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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

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

GRADY MEMORIAL HOSPITAL CORPORATION

Doing Business As

GRADY HEALTH SYSTEM

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

80 JESSE HILL JUNIOR DRIVE SE

Room/suite

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

ATLANTA, GA 30303

F Name and address of principal officer

JOHN M HAUPERT PRESIDENTCEO

80 JESSE HILL JUNIOR DRIVE SE

ATLANTA,GA 30303

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.GRADYHEALTH.ORG

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

2008

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>GRADY HEALTH SYSTEM IMPROVES THE HEALTH OF THE COMMUNITY BY PROVIDING QUALITY, COMPREHENSIVE HEALTHCARE IN A COMPASSIONATE, CULTURALLY COMPETENT, ETHICAL, AND FISCALLY RESPONSIBLE MANNER</div><div></div><div></div><div></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

2012-11-15

Date

MARK MEYER CHIEF FINANCIAL OFFICER

Type or print name and title

Paid Preparer's Use Only

Preparer's signature

Date

Check if self-employed ☐

Preparer's taxpayer identification number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4

KPMG LLP

300 North Greene Street Suite 400

Greensboro, NC 27401

EIN

Phone no

(336) 275-3394

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 (2011)

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

SEE STATEMENT PART I, LINE 1

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

checked

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

checked

No

If "Yes," describe these changes on Schedule O

4

Describe the organization's program service accomplishments for each of its three largest program services, as measured 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 \$ 399,786,970 including grants of \$) (Revenue \$ 251,866,881)

SEE SCHEDULE O, STATEMENT 2

4b

(Code) (Expenses \$ 60,716,904 including grants of \$) (Revenue \$ 47,202,107)

SEE SCHEDULE O, STATEMENT 2

4c

(Code) (Expenses \$ 84,273,938 including grants of \$) (Revenue \$ 48,382,387)

SEE SCHEDULE O, STATEMENT 2

4d




















Other program services (Describe in Schedule O)

(Expenses \$ 213,142,649 including grants of \$) (Revenue \$ 521,791,101)

4e

Total program service expenses \$ 757,920,461

Part IV Checklist of Required Schedules

		Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1	Yes
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2	Yes
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4	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? If "Yes," complete Schedule C, Part III	5	
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. 	11a	Yes
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b	No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. 	11c	No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX. 	11d	Yes
e	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 	11e	Yes
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. 	11f	Yes
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 	12a	No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Part I	14b	No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S? If "Yes," complete Schedule F, Part II and IV	15	No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S? If "Yes," complete Schedule F, Part III and IV	16	No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I	17	No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a	Did the organization operate one or more hospitals? If "Yes," complete Schedule H 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements 	20b	Yes

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 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 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	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	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>	35b	Yes	
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>						
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>						
		Yes	No			
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	327			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes			
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return. .	2a	6,324			
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				No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b				
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a				No
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a				No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b				No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c				
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a				No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b				
7	Organizations that may receive deductible contributions under section 170(c).					
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a				No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b				
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c				No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e				No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f				No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g				
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h				
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8				
9	Sponsoring organizations maintaining donor advised funds.					
a	Did the organization make any taxable distributions under section 4966?	9a				
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b				
10	Section 501(c)(7) organizations. Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b				
11	Section 501(c)(12) organizations. Enter					
a	Gross income from members or shareholders.	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b				
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a				
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b				
13	Section 501(c)(29) qualified nonprofit health insurance issuers.					
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a				
b	Enter the aggregate 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 aggregate amount of reserves on hand.	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a				No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b				

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

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

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	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 made 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 made 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.	PATRICIA PLAIRVP-CONTROLLER 50 HURT PLAZA SUITE 301 ATLANTA, GA 30303 (404) 616-1767

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

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

Form **990** (2011)

