, noncontrolling interest	 74	 412
 Temporarily restricted net assets		
Contributions	2,729	2,753
Investment gain	475	4,068
Net assets released from restrictions	<u>(2,007)</u>	<u>(1,304)</u>
Increase in temporarily restricted net assets	<u>1,197</u>	<u>5,517</u>
 (Decrease) increase in net assets	 (9,987)	 77,766
 Net assets at beginning of year	 <u>870,837</u>	 <u>793,071</u>
 Net assets at end of year	 <u><u>\$ 860,850</u></u>	 <u><u>\$ 870,837</u></u>

The accompanying notes are an integral part of these consolidated financial statements

Central Georgia Health Systems, Inc. and Affiliates

Consolidated Statements of Cash Flows
(dollars in thousands)

For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating activities		
(Decrease) increase in net assets	\$ (9.987)	\$ 77.766
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities		
Net realized and unrealized losses (gains) on investments	1.478	(31.778)
Net restricted contributions and investment (income) loss	(2.254)	(6.821)
Change in pension plan and post retirement health care plan funded status	40.415	17.226
Change in fair value of interest rate swap	3.018	4.330
Depreciation and amortization	40.119	39.578
Loss on disposal of property and equipment	2.758	1.271
Provision for uncollectible accounts	37.539	54.340
Amortization of deferred revenues	(2.171)	(1.793)
Proceeds from non-refundable entrance fees	727	3.044
Changes in operating assets and liabilities		
Patient accounts receivable, net	(47.671)	(47.325)
Other assets, prepaid expenses, and supplies	4.405	(1.886)
Accounts payable and accrued expenses	(3.192)	4.285
Accrued compensation and withholdings	(5.486)	10.044
Estimated third-party payor settlements	12.251	(11.670)
Entrance fee deposits	1.599	(538)
Other current liabilities	(13.257)	(11.031)
Supplemental benefit plan	1.044	(2.000)
Other long-term liabilities	(1.931)	(433)
Reserve for self-insured losses	7.227	(6.214)
Accrued pension benefit liability	(3.246)	(2.538)
Net cash provided by operating activities	<u>63.385</u>	<u>87.857</u>
Investing activities		
Purchase of property and equipment, net of retirements	(46.810)	(47.446)
Purchases of investments, net	(13.069)	(30.958)
Change in assets limited as to use, net	3.097	(8.295)
Net cash used in investing activities	<u>(56.782)</u>	<u>(86.699)</u>
Financing activities		
Principal payments on long-term debt	(10.090)	(9.950)
Net restricted contributions and investment income (loss)	2.254	6.821
Refund of entrance fees	(4.150)	(3.146)
Proceeds from refundable entrance fees	4.193	3.784
Net cash used in financing activities	<u>(7.793)</u>	<u>(2.491)</u>
Net change in cash and cash equivalents	(1.190)	(1.333)
Cash and cash equivalents at beginning of year	<u>63.279</u>	<u>64.612</u>
Cash and cash equivalents at end of year	<u><u>\$ 62.089</u></u>	<u><u>\$ 63.279</u></u>

The accompanying notes are an integral part of these consolidated financial statements

**CENTRAL GEORGIA HEALTH SYSTEMS, INC.
AND AFFILIATES**

Notes to Consolidated Financial Statements

For the Years Ended September 30, 2011 and 2010
(All tabular amounts in thousands)

1 Organization and General

Central Georgia Health Systems, Inc. (dba Central Georgia Health System) was incorporated on November 17, 1994, as a nonprofit corporation whose primary purpose is to serve as a controlling body for the Medical Center of Central Georgia, Inc. ("MCCG") and other affiliated entities, in supporting their mission of coordinating the functions of individual corporate providers of a comprehensive range of high quality, reasonably priced health care services to the central Georgia community. These entities described below are consolidated to form Central Georgia Health Systems, Inc. and Affiliates ("CGHS")

Medical Center of Central Georgia, Inc. - MCCG is a nonprofit medical center whose primary purpose is to provide inpatient, outpatient, physician care, home care, emergency and other health care related services to the central Georgia community. MCCG operates the Doctors Office Building, Central Georgia Pet, LLC and the Hospice of Central Georgia. MCCG is a controlled affiliate of CGHS.

MCCG leases certain assets from the Macon-Bibb County Hospital Authority (the "Authority") for a term of 30 years. Pursuant to the lease agreement dated February 14, 1995, effective October 1, 1995, substantially all assets of the Authority were transferred to MCCG and substantially all liabilities and operating responsibilities of the Authority were assumed by MCCG. Pursuant to the new lease agreement dated July 1, 2005, the lease term has been extended to July 1, 2045. In addition, MCCG pays bond indebtedness, the related interest thereon, and certain other expenses of the Authority. At the expiration or termination of the agreement, all assets of MCCG and certain interests of affiliated entities shall be distributed, subject to such debt or other liabilities as may be applicable, to the Authority.

Central Georgia Health Ventures, Inc. ("CGHV") - CGHV was incorporated on February 14, 1995 and is a taxable corporation whose primary purpose is to operate Central Georgia Home Care Services, Inc. ("CGHC").

Health Services of Central Georgia, Inc. ("HSCG") - HSCG, incorporated on February 24, 1997, is a nonprofit corporation whose primary purpose is to employ healthcare providers such as physicians, nurse practitioners and physician assistants that are in short supply in private practice and to provide medical education.

Central Georgia Senior Health, Inc. d/b/a Carlyle Place ("CGSH") - CGSH, incorporated on May 2, 1997, is a nonprofit corporation whose primary purpose is to construct, own, and operate a continuing care retirement community in Macon, Georgia.

Medcen Community Health Foundation, Inc. ("Medcen") - Medcen, incorporated on July 13, 1973, is a nonprofit corporation whose primary purpose is to raise funds of any kind or character to be used exclusively for charitable, medical, educational, and scientific purposes at or in connection with CGHS.

Centra Professional Indemnity, Ltd. ("CPI") - CPI, incorporated on November 14, 1995, is a controlled foreign corporation whose primary purpose is to provide certain professional and workers' compensation insurance coverage for CGHS

American Eagle Insurance Company Risk Retention Group ("American Eagle") - American Eagle, incorporated on August 1, 2003, under the laws of the state of Vermont, insures and reinsures medical malpractice risk for physicians and physician groups. American Eagle ceased operations as of July 1, 2011.

Central Georgia Rehabilitation Hospital, LLC ("CGRH") - CGRH is a Georgia limited liability company whose sole member is Central Georgia Health System, Inc. The Limited Liability Company operating agreement was made effective as of June 28, 2006, by Central Georgia Health Systems, Inc. CGRH is operated with the sole mission to provide rehabilitation services to the central Georgia community.

Central Georgia PET, LLC ("PET") - PET was incorporated on December 5, 2001, for the purpose of operating an outpatient radiology imaging center. MCCG has a 66.7% ownership interest in PET whose operations are consolidated within MCCG's consolidated financial statements. Included in unrestricted net assets at September 30, 2011 and 2010, are approximately \$429,000 and \$477,000, respectively, representing the noncontrolling interest in PET.

Secure Health Plans of Georgia, LLC ("SHPG") - SHPG, incorporated on November 6, 1996, is a limited liability company whose primary purpose is to provide certain health care services through the establishment, operation, and maintenance of a diversified portfolio of insurance products. CGHS provided 50.4% of the capital of SHPG. Included in unrestricted net assets at September 30, 2011 and 2010, are \$3,935,000 and \$3,813,000, respectively, representing the noncontrolling interest in SHPG.

2 **Significant Accounting and Reporting Policies**

A summary of the significant accounting and reporting policies followed by CGHS in the preparation of its consolidated financial statements is presented below.

Accounting Standards - CGHS follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the "FASB." The FASB sets accounting principles generally accepted in the United States of America ("GAAP") that CGHS follows to ensure consistent reporting of its financial condition, results of operations, and cash flows. References to GAAP issued by the FASB in these footnotes are to the *FASB Accounting Standards Codification*, sometimes referred to as the "Codification" or "ASC." Updates to the Codification are referred to as Accounting Standard Updates ("ASU").

Principles of Consolidation - The consolidated financial statements include the accounts of CGHS and all affiliated entities. All significant intercompany transactions and accounts have been eliminated in consolidation.

Noncontrolling Interest in Subsidiary - During 2011, CGHS adopted new GAAP guidance for noncontrolling interest in subsidiaries. As required by the guidance, presentation and disclosure has been applied retrospectively and are included in the consolidated balance sheets and the consolidated statements of operations and changes in net assets. In addition, the adoption had the effect of increasing beginning unrestricted net assets by \$4,290,000 and \$3,878,000 at October 1, 2010 and October 1, 2009, respectively, due to the retrospective application of this new guidance.

Fair Value Measurements - GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value, and GAAP establishes a three level hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities such as debt and equity securities, mutual funds, and money market accounts that are traded in an active market, and other cash equivalents. Level one investments include common stocks, equity mutual funds and money market funds that are traded in an active market.
- Level 2 - Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. CGHS's level two investments include corporate bonds, U.S. government obligations, and asset and mortgage backed securities. CGHS utilizes a third party pricing service to determine the fair value of each of these investment securities. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. CGHS's level three investments include limited liability partnerships and limited liability companies. The fair value for these investments are determined by applying CGHS's ownership percentage to the net asset value of the investment fund. Underlying investments of the funds include hedge funds, real estate funds, mortgage back securities, asset backed securities and global equity fund of funds.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand, deposits with banks, overnight sweep repurchase agreements and investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding assets limited as to use. From time to time CGHS deposits at banks exceed the Federal Deposit Insurance Corporation insurance limit. By policy, the amount of credit exposure to any one institution is limited, and such investments are generally not collateralized.