Part VIII

Statement of Revenue

				(A)	(B)	(C)	(D)	
				Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d					
	e	Government grants (contributions)	1e	64,405,080				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	62,572,224				
	g	Noncash contributions included in lines 1a-1f \$ 17,265,788						
	h	Total. Add lines 1a-1f		126,977,304				
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE	Business Code 900099	724,682,974	724,682,974			
	b							
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		724,682,974				
	Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		29,396			29,396
4		Income from investment of tax-exempt bond proceeds . .		0				
5		Royalties		0				
6a		Gross rents	(i) Real	(ii) Personal				
b		Less rental expenses						
c		Rental income or (loss)						
d		Net rental income or (loss)						
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
b		Less cost or other basis and sales expenses						
c		Gain or (loss)						
d		Net gain or (loss)		0				
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a					
b		Less direct expenses	b					
c		Net income or (loss) from fundraising events . .		0				
9a		Gross income from gaming activities See Part IV, line 19	a					
b		Less direct expenses	b					
c		Net income or (loss) from gaming activities . .		0				
10a		Gross sales of inventory, less returns and allowances	a					
b		Less cost of goods sold	b					
c	Net income or (loss) from sales of inventory . .		0					
	Miscellaneous Revenue	Business Code						
11a	RENTAL AND PARKING INCOME	900099	3,263,575		0	3,263,575		
b	OTHER	900099	1,719,200	1,719,200	0			
c	MISC	900099	12,570,026		0	12,570,026		
d	All other revenue							
e	Total. Add lines 11a-11d		17,552,801					
12	Total revenue. See Instructions		869,242,475	726,402,174	0	15,862,997		

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)

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

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 United States See Part IV, line 21	0			
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States 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	4,804,124	626,517	4,177,607	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	598,022		598,022	
7	Other salaries and wages	251,094,632	238,066,801	13,027,831	0
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	9,800,582	6,005,312	3,795,270	0
9	Other employee benefits	23,399,529	14,338,075	9,061,454	0
10	Payroll taxes	18,063,651	11,068,512	6,995,139	0
11	Fees for services (non-employees)				
a	Management	16,985,375	10,407,798	6,577,577	0
b	Legal	1,842,999	1,129,299	713,700	0
c	Accounting	567,000	347,430	219,570	0
d	Lobbying	400,386		400,386	0
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	0	0	0	0
g	Other	139,591,976	85,535,063	54,056,913	0
12	Advertising and promotion	1,478,026	905,661	572,365	0
13	Office expenses	8,335,188	5,107,391	3,227,797	0
14	Information technology	4,273,227	2,618,422	1,654,805	0
15	Royalties	0			0
16	Occupancy	11,367,788	6,965,619	4,402,169	0
17	Travel	0			0
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			0
19	Conferences, conventions, and meetings	382,981	234,672	148,309	0
20	Interest	2,330,262	1,427,869	902,393	0
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	43,684,816	26,767,896	16,916,920	
23	Insurance	27,799,198	17,033,974	10,765,224	
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	DRUGS	57,101,854	57,101,854	0	0
b	BAD DEBT	215,230,373	215,230,373	0	0
c	MEDICAL SUPPLIES	46,518,826	46,518,826	0	0
d	MAINTENANCE MATERIAL	2,082,301	1,275,931	806,370	0
e					
f	All other expenses	9,950,715	9,207,166	743,549	
25	Total functional expenses. Add lines 1 through 24f	897,683,831	757,920,461	139,763,370	0
26	Joint costs. Check here <input 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				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			28,490,175	1	59,891,962
	2	Savings and temporary cash investments			1,457,529	2	1,436,822
	3	Pledges and grants receivable, net			186,429,481	3	116,800,938
	4	Accounts receivable, net			73,553,785	4	55,305,068
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			0	6	0
	7	Notes and loans receivable, net			0	7	0
	8	Inventories for sale or use			9,175,147	8	11,558,817
	9	Prepaid expenses and deferred charges			7,886,108	9	6,182,848
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	431,527,087			
	b	Less accumulated depreciation	10b	123,139,378	320,035,602	10c	308,387,709
	11	Investments—publicly traded securities			0	11	0
	12	Investments—other securities See Part IV, line 11			0	12	0
	13	Investments—program-related See Part IV, line 11			0	13	0
	14	Intangible assets			0	14	0
	15	Other assets See Part IV, line 11			55,551,298	15	50,090,006
	16	Total assets. Add lines 1 through 15 (must equal line 34)			682,579,125	16	609,654,170
Liabilities	17	Accounts payable and accrued expenses			175,635,389	17	126,795,550
	18	Grants payable			0	18	0
	19	Deferred revenue			9,114,438	19	6,366,902
	20	Tax-exempt bond liabilities			0	20	0
	21	Escrow or custodial account liability Complete Part IV of Schedule D			0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			0	22	0
	23	Secured mortgages and notes payable to unrelated third parties			102,664,112	23	103,100,703
	24	Unsecured notes and loans payable to unrelated third parties			0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D			72,748,241	25	83,567,640
	26	Total liabilities. Add lines 17 through 25			360,162,180	26	319,830,795
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			183,885,388	27	170,352,730
	28	Temporarily restricted net assets			125,076,238	28	106,378,063
	29	Permanently restricted net assets			13,455,319	29	13,092,582
	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			322,416,945	33	289,823,375
	34	Total liabilities and net assets/fund balances			682,579,125	34	609,654,170

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	869,242,475
2	Total expenses (must equal Part IX, column (A), line 25)	2	897,683,831
3	Revenue less expenses Subtract line 2 from line 1	3	-28,441,356
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	322,416,945
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-4,152,214
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	289,823,375

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 checked="" type="checkbox"/> Consolidated basis <input 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?	Yes	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	Yes	

SCHEDULE A
(Form 990 or 990EZ)

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

2011

Open to Public
Inspection

Name of the organization GRADY MEMORIAL HOSPITAL CORPORATION	Employer identification number 26-2037695
---	--

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 **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 Se**section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

Support Schedule for Organizations Described in IRC 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	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
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 2011 (line 6 column (f) divided by line 11 column (f))		14				
15 Public Support Percentage for 2010 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2011. 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—2010. 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—2011. 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—2010. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization						
18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions						

Part IIIPart III

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage			
15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15		
16 Public support percentage from 2010 Schedule A, Part III, line 15	16		

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17		
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2011. 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—2010. 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 explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

Additional Data

Software ID:

Software Version:

EIN: 26-2037695

Name: GRADY MEMORIAL HOSPITAL CORPORATION

Form 990, Special Condition Description:

Special Condition Description

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
A D PETE CORRELL CHAIRMAN OF THE BOARD	2 0	X		X						
THOMAS DORTCH JR VICE CHAIR	2 0	X		X						
ROBERT MILLER SECRETARY	2 0	X		X						
F DUANE ACKERMAN DIRECTOR	2 0	X								
THOMAS D BELL JR DIRECTOR	2 0	X								
SHARON BENT-HARLEY MD DIRECTOR	2 0	X								
HENRY W GRADY III DIRECTOR	2 0	X								
ANDREW W EVANS DIRECTOR	2 0	X								
GLEMUEL HEWES ESQ DIRECTOR	2 0	X								
PIERLUIGI MANCINI PhD DIRECTOR	2 0	X								
AASIA MUSTAKEEM DIRECTOR	2 0	X								
REVEREND JOSEPH L ROBERTS JR DIRECTOR	2 0	X								
JOE W ROGERS JR DIRECTOR	2 0	X								
MICHAEL RUSSELL DIRECTOR	2 0	X								
JAMES E STEPHENSON DIRECTOR	2 0	X								
PAMELA S STEPHENSON DIRECTOR	2 0	X								
LOUIS W SULLIVAN MD DIRECTOR	2 0	X								
JAMES YOUNG DIRECTOR	2 0	X								
MICHAEL R HOLLIS DIRECTOR	2 0	X								4,704
SUE MCCARTHY CHIEF FINANCIAL OFFICER	40 0			X				573,833	0	17,682
JOHN M HAUPERT PRESIDENT AND CEO	40 0			X				133,144	0	0
DENISE WILLIAMS EXECUTIVE VP -OPERATIONS	40 0				X			420,400	0	6,046
DEBORAH CANCELLA CHIEF INFORMATION OFFICER	40 0				X			370,406	0	12,016
TIMOTHY JEFFERSON SR VP -LEGAL AFFAIRS	40 0				X			375,290	0	28,661
SUE GREEN SR VP -OPERATIONS	40 0				X			395,175	0	2,148