Investments - Investments in marketable equity securities and all investments in debt securities are stated at fair value in the consolidated balance sheets. All investments have been designated by management to be other than trading securities. Investment income or loss (including realized gains and losses on investments, interest, dividends and other-than-temporary impairment in investments) is

included in the excess of unrestricted revenues, gains, and other support over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of unrestricted revenues, gains, and other support over expenses.

Management evaluates individual securities to ascertain whether other-than-temporary impairment ("OTTI") has occurred. Management considers several factors including when the security might recover in value, declines in market value below 80% of the original cost for a period in excess of a year, and whether or not management intends to hold the respective security until the anticipated recovery in value occurs. Based on this evaluation, CGHS recognized approximately \$2,086,000 of OTTI for the year ended September 30, 2010. This amount is included as a reduction of investment income in the accompanying consolidated statements of operations and changes in net assets. No OTTI was recognized during 2011. During 2011 and 2010, approximately \$262,000 and \$3,163,000, respectively, of OTTI losses recognized in previous years were realized when the corresponding investments were sold.

Assets Limited as to Use - Assets limited as to use include assets held by trustees under bond indenture agreements, held for use for Medcen activities and by donor restrictions, set aside for the self-insurance reserve fund, or set aside by the Board of Directors ("Board") for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

Interest Rate Swap - CGHS utilizes an interest rate swap to manage the variability in interest rates on certain of its variable rate debt. Derivative instruments are required to be reported at fair value as either assets or liabilities in the balance sheet. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, an entity must designate the hedging instrument, based upon the exposure being hedged. For derivative instruments not designated as hedging instruments, the changes in fair value are recognized in the performance indicator.

The performance indicator (excess of unrestricted revenues, gains, and other support over expenses) reported by not-for-profit healthcare organizations is analogous to income from continuing operations of a for-profit enterprise. CGHS does not account for the interest rate swap under hedge accounting, and, accordingly, changes in the value of the swap are recorded above the performance indicator. Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been used had a ready market for the securities existed.

Net Patient Service Revenue and Patient Accounts Receivable - CGHS has agreements with third-party payors that provide for payments at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments under reimbursement agreements with third-party payors due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Allowance for Uncollectible Accounts - The allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections, considering business and economic conditions, trends in health care coverage and other collection indicators. Periodically, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review are then used to make any modifications to the provision for bad debts to establish an appropriate allowance for uncollectible accounts.

Inventory - Inventory is included as a component of other current assets on the consolidated balance sheets, and consists primarily of medical supplies stated principally at the lower of average cost or market.

Property and Equipment - Property and equipment acquisitions are recorded on the basis of cost. Expenditures for maintenance and repairs are charged to expense. Expenditures that materially increase the value of property and equipment or extend useful lives are capitalized as a cost of the applicable property and equipment. CGHS removes the costs and related allowances from the accounts for properties sold or retired.

Property and equipment are depreciated using straight-line methods over their estimated economic lives. Useful lives range from 5 to 25 years for land improvements, 20 to 40 years for buildings, and 5 to 15 years for equipment.

Long-Lived Assets - Periodically, reviews are performed of long-lived assets, such as property and equipment and goodwill, to determine whether any impairment exists. Management believes that the long-lived assets in the accompanying consolidated balance sheets are appropriately valued at September 30, 2011 and 2010.

Vacation Policy - Employee vacation pay is accrued when earned by the employee and is recorded within accrued compensation and withholdings on the consolidated balance sheets.

Entrance Fee Deposits - Deposits received from future residents (10% of the entrance fee) of the continuing care retirement community are held in an escrow account, earning interest, until the residents move into the continuing care retirement community. These deposits are recorded as a current liability.

Refundable and Nonrefundable Entrance Fees - Refundable and nonrefundable entrance fees are received from residents upon admission to the continuing care retirement community.

Certain contracts with residents stipulate that entrance fees are refundable on a vacated unit when the entrance fee on a comparable unit has been collected. Refundable entrance fees are recorded as deferred revenue and amortized on a straight-line basis over the remaining useful life of the facility.

Certain contracts with residents stipulate that entrance fees are not refundable forty-eight months after the original contract date. Nonrefundable entrance fees are recorded as deferred revenue and amortized on a straight-line basis over the life expectancy of the resident on the date of occupancy. Unamortized deferred revenue from nonrefundable entrance fees is recorded as revenue upon a resident's death or the termination of the contract.

Temporarily Restricted Net Assets - Temporarily restricted net assets are those whose use is restricted by the donor for a specific time period or purpose.

Reserve for Self-Insured Losses – CGHS is insured by CPI for certain professional and workers' compensation insurance. CPI determines its provision for known cases on the basis of the losses reported to it by a claims handler. CPI has engaged the services of independent consulting actuaries to advise on the required level of total outstanding loss reserves. The provision for outstanding loss reserves is therefore based upon the advice of these actuaries and management's best estimate for the ultimate development of losses reported.

Changes in estimates of outstanding claims reserves resulting from the continuous review process and differences between estimates and payments are recognized in income in the period in which they are determined.

CPI records its estimated liabilities gross of any amounts recoverable under its own reinsurance, which amounts, if any, are recorded separately in the consolidated balance sheets. In the event that CPI reinsurers are unable to meet their obligations under the reinsurance agreements, CPI would be liable to pay all losses under the reinsurance assumed but would only receive reimbursement to the extent that the reinsurers can meet their obligations.

Operating and Nonoperating Activities - CGHS's primary purpose is to provide diversified health care services to the community. As such, activities related to the ongoing operations of CGHS are classified as operating activities. Operating revenues include those generated from direct patient care, related support services, and sundry revenues related to the operation of CGHS. Activities not directly related to the ongoing operations of CGHS, or that occur infrequently, are reported as other revenue. Included in other revenue are activities related to cafeteria, parking, grant, and other miscellaneous revenues. In addition, gains or losses from disposition of operating properties, earnings on interest bearing deposits, change in fair values of interest rate swaps, interest on nonoperating investments, and marketable securities that are used to support health related activities are reported as other income.

Charity Care - CGHS provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. CGHS accepts all patients regardless of their ability to pay. Because CGHS does not pursue collection of amounts determined to qualify as charity care, such amounts are excluded from net patient service revenue. Partial payments to which CGHS is entitled from public assistance programs on behalf of patients that meet CGHS's charity care criteria are reported as net patient service revenue.

Excess of Unrestricted Revenues, Gains, and Other Support Over Expenses - The consolidated statements of operations include excess of unrestricted revenues, gains, and other support over expenses. Changes in unrestricted net assets which are excluded from excess of unrestricted revenues, gains, and other support over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, changes in unfunded pension and postretirement plan gains and losses, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Gifts, Contributions, and Grants - Gifts, contributions, and grants are recorded at market value as of the date of receipt. Noncash items are recorded at market value on the date of the gift. Contributions restricted by the donor are recorded in restricted net assets at market value on the date of the contribution.

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 a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reported in the consolidated statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Income Tax - Central Georgia Health Systems, Inc., MCCG, HSCG, CGSH, and Medcen are organizations exempt from federal income tax, pursuant to Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. CPI is a foreign corporation not subject to tax in the United States. PET, CGRH and SHPG are organized under Georgia law and the Internal Revenue Code as limited liability companies ("LLC"). The members of an LLC report taxable income or loss on their corporate or individual tax returns. CGHS's share of income from PET, CGRH and SHPG operations is not considered unrelated business income ("UBI") and is therefore not subject to tax.

CGHV and American Eagle are subject to income tax. With respect to its for-profit subsidiaries, CGHS accounts for income taxes in accordance with the liability method under which deferred tax assets and liabilities are determined based on the differences between the financial accounting and tax bases of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the currently enacted tax rate expected to apply to taxable income in the periods that the deferred tax asset or liability is expected to be realized or settled.

CGHS and its affiliates have evaluated their tax positions and have determined that they do not have any material unrecognized tax benefits or obligations as of September 30, 2011. Fiscal years ending on and after September 30, 2008 remain subject to examination by federal and state tax authorities.

Use of Estimates - The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Asset Retirement Obligations - A conditional asset retirement obligation is an unconditional legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. CGHS recognizes a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated.

Cash Surrender Value of Insurance Policies – CGHS previously had a supplemental executive benefit program (“SEBP”) for current and retired executives (“Executive” or “Executives”) that was designed to protect against the loss of key employees. CGHS paid premiums on insurance policies for each Executive in the plan. CGHS anticipated that the cash surrender value of the policies would grow to amounts sufficient for the Executives to take withdrawals from, or borrow against, the value to supplement the Executives’ retirement income. During 2009, CGHS suspended the SEBP program and stopped making further premium payments on the insurance policies.

CGHS continues to retain an assigned interest in the life insurance policies. As such, CGHS records the cash surrender value of the policies, which is included as a long-term asset.

Pension Plan and Postretirement Health Care Benefits - CGHS sponsors a defined benefit pension plan and a postretirement health care plan. CGHS recognizes the overfunded and underfunded status of the defined benefit pension and postretirement plans in its balance sheets. Changes in the funded status are recorded in the year in which the changes occurred through changes in unrestricted net assets. Plan assets and benefit obligations are measured as of the date of the fiscal year-end balance sheet.

Subsequent Events – CGHS evaluated the effect subsequent events would have on the consolidated financial statements from October 1, 2011 through January 27, 2012, which is the date the consolidated financial statements were issued.