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
RHONDA SCOTT SR VP -CNO	40 0				X			338,964	0	14,567
MARK CHASTANG SR VP -OPERATIONS	40 0				X			331,296	0	1,325
LYNN LAMBERT VP -TREASURER	40 0				X			215,633	0	7,632
CRAIG TINDALL SR VP -OPS/FACILITIES	40 0				X			252,557	0	22,325
CHARLES BAI ANESTHETIST	40 0					X		220,270	0	9,325
HOGAI NASSERY ADMIN - COMM MED	40 0					X		199,230	0	6,220
MICHAEL WRIGHT SR VP OPERATIONS	40 0					X		237,965	0	1,925
LISA BORDERS PRESIDENT -GRADY FNDTN	40 0					X		199,544	0	1,469
BENJAMIN HATCHETT ANESTHETIST	40 0					X		207,017	0	5,388
MICHAEL A YOUNG PRESIDENT AND CEO	40 0						X	598,022	0	11,291
ALTHEA WILLIAMS SR VP -HUMAN RESOURCES	40 0						X	333,400	0	7,190

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

2011

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, line 35c (Proxy Tax), then

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

Name of the organization GRADY MEMORIAL HOSPITAL CORPORATION	Employer identification number 26-2037695
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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 on behalf of or in opposition to candidates for public office 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 (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- 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) 2008	(b) 2009	(c) 2010	(d) 2011	(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?	Yes		
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV		No	
j Total lines 1c through 1i			400,386	
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?		No	

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).		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	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
SCHEDULE C -LOBBYING	SCHEDULE C, PART II-B LINE 1G	LOBBYING ACTIVITIES THE LOBBYING ACTIVITIES OF GMHC FOCUS ON COMMUNICATING GMHC'S STATUS AND ITS BUSINESS CHALLENGES TO ELECTED OFFICIALS ON THE COUNTY, STATE AND FEDERAL LEVELS. GIVEN GMHC'S LARGE SHARE OF INDIGENT CARE IN GEORGIA, EFFORTS ARE PRIMARILY DIRECTED TO FINDING ADDITIONAL GOVERNMENT SUPPORT FOR DELIVERING CARE TO THAT UNDERSERVED POPULATION.

SCHEDULE D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization GRADY MEMORIAL HOSPITAL CORPORATION	Employer identification number 26-2037695
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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?	<input type="checkbox"/> Yes <input type="checkbox"/> No
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit	<input type="checkbox"/> Yes <input type="checkbox"/> No

Part II

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

1

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

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

(i)

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

(ii)

Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

Part III

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

3

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

a

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

	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

Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		2,713,598		2,713,598
b Buildings		207,853,673	99,026,403	108,827,270
c Leasehold improvements		15,900,981		15,900,981
d Equipment		194,434,172	24,112,975	170,321,197
e Other		10,624,663	0	10,624,663
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				308,387,709

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

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

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	
5	Total Revenue Add lines 3 and 4c . (This should equal Form 990, Part I, line 12)	5	

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

1	Total expenses and losses per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c . (This should equal Form 990, Part I, line 18)	5	

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
FOOTNOTE ASC 740	FORM 990, PART IV, LINE 11F AND SCHEDULE D, PART X, LINE 2	

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GRADY MEMORIAL HOSPITAL CORPORATION

Employer identification number
26-2037695

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%<input type="checkbox"/> 150%<input type="checkbox"/> 200%<input checked="" type="checkbox"/> Other <u>125. %</u></div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input type="checkbox"/> 200%<input checked="" type="checkbox"/> 250%<input type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input type="checkbox"/> Other _____%</div> c If the organization did 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 policy provide free or discounted care to the "medically indigent"?	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	4	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b		No
6b	If "Yes," did the organization make it available to the public?	5c		
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a	Yes	
		6b	Yes	

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care 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 Charity care at cost (from Worksheet 1)			85,778,662	74,188,692	11,589,970	1 300 %
b Medicaid (from Worksheet 3, column a)			170,068,155	154,955,297	15,112,858	1 700 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			255,846,817	229,143,989	26,702,828	3 000 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			9,593,517	3,439,476	6,154,041	0 700 %
f Health professions education (from Worksheet 5)			65,706,852	26,497,224	39,209,628	4 400 %
g Subsidized health services (from Worksheet 6)			45,370,024		45,370,024	5 100 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total Other Benefits			120,670,393	29,936,700	90,733,693	10 200 %
k Total. Add lines 7d and 7j			376,517,210	259,080,689	117,436,521	13 200 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1Yes	
2	Enter the amount of the organization's bad debt expense	257,636,688	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	30	
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)	582,364,408
6	Enter Medicare allowable costs of care relating to payments on line 5	678,339,904
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	74,024,504
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	Did the organization have a written debt collection policy during the tax year?	9aYes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9bYes	

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

How many hospital facilities did the organization operate during the tax year? 2

Name and address

[illegible]

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

GRADY MEMORIAL HOSPITAL

Name of Hospital Facility: _____

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 125 % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>250</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input checked="" type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b	<input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	<input type="checkbox"/> Other (describe in Part VI)			
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI	20		No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI	21	Yes	

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

HUGHES SPALDING CHILDREN'S HOSPITAL

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A):2

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>125</u> % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>250</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	Yes	
Billing and Collections				
14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input checked="" type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b	<input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	<input type="checkbox"/> Other (describe in Part VI)			
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI	20		No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI	21	Yes	

Part V

Facility Information (continued)

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

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 10

Name and address		Type of Facility (Describe)
1	CRESTVIEW HEALTH & REHABILITATION 2800 SPRINGDALE RD ATLANTA, GA 30315	NURSING HOME
2	EMERGENCY MEDICAL SERVICE 80 JESSE HILL JR DR ATLANTA, GA 30303	AMBULANCE SERVICE
3	DEKALB GRADY PHARMACY 30 WARREN ST ATLANTA, GA 30317	PHARMACY
4	NORTH DEKALB PHARMACY 3807 CLAIRMONT RD CHAMBLEE, GA 30341	PHARMACY
5	EAST POINT PHARMACY 1595 WEST CLEVELAND AVE EAST POINT, GA 30344	PHARMACY
6	PONCE INFECTIOUS DISEASE CTR 341 PONCE DE LEON ATLANTA, GA 30308	PHARMACY
7	GRADY BEHAVIORAL HEALTH CTR 10 PARK PLACE ATLANTA, GA 30303	PHARMACY
8	MAIN OUTPATIENT PHARMACY 80 JESSE HILL JR DR ATLANTA, GA 30303	PHARMACY
9	ASA YANCEY PHARMACY 1247 DONALD LEE HOLLOWELL PKWY ATLANTA, GA 30318	PHARMACY
10	CENTRAL REFILL PHARMACY 1575 NORTHSIDE DRIVE BLDG 400 ATLANTA, GA 30318	PHARMACY

Part VI Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions 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, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health 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
SCHEDULE H	SCHEDULE H, PART I, LINE 3C	FPG ARE USED TO DETERMINE THE ELIGIBILITY FOR FREE OR DISCOUNTED CARE PART I, LINE 6A OUR ANNUAL FINANCIAL SURVEY IS FILED WITH GEORGIA DEPARTMENT OF COMMUNITY HEALTH PART I, LINE 7G GRADY SUBSIDIZES THE COST OF CARING FOR UNINSURED PATIENTS INCLUDING THE COST OF PHYSICIANS, OTHER CARE GIVERS, DRUGS AND SUPPLIES PART I, LINE 7, COLUMN F THIS IS THE PERCENTAGE OF NET COMMUNITY BENEFIT OF TOTAL EXPENSE OF GRADY PART I, LINE 7 CHARITY CARE AND CERTAIN OTHER COMMUNITY BENEFIT COSTS WERE DETERMINED USING DATA FROM THE AUDITED FINANCIAL STATEMENTS AND THE 2011 FILED MEDICARE AND MEDICAID COST REPORTS