Recent Accounting Pronouncements - In August 2010, the FASB issued ASU No. 2010-23, *Measuring Charity Care for Disclosure* (“ASU 2010-23”). The provisions of ASU 2010-23 are intended to reduce the diversity in how charity care is calculated and disclosed by health care entities. Charity care is required to be measured at cost, defined as the direct and indirect costs of providing the charity care. As CGHS does not recognize revenue when charity care is provided, ASU 2010-23 will have no effect on the consolidated statements of operations and changes in net assets. ASU 2010-23 only requires additional disclosures, including the method used to estimate the cost of charity care. This new guidance is effective for CGHS for the year ended September 30, 2012.

In August 2010, the FASB issued ASU No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries* (“ASU 2010-24”). ASU 2010-24 prohibits the netting of insurance recoveries against a related claim liability and requires the claim liability to be calculated without consideration of insurance recoveries. This guidance is effective for CGHS for the year ended September 30, 2012.

In July 2011, the FASB issued ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The amendments in this update require certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts), as well as to provide enhanced disclosures about policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. This guidance is effective for CGHS for the year ended September 30, 2013.

3 **Net Patient Service Revenue**

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

Medicare

Medicare inpatient and outpatient services, with certain limited exceptions, are based on a prospective reimbursement methodology referred to as the Prospective Payment System ("PPS") for inpatients and Ambulatory Payment Classifications ("APCs") for outpatients. Under PPS, a hospital is reimbursed at predetermined rates for an episode of care based on diagnosis-related groups ("DRGs") for inpatients and APCs for outpatients, which classify treatments for illnesses according to the estimated intensity of hospital resources necessary to furnish care for each diagnosis. As a teaching hospital, CGHS receives payments for training physicians and other medical professionals (graduate medical education or GME payments). These payments are in two different forms, direct medical education ("DME") and indirect medical education ("IME") payments. DME payments support the direct costs of training while IME payments support the higher infrastructure that teaching hospitals incur relating to teaching, and higher patient acuity. As a hospital serving a disproportionate share of low-income patients (Medicare and Medicaid patients eligible to receive supplemental Social Security income), CGHS also receives additional payments in the form of disproportionate share payments.

CGHS is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report and audits thereof by the Medicare fiscal intermediary. CGHS's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. CGHS's cost reports have been audited and final settled by the Medicare fiscal intermediary through September 30, 2006. Desk review adjustments have been received for the 2007, 2008 and 2009 cost report years, and these changes from prior year estimates have been recorded in estimated third party payor settlements.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a diagnostic related group based methodology that is not subject to retroactive settlement. Outpatient services are paid on a cost reimbursement methodology subject to certain limits. Services rendered under this program are recorded at established rates and reduced to the estimated amount due from the third-party payors through recording of contractual adjustments and other discounts. Because CGHS cannot pursue collections for the contractual or discounted amounts, they are not reported as revenue.

Beginning June 1, 2006, Georgia Medicaid moved a significant portion of its recipients to managed care companies called Care Management Organizations ("CMO"). Contractual payments are made by the CMO for services provided using the same methodology and payment rates as traditional Medicaid. CGHS's cost reports have been audited and final settled by the Medicaid fiscal intermediary through September 30, 2006.

Managed Care and Other Payors

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

Net patient service revenues are reported at the estimated net realizable amounts from 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 are adjusted in future periods as interim or final settlements are determined. In the opinion of management, adequate provisions have been made for any adjustments that may result from such reviews. However, it is reasonably possible that recorded estimates will change by material amounts in the near term. Net patient service revenue increased approximately \$7,914,000 and \$1,681,000 for 2011 and 2010, respectively, due to changes in amounts previously estimated as a result of final settlements and changes in estimates.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. CGHS believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the consolidated financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 created the Recovery Audit Contractors ("RAC") program to detect and correct improper payments in the Medicare program. The RAC reviews in Georgia began in late 2009 and continued in 2011. Management believes its billings policies will not result in significant overpayments, however, the effect of RAC reviews cannot be reasonably estimated, and the results of such reviews could materially affect the future operations of CGHS.

Gross patient service charges and net patient service revenue for the years ended September 30 include

	<u>2011</u>	<u>2010</u>
Gross patient service charges	\$ 1,902,726	\$ 1,804,434
Contractual adjustments		
Medicare	584,009	523,863
Medicaid	244,550	244,934
Other	<u>300,186</u>	<u>259,897</u>
Total contractual adjustments	1,128,745	1,028,694
Charity care		
Charity care charges	75,181	74,219
County contributions from tax revenue	(688)	(938)
Other state funding	<u>(2,528)</u>	<u>(3,293)</u>
Net charity care	71,965	69,988
Other allowances	<u>9,265</u>	<u>7,586</u>
Total deductions from gross patient service charges	<u>1,209,975</u>	<u>1,106,268</u>
Net patient service revenue	\$ <u>692,751</u>	\$ <u>698,166</u>

Indigent Care Trust Fund - Under the provisions of the Georgia Indigent Care Trust Fund Act ("ICTF"), Medicaid disproportionate share hospitals ("DSH") may contribute funds to be used by the State in the Medicaid program and which will be supplemented by federal funds (combination dollars). The combination dollars are returned to DSH as additional Medicaid inpatient reimbursement.

Amounts recorded in the consolidated financial statements related to the ICTF are summarized approximately as follows

	<u>2011</u>	<u>2010</u>
Amounts received from the ICTF	\$ 10,148	\$ 13,593
Contribution to ICTF	<u>3,524</u>	<u>4,742</u>
Excess received over contribution	\$ <u>6,624</u>	\$ <u>8,851</u>

Upper Payment Limit - Under the provisions of the Georgia Upper Payment Limit Rate adjustments ("UPL"), government owned or operated hospitals, nursing homes and critical access eligible hospitals may contribute funds to be used by the state in the Medicaid program, which will be supplemented by federal funds (combination dollars).

Amounts recorded in the consolidated financial statements related to the UPL are summarized approximately as follows

	<u>2011</u>	<u>2010</u>
Amounts received from UPL	\$ 7.164	\$ 1.215
Contributions to UPL	<u>2.064</u>	<u>416</u>
Excess received over contribution	\$ <u><u>5,100</u></u>	\$ <u><u>799</u></u>

Net amounts received under the ICTF and UPL programs are within net patient revenue. The federal government does not ensure future ICTF and UPL funding. Reduced ICTF and UPL funding may impact the CGHS's operations.

4 **Investments**

Investments are summarized as follows

	<u>2011</u>	<u>2010</u>
Short-term investments		
Money market fund	\$ 34.268	\$ 31.110
Equity securities	219.052	253.475
Alternative investments	158.945	141.601
Asset backed securities	48.876	60.910
U S Treasury obligations and other government backed securities	41.262	26.725
Corporate bonds	<u>62.199</u>	<u>44.674</u>
	\$ <u><u>564,602</u></u>	\$ <u><u>558,495</u></u>
Long-term investments in real estate funds	\$ <u><u>15,229</u></u>	\$ <u><u>9,745</u></u>

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, the possibility is reasonable that changes in the values of investment securities will occur in the near term and that these changes could materially affect the amounts reported in the consolidated balance sheets.

CGHS invests in alternative investments that are defined as venture capital, international and domestic private equity investments, and absolute return (hedge) funds. Long-term investments are alternative investment real estate funds that require seven to ten year fund terms before the investments can be liquidated.

The recorded market price for alternative investments is estimated by the individual investment manager taking into account such factors as the financial condition of each investee, economic and market conditions affecting their operations, any changes in management, the length of time since the initial investment, recent transactions involving the securities of the investee, the value of similar securities issued by companies in the same or similar businesses, and limited marketability of the portfolio.

Valuations provided by the general partners and investment managers are evaluated by management through accounting and financial reporting processes to review and monitor existence and valuation assertions. Due to the inherent uncertainty of valuation of the alternative investments, the fair values estimated by the individual investment manager, in the absence of readily ascertainable market values, may not necessarily represent the amounts that could be realized from sales or other dispositions of investments, and the differences may be material.

Investment income for assets limited as to use and short-term investments for the years ended September 30 includes:

	<u>2011</u>	<u>2010</u>
Investment income		
Interest and dividends	\$ 11,716	\$ 15,824
Net realized gains (losses)		
Loss on OTTI	-	(2,086)
OTTI loss previously recognized	262	3,163
Realized gains	<u>24,861</u>	<u>12,139</u>
	<u>25,123</u>	<u>13,216</u>
	\$ <u>36,839</u>	\$ <u>29,040</u>
Other changes in unrestricted net assets		
Unrealized gains (losses) on investments, other than trading securities	\$ <u>(26,601)</u>	\$ <u>18,562</u>

The following table shows the gross unrealized losses and fair value of CGHS's short-term investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized position at September 30, 2011 and 2010

	September 30, 2011					
	Less than 12 Months		12 Months or Greater		Total	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Corporate bonds	\$ 22,315	\$ (792)	\$ 2,801	\$ (226)	\$ 25,116	\$ (1,018)
Equity securities	86,837	(15,053)	2,644	(651)	89,481	(15,704)
Asset backed surities	16,111	(402)	4,147	(235)	20,258	(637)
Alternative investments	<u>37,299</u>	<u>(1,380)</u>	<u>235</u>	<u>(238)</u>	<u>37,534</u>	<u>(1,618)</u>
Total	\$ <u>162,562</u>	\$ <u>(17,627)</u>	\$ <u>9,827</u>	\$ <u>(1,350)</u>	\$ <u>172,389</u>	\$ <u>(18,977)</u>

	September 30, 2010					
	Less than 12 Months		12 Months or Greater		Total	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Equity securities	\$ 33,357	\$ (2,387)	\$ 22,528	\$ (2,578)	\$ 55,885	\$ (4,965)
Asset backed securities	7,649	(114)	2,262	(114)	9,911	(228)
U S government and agency securities	<u>12,938</u>	<u>(169)</u>	<u>2,575</u>	<u>(43)</u>	<u>15,513</u>	<u>(212)</u>
Total	\$ <u>53,944</u>	\$ <u>(2,670)</u>	\$ <u>27,365</u>	\$ <u>(2,735)</u>	\$ <u>81,309</u>	\$ <u>(5,405)</u>

The unrealized losses on CGHS's investments were caused by changes in interest rates, the performance of the various companies in which CGHS maintains an equity interest, and the performance of the mortgage securities. Because CGHS anticipates that these investments will recover in the near term and that CGHS has the ability and intent to hold these investments until a recovery of fair value, CGHS does not consider the investments included in the above table to be other-than-temporarily impaired at September 30, 2011 and 2010.

5 Assets Limited as to Use

The composition of assets limited as to use stated at fair value is set forth in the following table

	<u>2011</u>	<u>2010</u>
Self-insurance reserve fund		
Cash and cash equivalents	\$ 2,434	\$ 1,395
U S corporate bonds	25,093	21,633
U S government securities	10,114	20,617
U S mortgage and asset backed securities	26,625	19,800
Equity securities	18,306	23,986
Other	<u>12,140</u>	<u>9,855</u>
	94,712	97,286
Medcen Foundation, Inc		
Cash and cash equivalents	283	363
Money market funds	3,273	2,859
U S government securities	2,501	3,706
U S corporate bonds	6,108	5,086
Mortgage backed securities	2,549	2,229
Mutual funds	7,434	8,440
Equity securities	17,978	20,145
Private equities	<u>19,102</u>	<u>15,545</u>
	59,228	58,373
Reservation deposits, held under escrow agreement		
Cash and cash equivalents	233	648
Held by trustee under indenture agreement		
Money market funds	-	940
Designated by Board		
Other	<u>4,240</u>	<u>4,263</u>
	\$ <u>158,413</u>	\$ <u>161,510</u>

The self-insurance reserve fund amounts are held primarily by CPI in connection with the insurance program

6 **Property and Equipment**

Property and equipment consisted of the following at September 30

	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 28,003	\$ 28,277
Buildings and improvements	388,162	388,743
Parking deck	46,473	46,473
Movable equipment	278,733	276,014
Fixed equipment	<u>94,391</u>	<u>98,688</u>
	835,762	838,195
Less accumulated depreciation	<u>464,830</u>	<u>473,599</u>
	370,932	364,596
Construction-in-progress	<u>22,356</u>	<u>23,308</u>
	\$ <u>393,288</u>	\$ <u>387,904</u>

Depreciation expense for the years ended September 30, 2011 and 2010 amounted to approximately \$38,668,000 and \$38,095,000, respectively

7 **Asset Retirement Obligations**

The fair value of a liability for a conditional asset retirement obligation is recognized in the period in which it occurred if a reasonable estimate of fair value can be made. CGHS has determined that conditional legal obligations exist for its facilities related primarily to asbestos materials. CGHS has recorded a liability of approximately \$3,716,000 and \$4,218,000 for the estimated present value for the conditional asset retirement obligation at September 30, 2011 and 2010, respectively. Discount rates used to calculate the present value of the obligation were 5.0% and 5.5% at September 30, 2011 and 2010, respectively. A related amount is recorded in property and equipment of approximately \$1,453,000 and \$1,317,000, representing the remaining un-depreciated cost of the asset retirement obligation at September 30, 2011 and 2010, respectively.

8. **Long-Term Debt**

MCCG, CGHS, Medcen, and HSCG comprise the Obligated Group. CGSH is a limited obligor in respect to the Series 2000 Revenue Anticipation Certificates. A summary of long-term debt of the Obligated Group at September 30 follows:

	<u>2011</u>	<u>2010</u>
Revenue Anticipation Certificates, Series 2009 issued in September 2009, fixed interest rates, ranging between 4% and 5%, due in varying installments beginning in 2019 to 2035, collateralized by the gross revenues of the Obligated Group, amount is net of unamortized bond discount of \$56 and \$58, respectively	\$ 80,744	\$ 80,742

	<u>2011</u>	<u>2010</u>
Revenue Anticipation Certificates, Series 2003A variable interest rates, 0 14% at September 30, 2011, due in varying installments to 2028, collateralized by the gross revenues of the Obligated Group	\$ 15,075	\$ 15,775
Revenue Anticipation Certificates, Series 2003B variable interest rates, 0 15% at September 30, 2011, due in varying installments to 2028, collateralized by the gross revenues of the Obligated Group	16,400	17,200
Revenue Anticipation Certificates, Series 2000 issued in May 2000, variable interest rates, 0 14% at September 30, 2011, due in varying installments to 2035, collateralized by the 2000-A Master Note of the Obligated Group	43,350	44,500
Revenue Anticipation Certificates, Series 1998 issued in December 1998, variable interest rate, at 0 15% at September 30, 2011, due in varying installments to 2018, collateralized by the gross revenues of the Obligated Group	17,000	17,000
Revenue Anticipation Certificates, Series 1997 issued in July 1997, variable interest rates, 0 15% at September 30, 2011, due in varying installments to 2018, collateralized by the gross revenues of the Obligated Group	15,300	17,100
Revenue Anticipation Certificates, Series 1993C issued in October 1993, interest rates ranging from 5 25% to 5 30%, due in varying installments to 2013, collateralized by the gross revenues of the Obligated Group, amount is net of unamortized bond discount of \$2 and \$12, respectively	3,373	6,403
Revenue Anticipation Certificates, Series 1993A issued in September 1993, paid during 2011, 2010 amount is net of unamortized bond discount of \$7	-	2,593
	191,242	201,313
Less current portion	4,695	10,090
	\$ <u>186,547</u>	\$ <u>191,223</u>

In September 2009, the Authority issued \$80,800,000 Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (The Medical Center of Central Georgia, Inc Project), Series 2009 Certificates ("Series 2009 Certificates") The proceeds of the Series 2009 Certificates were

loaned to MCCG to (i) pay off two bank loans totaling \$80,000,000 obtained during 2009 that had been used to redeem the Series 2005 Certificates, and (ii) pay the costs of issuing the Series 2009 Certificates

MCCG guarantees payment of the 1993A, 1993C, 1997, 1998, 2000, 2003A, 2003B and 2009 Revenue Anticipation Certificates (collectively, the "Certificates") to the Macon-Bibb County Hospital Authority in the form of a lease and transfer agreement. On November 1, 1995, the Master Trust Indenture (the "Indenture") for the Certificates was amended to include all members of the Obligated Group under the provisions of the Agreement. To secure prompt payment of principal and interest on the Certificates and secure performance of its obligation, the Obligated Group granted a security interest in its gross revenues (as more fully defined in the Indenture) and in all its property. The Obligated Group is subject to certain covenants, including limitations on additional indebtedness, transfers of assets, maintenance of certain amounts of insurance, and certain other financial covenants under the terms of the Indenture.

Coinciding with the above redemption, the Series 2003 Certificates were segregated into Series 2003A and Series 2003B. The Series 2003A and 2003B along with several of the existing Certificates were remarketed with new direct-pay letters of credit, as follows:

	<u>Unused Letter of Credit Amount</u>
Series 1997	\$ 15,572
Series 1998	17,303
Series 2000	44,133
Series 2003A	15,276
Series 2003B	16,616

The Series 1997, 1998 and 2003 B letters of credit expire on December 1, 2012, and the Series 2000 and 2003 A expire on January 1, 2016.

Interest paid in 2011 and 2010 totaled approximately \$7,085,000 and \$6,815,000, respectively.

Principal maturities of long-term debt are as follows:

Years ending September 30

2012	\$ 4,695
2013	8,203
2014	5,075
2015	9,415
2016	9,570
Thereafter	<u>154,284</u>
	\$ <u>191,242</u>

9 **Interest Rate Swaps**

On October 1, 2001, CGSH entered into an interest rate swap agreement in relation to \$23,000,000 of its Revenue Anticipation Bonds, Series 2000. This interest rate swap agreement, which expires on September 1, 2021, requires CGSH to make fixed-rate interest payments of 4.1% on a monthly basis in return for receiving a monthly variable-rate interest payment. As of September 30, 2011, the floating interest rate, which is based on 67% of LIBOR, was 0.2%. The fair value of CGSH's interest swap liability was approximately \$3,115,000 and \$3,110,000 at September 30, 2011 and 2010, respectively, which is included in other long-term liabilities in the accompanying consolidated balance sheets. The fair value of the interest rate swap decreased approximately \$5,000 and \$624,000 for the years ended September 30, 2011 and 2010, respectively.

MCCG has an interest rate swap agreement ("interest rate swap") relating to a portion of the \$52,000,000 Series 2005 Revenue Anticipation Bonds ("2005 Series"). Although the 2005 Series was refinanced during 2009, the interest rate swap agreement remains intact. The interest rate swap, which expires on August 1, 2035, requires MCCG to make fixed-rate interest payments of 3.1% on a monthly basis in return for receiving a monthly variable-rate interest payment equal to 67% of LIBOR, which was 0.15% at September 30, 2011. The fair value of MCCG's interest swap was a liability of approximately \$11,442,000 and \$8,429,000 at September 30, 2011 and 2010, respectively. These amounts are included in other long-term liabilities in the accompanying consolidated balance sheets. The fair value of the interest rate swap decreased approximately \$3,013,000 and \$3,706,000 for the years ended September 30, 2011 and 2010, respectively.

10 **Deferred Revenues from Entrance Fees**

Unamortized deferred revenues from entrance fees as of September 30 are as follows:

	<u>2011</u>	<u>2010</u>
Refundable fees	\$ 31,645	\$ 30,457
Nonrefundable fees	<u>21,550</u>	<u>21,969</u>
	53,195	52,426
Less accumulated amortization	<u>16,797</u>	<u>15,488</u>
	\$ <u>36,398</u>	\$ <u>36,938</u>

Amortization of the refundable and nonrefundable entrance fees was approximately \$2,171,000 and \$1,793,000 for the years ended September 30, 2011 and 2010, respectively.

11 **Postretirement Benefit Plans**

Defined Benefit Pension Plan - CGHS has a noncontributory defined benefit pension plan ("pension plan") covering substantially all employees of CGHS. The benefits are based on years of service and the employee's highest compensation during three of the employee's last ten years of service. CGHS's funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus any additional amounts CGHS may determine to be appropriate.

The Board of Directors of CGHS approved a redesign of the pension plan that was effective on January 1, 2008. The changes included freezing the plan as of December 31, 2007, with the plan closed to any new participants and all participants at December 31, 2007 remaining in the plan. Plan participants under the age of 40 on January 1, 2008 no longer accumulate benefits. Plan participants age 40 and over on January 1, 2008 continue to accumulate plan benefits. CGHS offers an enhanced match in their defined contribution plan to offset the benefits that any new and under the age of 40 participants would have or were receiving under the plan.

Defined Benefit Health Care Plan - CGHS sponsors a defined benefit health care plan ("health plan") that provides postretirement medical benefits to full-time employees who have worked 15 years and attained age 55 while in service with CGHS. The plan is contributory with retiree contributions adjusted annually, and it contains other cost-sharing features such as deductibles and coinsurance. CGHS's policy is to fund the cost of medical benefits in amounts determined at the discretion of management.

The funded status of the pension plan and health plan is measured as the difference between the fair value of the plans' assets and the projected benefit obligation of the plans.

The following tables present a reconciliation of the beginning and ending balances of the plans' projected benefit obligation, the fair value of plan assets, and the funded status of the plans.

	<u>Defined Benefit Pension Plan</u>		<u>Defined Benefit Health Care Plan</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Projected benefit obligation, beginning of year	\$ 230.142	\$ 201.612	\$ 26.059	\$ 24.469
Change in benefit obligation				
Service cost	6.473	6.048	563	458
Interest cost	11.961	11.344	1.152	1.295
Actuarial (gain) loss	28.884	17.932	3.116	2.316
Benefits paid	(7.398)	(6.794)	(2.899)	(2.479)
Change in plan provisions	<u>-</u>	<u>-</u>	<u>193</u>	<u>-</u>
Projected benefit obligation, end of year	<u>\$ 270,062</u>	<u>\$ 230,142</u>	<u>\$ 28,184</u>	<u>\$ 26,059</u>

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Fair value of plan assets, beginning of year	\$ 157,689	\$ 141,469	\$ -	\$ -
Change in plan assets				
Actual return on plan assets	1,911	15,014	-	-
Contributions of plan sponsor	11,418	8,000	2,899	2,479
Benefits paid	<u>(7,398)</u>	<u>(6,794)</u>	<u>(2,899)</u>	<u>(2,479)</u>
Fair value of plan assets, end of year	\$ <u>163,620</u>	\$ <u>157,689</u>	\$ <u>-</u>	\$ <u>-</u>
Unfunded status at end of year	\$ <u>(106,442)</u>	\$ <u>(72,453)</u>	\$ <u>(28,184)</u>	\$ <u>(26,059)</u>

Amounts recognized on the consolidated balance sheets at September 30, 2011 and 2010, are as follows

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Other current liabilities	\$ -	\$ -	\$ 2,395	\$ 2,279
Other long-term liabilities	-	-	25,789	23,780
Accrued pension plan liability	<u>106,442</u>	<u>72,453</u>	<u>-</u>	<u>-</u>
	\$ <u>106,442</u>	\$ <u>72,453</u>	\$ <u>28,184</u>	\$ <u>26,059</u>

Included in unrestricted net assets at September 30, 2011 and 2010, are the following amounts that have not yet been recognized in the net periodic pension and postretirement benefit cost

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Unrecognized prior service cost (credit)	\$ -	\$ 36	\$ (94)	\$ (344)
Unrecognized actuarial loss (gain)	<u>109,479</u>	<u>72,208</u>	<u>2,732</u>	<u>(198)</u>
	\$ <u>109,479</u>	\$ <u>72,244</u>	\$ <u>2,638</u>	\$ <u>(542)</u>

Changes recognized in unrestricted net assets for the years ended September 30, 2011 and 2010, are as follows

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Prior service credit	\$ -	\$ -	\$ 194	\$ -
Net actuarial loss (gain)	41.626	16.758	3,116	2,316
Amortization of prior service costs	(36)	(43)	56	56
Amortization of actuarial gain (loss)	<u>(4,355)</u>	<u>(1,867)</u>	<u>(186)</u>	<u>6</u>
	<u>\$ 37,235</u>	<u>\$ 14,848</u>	<u>\$ 3,180</u>	<u>\$ 2,378</u>

The estimated prior service cost and net gain to be recognized in net periodic pension expense and net periodic postretirement cost during the next fiscal year are as follows

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Prior service cost (credit)	\$ -	\$ 36	\$ (36)	\$ (56)
Actuarial loss (gain)	8,104	4,355	-	186

A summary of the components of net periodic benefit cost at September 30, 2011 and 2010 is as follows

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Service cost	\$ 6,473	\$ 6,049	\$ 563	\$ 458
Interest cost	11,961	11,344	1,152	1,295
Expected return on plan assets	(14,653)	(13,841)	-	-
Amortization of unrecognized prior service cost (credit)	36	43	(56)	(56)
Amortization of net loss (gain)	<u>4,355</u>	<u>1,867</u>	<u>185</u>	<u>(6)</u>
	<u>\$ 8,172</u>	<u>\$ 5,462</u>	<u>\$ 1,844</u>	<u>\$ 1,691</u>

Assumptions used in determining the actuarial present value of the projected benefit obligations as of September 30, 2011 and 2010, are as follows

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Weighted-average discount rate	5.54%	5.28%	5.15%	4.62%
Rate of increase in compensation levels	3.00%	3.00%	-	-

Assumptions used in determining the net periodic benefit cost for the years ended September 30, 2011 and 2010 are as follows

	<u>Defined Benefit Pension Plan</u>		<u>Defined Benefit Health Care Plan</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Weighted-average discount rate	5.28%	5.72%	4.62%	5.53%
Rate of increase in compensation levels	3.00%	3.00%	-	-
Expected long-term rate of return on assets	8.50%	8.50%	-	-

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is 5% for 2011 and thereafter. The health care cost trend rate assumption has an effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of September 30, 2011, by approximately \$1,701,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2011 by approximately \$208,000.

CGHS uses fair market value as the market-related value of assets in calculating the expected return on the plan assets component of net periodic pension expense and net periodic postretirement benefit for the years ended September 30, 2011 and 2010.

During 2012, CGHS expects to contribute approximately \$16,842,000 and \$2,395,000, respectively, to its defined benefit pension plan and health care plan.

Benefits expected to be paid in each of the next five fiscal years and thereafter are estimated as follows:

	<u>Defined Benefit Pension Plan</u>	<u>Defined Benefit Health Care Plan</u>
Years ending September 30		
2012	\$ 8,283	\$ 2,395
2013	8,664	2,340
2014	9,194	2,237
2015	9,853	2,250
2016	10,734	2,312
2017-2021	71,126	11,746

The target allocation for the pension plan is as follows as of September 30, 2011 and 2010:

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Equity securities	28%	50%	72%
Debt securities	15%	35%	55%
Alternative investments	7%	15%	23%

To develop the expected long-term rate of return on assets assumptions. CGHS considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio

The Plan investment strategy is focused on matching the emerging long-term needs of the retirement plan with the proven, long-term performance patterns of the various investment markets. The Plan's investments represent the opportunity to reduce CGHS's cost of funding plan benefits, provide a funding resource for possible future enhancement of plan benefits, and insulate the Plan's assets against deterioration of purchasing power caused by inflation.

The target allocation of all assets is to reflect proper diversification in order to reduce the potential of a single security or single sector of securities having a disproportionate impact on the portfolio. In an effort to maintain the overall risk level of the portfolio within an acceptable range, the relative mix of asset classes will be rebalanced back toward the target allocations as opportunities permit, but in any event not less often than annually. CGHS utilizes an outside investment consultant to implement its investment strategy.

Fair values of the pension plan investments are summarized as follows:

Pension Assets at Fair Value as of September 30, 2011			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 8,149	\$ -	\$ -
Mutual funds			
Equities	<u>22,548</u>	<u>-</u>	<u>-</u>
Total mutual funds	22,548	-	-
Alternative investments			
Debt securities	-	-	13,391
Equities	-	-	8,229
Real estate	-	-	6,321
Multi-category	<u>-</u>	<u>-</u>	<u>8,372</u>
Total alternative investments	-	-	36,313
U S government securities			
U S treasuries	2,874	-	-
GNMA, FNMA, FHLMC pools		9,884	-
Government collateralized mortgage and asset backed	<u>-</u>	<u>3,650</u>	<u>-</u>
Total U S government securities	2,874	13,534	-
Corporate bonds			
Domestic	16,171	-	-
Foreign	<u>2,336</u>	<u>-</u>	<u>-</u>
Total corporate obligations	18,507	-	-

Pension Assets at Fair Value as of September 30, 2011, continued			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks			
Domestic	\$ 47,248	\$ -	\$ -
Foreign	<u>3,861</u>	<u>-</u>	<u>-</u>
Total common stocks	51,109	-	-
Mortgage and asset back securities	-	8,773	-
Real estate investment trusts	1,564	-	-
Exchange traded funds	<u>249</u>	<u>-</u>	<u>-</u>
	\$ <u>105,000</u>	\$ <u>22,307</u>	\$ <u>36,313</u>

Pension Assets at Fair Value as of September 30, 2010			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 2,826	\$ -	\$ -
Equity mutual funds	24,439	-	-
Alternative investments	-	-	28,385
U S government securities			
U S treasuries	3,537	-	-
Government agencies	604	-	-
GNMA, FNMA, FHLMC pools	-	11,014	-
Government collateralized mortgage and asset backed	<u>-</u>	<u>5,609</u>	<u>-</u>
Total U S government securities	4,141	16,623	-
Corporate bonds			
Domestic	13,086	-	-
Foreign	<u>1,200</u>	<u>-</u>	<u>-</u>
Total corporate bonds	14,286	-	-
Common stocks			
Domestic	54,069	-	-
Foreign	<u>2,251</u>	<u>-</u>	<u>-</u>
Total common stocks	56,320	-	-
Mortgage and asset backed securities	-	8,147	-
Real estate investment trusts	1,771	-	-
Exchange traded funds	<u>751</u>	<u>-</u>	<u>-</u>
	\$ <u>104,534</u>	\$ <u>24,770</u>	\$ <u>28,385</u>

The table below sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended September 30, 2011

Beginning balance	\$ 28,385
Realized gains	130
Unrealized gains	2,107
Purchases, net	<u>5,691</u>
Ending balance	\$ <u>36,313</u>

12 **Incentive Plan Payable**

The purpose of the plan is to motivate each employee to work toward achieving certain performance goals. Incentive plan payments in the amount of approximately \$3,088,000 and \$4,235,000 to employees of CGHS at September 30, 2011 and 2010, respectively, were approved by the Board of Directors and are included in accrued compensation and withholdings in the accompanying balance sheets.

13 **Income Taxes**

Deferred income taxes, which as of September 30, 2011 and 2010, have no net carrying value, reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes. As of September 30, 2011 and 2010, CGHS had deferred tax assets of approximately \$6,100,000 and \$7,400,000, respectively, relating principally to net operating loss carryovers. As of September 30, 2011 and 2010, such deferred tax assets were offset by a valuation allowance of approximately \$6,100,000 and \$7,400,000, respectively.

Federal net operating loss carryovers for CGHV totaled approximately \$16,100,000 at September 30, 2011, and will expire between 2017 and 2030.

14 **Commitments and Contingencies**

Litigation - CGHS is involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on CGHS's consolidated financial position.

MCCG is currently under investigation by the U.S. Department of Health and Human Services, Office of Inspector General ("OIG"). In August 2008, a subpoena (the "Short-Stay Matter") was received requesting documents concerning Medicare reimbursement for zero- and one-day stays, three-day inpatient admissions, where the patient was discharged directly to a skilled nursing facility, and billing of evaluation and medical services. In April 2009, a second subpoena was received related to the Short-Stay Matter requesting certain medical records. MCCG has provided, and is continuing to provide, the documents and other information requested and is working with outside counsel and consultants to determine medical necessity of each claim.

In September 2010, MCCG received a letter from the OIG making the hospital aware that it was conducting an investigation to determine whether or not certain hospitals have submitted claims for payment for the implantation of implantable cardioverter defibrillators ("ICD's") which were not medically indicated or otherwise violated Medicare payment policy. MCCG has received an initial

analysis of claims submitted to Medicare that relate to services that were potentially excluded from coverage and are currently in the process of evaluating a sample of these claims

In November 2011, MCCG received a subpoena from the OIG in connection with an investigation into possible improper claims submitted to federal health care programs. The subpoena requests the production of documents and other materials related to certain contracts with a vendor, and focuses on contracts containing "upfront" payments or discounts that may have been provided by the vendor.

The OIG has made no specific demand for payment for these matters, and the investigations are ongoing. Management is hopeful that all issues raised in the investigation will be resolved in the favor of MCCG. Because these are ongoing investigations and they involve interpretation of complex regulatory matters, a loss, if any, is highly uncertain and cannot be reasonably estimated. As such, no amount has been accrued in the consolidated financial statements at September 30, 2011. Due to the nature of the matter, this assessment may be subject to material adverse change in the near term.

General and Professional Liability Insurance - CGHS is currently insured for commercial general liability on an occurrence basis and professional liability on a claims-made basis by Centra Professional Indemnity, Ltd. ("CPI"), a wholly-owned subsidiary of CGHS, and excess coverage by commercial insurance carriers through CPI. The excess coverage limits are \$50,000,000 for 2011 and 2010. The coverage for professional liability is limited to claims incurred and reported during its term. Actuarially determined funding is provided for losses.

For all claims prior to October 1, 2002, the policy had a limit of \$2 million per occurrence and \$6 million in aggregate. For all claims between October 1, 2002 and September 30, 2004, the policy had a limit of \$4 million per occurrence and \$12 million in aggregate, and for all claims between October 1, 2004 and September 30, 2006, the policy had a limit of \$4 million per occurrence and \$14 million in aggregate. Effective October 1, 2006, the policy has a limit of \$4 million per occurrence and \$20 million in aggregate.

CPI also insures CGHS on an occurrence basis for workers' compensation insurance, which has a limit of \$500,000 per occurrence, with no aggregate limit per year. Beginning April 1, 2011, CPI began insuring CGHS for equipment maintenance and repairs with limits of liability of \$2,500,000 per claim and annual aggregate.

During 2011 and 2010, CGHS paid premiums of approximately \$10,270,000 and \$10,523,000, respectively, to CPI for these coverages. These premiums have been properly eliminated from consolidated statements of operations. The reserve for self-insured losses totaled approximately \$51,817,000 and \$44,590,000 at September 30, 2011 and 2010, respectively, and are comprised of reported loss reserves and incurred but not reported loss reserves.

Employee Group Health Insurance - CGHS is self-insured for its employee group health insurance. CGHS has estimated and recorded accruals for claims incurred, but not reported or paid prior to the fiscal year-end.

Property and Equipment - CGHS has commitments for purchases of property and equipment of approximately \$39,000,000 at September 30, 2011.

Management Agreement - During 2011, CGHS began providing financial assistance and management assistance to a hospital in Peach County, Georgia under a management agreement.

CGHS expects to continue this relationship during 2012 and is currently negotiating a formal lease agreement with the Peach County Hospital Authority

15 **Temporarily Restricted Net Assets**

Temporarily restricted net assets as of September 30 are available for the following purposes

	<u>2011</u>	<u>2010</u>
Promises for future years	\$ 1.254	\$ 864
Program grants		
Pathology development	6.148	6.112
Children's Hospital	11.871	11.383
Regional health education center	948	941
Research and education	5.287	5.313
HEAT Trust	2.758	2.968
Community grants	7.104	7.052
Hospice inpatient facility	4.099	4.588
Emergency center	1.660	1.647
Georgia Heart Center	9.142	9.077
Critical care center	1.158	783
Other grants	<u>2.971</u>	<u>2.475</u>
	\$ <u>54,400</u>	\$ <u>53,203</u>

16 **Concentrations of Credit Risk**

CGHS grants credit to patients, substantially all of whom reside in central Georgia. CGHS generally does not require collateral or other security in extending credit to patients, however, they routinely obtain assignment of (or are otherwise entitled to receive) patients' benefits payable under their health programs, plans, or policies (e.g. Medicare, Medicaid, Blue Cross, and other preferred provider arrangements and commercial insurance policies). Revenue from the Medicare and Medicaid programs accounted for approximately 45% and 46% of CGHS's net patient revenue for the years ended September 30, 2011 and 2010, respectively.

The mix of receivables from patients and third-party payors at September 30, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Medicare	30%	29%
Medicaid	16	13
Blue Cross	13	12
Other third-party payors	30	31
Patients	<u>11</u>	<u>15</u>
	<u>100%</u>	<u>100%</u>

CGHS recognizes that revenues and receivables from government agencies are significant to its operations, but it does not believe that there are any significant credit risks associated with these government agencies.

17 **Functional Expenses**

CGHS does not present expense information by functional classification because its resources and activities are primarily related to providing health care services. Further, since CGHS receives substantially all of its resources from providing health care services in a manner similar to a business enterprise, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged their stewardship responsibilities.

18 **Fair Value of Financial Instruments**

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

Cash and cash equivalents The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate their fair value.

Investments Fair values, which are the amounts reported in the consolidated balance sheets, are based on quoted market prices, if available, estimated using quoted market prices for similar securities, or estimated using pricing models, discounted cash flow methodologies, or similar techniques.

Patient accounts receivable The carrying amounts reported in the consolidated balance sheets for patient accounts receivable approximate their fair values.

Due to or from related parties The carrying amounts reported in the consolidated balance sheets for due to or from related parties approximate their fair values.

Assets limited as to use Fair values, which are the amounts reported in the consolidated balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Accounts payable and accrued expenses The carrying amounts reported in the consolidated balance sheets for accounts payable and accrued expenses approximate their fair value.

Accrued compensation and withholdings The carrying amounts reported in the consolidated balance sheets for accrued compensation and withholdings approximate their fair value.

Estimated third-party payor settlements The carrying amounts reported in the balance sheets for estimated third-party payor settlements approximate their fair value.

Long-term debt Fair values of CGHS's revenue anticipation certificates are based on current traded value. The fair value of CGHS's remaining long-term debt is estimated using discounted cash flow analyses, based on CGHS's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of CGHS's long-term debt at September 30 are as follows

	<u>2011</u>		<u>2010</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	\$ 191,242	\$ 193,117	\$ 201,313	\$ 204,535

Derivative Financial Instruments The fair value of the derivative financial instruments are determined from a discounted cash flow model based on projected interest rates during the term of the contract and amounts outstanding on the corresponding long-term debt. In addition, credit risk associated with the counter party (when an asset) or CGHS (when a liability) is factored into the fair value model.

The following summarizes CGHS's assets and (liabilities) by level

	<u>Assets (Liabilities) at Fair Value</u> <u>as of September 30, 2011</u>		
	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Short-term investments			
Money market accounts	\$ 34,268	\$ -	\$ -
Asset backed			
Credit card receivable	-	844	-
Auto loan receivable	-	16,080	-
Collateralized mortgage obligation	-	23,052	-
Other	<u>-</u>	<u>8,900</u>	<u>-</u>
Total other asset backed	-	48,876	-
Corporate bonds			
Domestic	-	53,888	-
Foreign	<u>-</u>	<u>8,311</u>	<u>-</u>
Total corporate bonds	-	62,199	-
Government securities			
FHLMC	-	436	-
FNMA	-	10,738	-
GNMA	-	1,296	-
Federal Home Loans Bank bonds	-	2,159	-
Federal Farm Credit Bank bonds	-	1,273	-
US Treasuries	<u>-</u>	<u>25,360</u>	<u>-</u>
Total government securities	-	41,262	-

	<u>Assets (Liabilities) at Fair Value, continued</u> <u>as of September 30, 2011</u>		
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities			
Real estate investment trusts	\$ 824	\$ -	\$ -
Mutual funds	42,921	10,251	-
Common stock			
Consumer staples	28,539	-	-
Health care	25,164	-	-
Information technology	24,760	-	-
Financials	22,900	-	-
Consumer discretionary	19,198	-	-
Energy	16,250	-	-
Industrials	13,272	-	-
Materials	6,705	-	-
Foreign	6,270	-	-
Other	<u>1,998</u>	<u>-</u>	<u>-</u>
Total common stocks	<u>165,056</u>	<u>-</u>	<u>-</u>
Total equity securities	208,801	10,251	-
Alternative investments			
Commodities	-	-	52,827
Asset backed securities	-	-	2,586
Multi-category	-	-	26,800
Equities	-	-	27,995
Debt securities	<u>-</u>	<u>-</u>	<u>48,737</u>
Total alternative investments	<u>-</u>	<u>-</u>	<u>158,945</u>
	<u>\$ 243,069</u>	<u>\$ 162,588</u>	<u>\$ 158,945</u>
Long-term investments in real estate funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,229</u>
Included in other long-term liabilities			
Interest rate swap	<u>\$ -</u>	<u>\$ (14,557)</u>	<u>\$ -</u>

Assets (Liabilities) at Fair Value as of September 30, 2011, continued			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Included in assets limited as to use			
Money market funds	\$ 5,707	\$ -	\$ -
Equity securities			
Mutual funds	9,244	-	-
Common stocks			
Consumer discretionary, staples	4,916	-	-
Information technology	3,109	-	-
Materials and industrials	2,930	-	-
Health care	2,618	-	-
Financials	1,808	-	-
Energy	1,108	-	-
Foreign	946	-	-
Other equity securities	17,040	-	-
U S corporate bonds	-	31,201	-
U S government securities			-
U S Treasury securities	7,236	-	-
U S Federal Agency securities	-	5,379	-
Mortgage-backed and asset backed securities	-	29,174	-
Alternative investments	-	-	19,102

	<u>Assets (Liabilities) at Fair Value</u> <u>as of September 30, 2010</u>		
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investments			
Money market funds	\$ 31.110	\$ -	\$ -
Equity securities	253.475	-	-
Alternative investments	-	-	141.601
U S mortgage-backed securities	-	60.910	-
U S government issues and asset backed securities	26.725	-	-
U S mortgage-backed and asset backed securities	-	44.674	-
Included in assets limited as to use			
Cash equivalents	4.254	-	-
Equity securities	52.571	-	-
U S corporate bonds	-	26.719	-
U S government securities	15.477	8.846	-
U S mortgage-backed securities	-	22.029	-
Alternative investments	-	-	15.545
Long-term investments in real estate funds	-	-	9.745
Included in other long-term liabilities			
Interest rate swap	-	(11.539)	-

The table below sets forth a summary of changes in the fair value of CGHS's level 3 short-term and long-term investments for the year ended September 30, 2011

Beginning balance	\$ 151.346
Gain on market value	3.575
Sales	(7.000)
Purchases	<u>26.253</u>
Ending balance	\$ <u>174.174</u>

The table below sets forth a summary of changes in the fair value of CGHS's level 3 assets limited as to use for the year ended September 30, 2011

Beginning balance	\$	15,545
Gain		2,280
Purchases		<u>1,277</u>
Ending balance	\$	<u>19,102</u>

Capital Commitments – CGHS has future capital commitment requirements to invest additional amounts in certain level 3 investments. At September 30, 2011, the outstanding commitments totaled approximately \$30,200,000.

19 **Equity Investments**

Central Georgia Health Network, LLC - Central Georgia Health Network, LLC was incorporated on October 25, 1996, for the purpose of participating in contracts with preferred provider organizations, health maintenance organizations or other alternative health care delivery systems. MCCG owns 29% of the common stock in Central Georgia Health Network, Inc. MCCG's investment of approximately \$90,000 is recorded under the cost method of accounting.

Central Georgia MRI, LLC - Central Georgia MRI, LLC ("CG MRI") was incorporated on October 2, 2000, as a joint venture with Radiology Associates to share the cost of an MRI laboratory. CG MRI became operational on September 16, 2002. CGHV provided 50% of the capital in CG MRI and records the investment under the equity method of accounting. The investment amounted to approximately \$391,000 and \$513,000 at September 30, 2011 and 2010, respectively.

Georgia Magnetic Imaging Center, Ltd. - Georgia Magnetic Imaging Center, Ltd. ("GMIC") was incorporated on March 22, 1985 to own and operate certain medical equipment. CGHV purchased a 49.5% ownership interest in GMIC on December 31, 2002 for \$1,181,000 and records the investment on the equity method of accounting. The investment amounted to approximately \$837,000 and \$942,000 at September 30, 2011 and 2010, respectively.

Supplemental Information



DIXON HUGHES GOODMAN^{LLP}
ATTORNEYS AT LAW

Independent Auditors' Report on Supplemental Information

The Board of Directors
Central Georgia Health Systems, Inc. and Affiliates
Macon, Georgia

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental information accompanying the consolidated financial statements is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the 2011 basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2011 basic consolidated financial statements taken as a whole.

Dixon Hughes Goodman LLP

Atlanta, Georgia
January 27, 2012

Central Georgia Health Systems, Inc. and Affiliates

Consolidating Balance Sheet (dollars in thousands)

September 30, 2011

	Central Georgia Health Systems, Inc	Medical Center of Georgia, Inc	MedCen Community Health Foundation, Inc	Central Georgia Senior Health, Inc	Health Services of Central Georgia, Inc	Central Georgia Health Ventures, Inc	Central Georgia Rehabilitation Hospital, LLC	Centra Professional Indemnity, Ltd	Secure Health Plans of Georgia, LLC	Eliminations	Consolidated
Assets											
Current assets											
Cash and cash equivalents	\$ 977	\$ 52,945	\$ -	\$ 1,257	\$ 234	\$ 1,915	\$ 2,395	\$ -	\$ 2,366	\$ -	\$ 62,089
Short-term investments	-	517,051	-	47,551	-	-	-	-	-	-	564,602
Patient accounts receivable, net	-	126,055	-	-	2,045	1,263	2,237	-	-	-	131,600
Estimated third-party settlements	-	-	-	-	-	-	386	-	-	-	386
Other accounts and notes receivable	156	5,647	1,380	782	689	419	-	-	586	(156)	9,503
Prepaid expenses and other current assets	3	10,152	-	80	49	13	219	-	56	-	10,572
Total current assets	1,136	711,850	1,380	49,670	3,017	3,610	5,237	-	3,008	(156)	778,752
Assets limited as to use	-	-	59,228	233	-	971	-	94,712	3,269	-	158,413
Long-term investments	-	15,229	-	-	-	-	-	-	-	-	15,229
Investments in subsidiaries	23,319	-	-	-	-	-	-	-	-	(23,319)	-
Intercompany	369	(9,803)	-	(72)	(9)	1,069	8,446	-	-	-	-
Property and equipment, net	4	353,910	239	36,415	1,740	431	412	-	137	-	393,288
Cash surrender value of insurance policies	-	18,521	-	-	-	-	-	-	-	-	18,521
Other	3,106	2,715	88	790	994	1,228	-	-	-	(3,127)	5,794
Total assets	\$ 27,934	\$ 1,092,422	\$ 60,935	\$ 87,036	\$ 5,742	\$ 7,309	\$ 14,095	\$ 94,712	\$ 6,414	\$ (26,602)	\$ 1,369,997

Central Georgia Health Systems, Inc. and Affiliates

Consolidating Balance Sheet (dollars in thousands)

September 30, 2011

	Central Georgia Health Systems, Inc	Medical Center of Georgia, Inc	MedCen Community Health Foundation, Inc	Central Georgia Senior Health, Inc	Health Services of Central Georgia, Inc	Central Georgia Health Ventures, Inc	Central Georgia Rehabilitation Hospital, LLC	Centra Professional Indemnity, Ltd	Secure Health Plans of Georgia, LLC	Eliminations	Consolidated
<u>Liabilities, net assets and stockholder's equity</u>											
Current liabilities											
Accounts payable and accrued expenses	\$ 359	\$ 22,059	\$ 92	\$ 825	\$ 1,072	\$ 153	\$ 89	\$ 302	\$ 196	\$ 61	\$ 25,208
Accrued compensation and withholdings	-	31,030	-	-	-	269	-	-	421	-	31,720
Current portion of long-term debt	-	3,500	-	1,195	-	-	-	-	-	-	4,695
Entrance fee deposits	-	-	-	1,128	-	-	-	-	-	-	1,128
Estimated third-party settlements	-	5,164	-	-	-	-	-	-	-	-	5,164
Other current liabilities	400	12,166	67	-	130	14	6	1,938	41	-	14,762
Total current liabilities	759	73,919	159	3,148	1,202	436	95	2,240	658	61	82,677
Long-term debt less current portion	-	144,392	-	42,155	-	-	-	-	-	-	186,547
Reserve for self-insured losses	-	-	-	-	-	-	-	51,817	-	-	51,817
Accrued pension benefit liability	-	106,442	-	-	-	-	-	-	-	-	106,442
Deferred revenues from entrance fees less current portion	-	-	-	36,398	-	-	-	-	-	-	36,398
Other long-term liabilities	-	37,230	-	3,115	-	971	-	-	234	-	41,550
Asset retirement obligation	-	3,716	-	-	-	-	-	-	-	-	3,716
Total liabilities	759	365,699	159	84,816	1,202	1,407	95	54,057	892	61	509,147
Net assets											
Unrestricted net assets - controlling interest	27,175	726,294	6,376	2,220	4,540	-	14,000	-	-	21,481	802,086
Temporarily restricted	-	-	54,400	-	-	-	-	-	-	-	54,400
Noncontrolling interest in subsidiary	-	429	-	-	-	-	-	-	-	3,935	4,364
Total net assets	27,175	726,723	60,776	2,220	4,540	-	14,000	-	-	25,416	860,850
Stockholder's equity											
Common stock	-	-	-	-	-	-	-	17	3,731	(3,748)	-
Paid-in-capital	-	-	-	-	-	25,895	-	1,653	-	(27,548)	-
(Accumulated deficit) retained earnings	-	-	-	-	-	(19,993)	-	38,985	1,791	(20,783)	-
Total liabilities, net assets and stockholder's equity	\$ 27,934	\$ 1,092,422	\$ 60,935	\$ 87,036	\$ 5,742	\$ 7,309	\$ 14,095	\$ 94,712	\$ 6,414	\$ (26,602)	\$ 1,369,997

See accompanying Independent Auditors' Report on Supplemental Information

Central Georgia Health Systems, Inc. and Affiliates

Consolidating Schedule of Operations and Changes in Net Assets (dollars in thousands)

For the Year Ended September 30, 2011

	Central Georgia Health Systems, Inc	Medical Center of Georgia, Inc	MedCen Community Health Foundation, Inc	Central Georgia Senior Health, Inc	Health Services of Central Georgia, Inc	Central Georgia Health Ventures, Inc	Central Georgia Rehabilitation Hospital, LLC	American Eagle RRG	Centra Professional Indemnity, Ltd	Secure Health Plans of Georgia, LLC	Eliminations	Consolidated
Unrestricted revenues, gains and other support												
Net patient service revenues	\$ -	\$ 649,803	\$ -	\$ 790	\$ 20,762	\$ 4,999	\$ 16,397	\$ -	\$ -	\$ -	\$ -	\$ 692,751
Other revenue	440	25,646	3,099	13,564	(24)	323	-	-	9,868	6,072	(16,377)	42,611
Total revenues, gains and other support	440	675,449	3,099	14,354	20,738	5,322	16,397	-	9,868	6,072	(16,377)	735,362
Expenses												
Labor and employee benefits	18,569	294,283	1,014	6,575	28,426	3,201	9,216	-	-	3,410	-	364,694
Supplies and other expenses	(14,374)	261,425	2,027	4,540	4,392	1,883	4,194	1,599	11,332	2,471	(17,521)	261,968
Depreciation and amortization	1	35,918	2	2,940	959	142	90	-	-	67	-	40,119
Provision for uncollectible accounts	-	35,765	-	-	1,318	264	192	-	-	-	-	37,539
Interest	-	6,036	-	1,233	-	-	-	-	-	-	-	7,269
Total expenses	4,196	633,427	3,043	15,288	35,095	5,490	13,692	1,599	11,332	5,948	(17,521)	711,589
Income (loss) from operations	(3,756)	42,022	56	(934)	(14,357)	(168)	2,705	(1,599)	(1,464)	124	1,144	23,773
Other income (loss)												
Investment income	(573)	29,827	10	2,287	31	1,098	1	9	4,029	222	(102)	36,839
Change in fair value of interest rate swap	-	(3,013)	-	(5)	-	-	-	-	-	-	-	(3,018)
Contribution	-	1,505	-	-	-	-	-	-	-	-	(1,505)	-
Other	-	(1,477)	-	-	(9)	-	(4)	-	-	(122)	(2,018)	(3,630)
Excess of revenues, gains and other support over (under) expenses	(4,329)	68,864	66	1,348	(14,335)	930	2,702	(1,590)	2,565	224	(2,481)	53,964
Other changes in net assets	4,247	(82,458)	1,197	(2,313)	16,536	(2,382)	-	382	(3,044)	-	3,884	(63,951)
Total change in net assets	(82)	(13,594)	1,263	(965)	2,201	(1,452)	2,702	(1,208)	(479)	224	1,403	(9,987)
Net assets (liabilities) at beginning of year	27,257	740,317	59,513	3,185	2,339	7,354	11,298	1,208	41,134	5,298	(28,066)	870,837
Net assets (liabilities) at end of year	\$ 27,175	\$ 726,723	\$ 60,776	\$ 2,220	\$ 4,540	\$ 5,902	\$ 14,000	\$ -	\$ 40,655	\$ 5,522	\$ (26,663)	\$ 860,850

See accompanying Independent Auditors' Report on Supplemental Information

Form **8868**
(Rev. January 2011)
Department of the Treasury
Internal Revenue Service

Application for Extension of Time To File an Exempt Organization Return

OMB No 1545-1709

▶ **File a separate application for each return.**

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box ☒
- If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form)

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868

Electronic filing (e-file). You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time. You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit www.irs.gov/efile and click on e-file for Charities & Nonprofits

Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed)

A corporation required to file Form 990-T and requesting an automatic 6-month extension-check this box and complete

Part I only ☐

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns

Type or print File by the due date for filing your return. See instructions	Name of exempt organization	Employer identification number
	CENTRAL GEORGIA HEALTH SYSTEMS, INC	58-2149127
	Number, street, and room or suite no. If a P.O. box, see instructions	
	691 CHERRY ST 400	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions.	
	MACON GA 31201	

Enter the Return code for the return that this application is for (file a separate application for each return)

01

Application Is For	Return Code	Application Is For	Return Code
Form 990	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	03	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

RHONDA S. PERRY
777 HEMLOCK ST

- The books are in the care of ▶ MACON Telephone No. ▶ 478-633-1452 FAX No. ▶ GA 31201
- If the organization does not have an office or place of business in the United States, check this box ☐
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) ☐ If this is for the whole group, check this box ☐ If it is for part of the group, check this box ☐ and attach

a list with the names and EINs of all members the extension is for

- I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until 05/15/12, to file the exempt organization return for the organization named above. The extension is for the organization's return for.
 - ▶ ☐ calendar year or
 - ▶ ☒ tax year beginning 10/01/10, and ending 09/30/11
- If this tax year entered in line 1 is for less than 12 months, check reason: ☐ Initial return ☐ Final return ☐ Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	\$
b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	\$
c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	\$

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions

For Paperwork Reduction Act Notice, see Instructions.

Form **8868** (Rev. 1-2011)

- If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** and check this box ☒ **X**
- Note.** Only complete **Part II** if you have already been granted an automatic 3-month extension on a previously filed Form 8868.
- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** (on page 1).

Part II Additional (Not Automatic) 3-Month Extension of Time. Only file the original (no copies needed)

Enter filer's identifying number, see instructions

Type or print File by the due date for filing your return. See instructions.	Name of exempt organization or other filer, see instructions. CENTRAL GEORGIA HEALTH SYSTEMS, INC	Employer identification number (EIN) or <input checked="" type="checkbox"/> 58-2149127
	Number, street, and room or suite no. If a P.O. box, see instructions. 691 CHERRY ST 400	Social security number (SSN) <input type="checkbox"/>
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. MACON GA 31201	

Enter the Return code for the return that this application is for (file a separate application for each return)

01

Application Is For	Return Code	Application Is For	Return Code
Form 990	01		
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	01	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

RHONDA S. PERRY
777 HEMLOCK ST

GA 31201

- The books are in the care of ☒ **MACON** Telephone No. ☒ **478-633-1452** FAX No. ☐
- If the organization does not have an office or place of business in the United States, check this box ☐
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) ☐. If this is for the whole group, check this box ☐. If it is for part of the group, check this box ☐ and attach a list with the names and EINs of all members the extension is for.

- I request an additional 3-month extension of time until **08/15/12**
- For calendar year ☐ or other tax year beginning **10/01/10**, and ending **09/30/11**
- If the tax year entered in line 5 is for less than 12 months, check reason. ☐ Initial return ☐ Final return
☐ Change in accounting period
- State in detail why you need the extension
ADDITIONAL TIME IS REQUESTED TO GATHER INFORMATION TO PREPARE A COMPLETE AND ACCURATE RETURN.

8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	8a	\$
b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	8b	\$
c Balance due. Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	8c	\$

Signature and Verification must be completed for Part II only.

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ☒ **Jacqueline Atkins**Title ☒ **CPA**Date ☒ **4/30/12**Form **8868** (Rev. 1-2012)