Identifier	ReturnReference	Explanation
SCHEDULE H (PART III)	PART III, LINE 4	GMHC ALSO INCURS SIGNIFICANT COST ASSOCIATED WITH CARE FOR THE UNDER AND UNINSURED THAT DO NOT APPLY AND/OR QUALIFY FOR CHARITY CARE ASSISTANCE GMHC INCURRED BAD DEBT EXPENSE OF APPROXIMATELY \$57.6 MILLION VALUED IN GROSS CHARGES PART III, LINE 8 LINE 6 EXPENSES ARE REPORTED FROM THE MEDICARE COST REPORT CMS-2552-96 FOR THE YEAR ENDED 12/31/11 PART III, LINE 9B THE ORGANIZATION HAS UNIQUE ELIGIBILITY CODES TO IDENTIFY EACH PATIENT QUALIFYING FOR CHARITY CARE TO ALLOW IT TO WRITE-OFF THE CHARITY CARE AMOUNTS PRIOR TO THE COLLECTION PROCESS NEEDS ASSESSMENT GMHC ASSESSES NEED BASED ON THE PATIENTS THAT PRESENT, AND ON THE REPORTS FROM THE COUNTY, STATE AND FEDERAL AGENCIES, THAT MONITOR THE HEALTHCARE NEEDS IN OUR AREA PATIENT EDUCATION PER STATE REGULATIONS, GMHC PLACES ANNUAL ICTF NOTICES IN THE NEWSPAPER AND SIGNS ARE POSTED, ADVISING PATIENTS OF ALL CHARITY CARE PROGRAMS WITHIN THE ORGANIZATION

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION		GMHC IS THE SAFETY NET HEALTHCARE PROVIDER FOR THE CORE OF METROPOLITAN ATLANTA. THIS AREA INCLUDES FIVE COUNTIES AND MORE THAN 3 MILLION PEOPLE. GMHC'S PRIMARY SERVICE AREA IS LIMITED TO FULTON AND DEKALB COUNTIES, WHICH CONTAIN 1.7 MILLION PEOPLE INCLUDING THE ENTIRE CITY OF ATLANTA, GEORGIA. DEMOGRAPHICALLY, GMHC'S PATIENTS ARE OVERWHELMINGLY INDIGENT AND AFRICAN-AMERICAN, ALTHOUGH IN RECENT YEARS HISPANIC PATIENTS ARE INCREASING STEADILY. PROMOTION OF COMMUNITY HEALTH: GMHC HAS NUMEROUS COLLABORATIONS WITH FULTON AND DEKALB COUNTIES TO DELIVER PRIMARY CARE. IN ADDITION, GMHC COLLABORATES WITH THE LOCAL FEDERALLY QUALIFIED HEALTH CENTERS AS WELL AS EMORY AND MOREHOUSE SCHOOLS OF MEDICINE. GMHC HAS A NOT-FOR-PROFIT COMMUNITY BOARD PROVIDING OVERSIGHT TO ONE OF THE LARGEST SAFETY NET HOSPITALS IN THE SOUTHEAST AND LARGEST TRAUMA CENTER IN GEORGIA: AFFILIATED HEALTH CARE SYSTEM ROLES. WHILE GRADY IS NOT LEGALLY AFFILIATED WITH THE EMORY HEALTHCARE SYSTEM, WE ARE THE PRIMARY TRAINING SITE FOR MORE THAN 1,000 EMORY AND MOREHOUSE INTERNS AND RESIDENTS EACH YEAR. STATE FILING OF COMMUNITY BENEFIT REPORT: GMHC FILES A COMMUNITY BENEFIT REPORT IN GEORGIA. PART V LINE 19D DESCRIPTION OF UNINSURED AMOUNT OF BILLING: PERSONS THAT HAVE NO EMERGENCY CARE INSURANCE ARE GIVEN A 30% DISCOUNT ON GROSS CHARGES. THE SAME POLICY IS IN EFFECT AT HUGHES SPALDING CHILDREN'S HOSPITAL.

Identifier	ReturnReference	Explanation
SCHEDULE H, PART V	PART V, LINES 19 AND 21	ALL PATIENTS AT BOTH GRADY AND HUGHES SPALDING ARE CHARGED BASED ON OUR GROSS FEE SCHEDULE WHICH IS THEN DISCOUNTED, 30% TO 100%, BASED ON THE PATIENT'S UNINSURED STATUS AND PATIENT'S INCOME DRIVEN SLIDING SCALE

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization GRADY MEMORIAL HOSPITAL CORPORATION	Employer identification number 26-2037695
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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		
<input type="checkbox"/> First-class or charter travel		
<input type="checkbox"/> Travel for companions		
<input type="checkbox"/> Tax idemnification and gross-up payments		
<input type="checkbox"/> Discretionary spending account		
<input type="checkbox"/> Housing allowance or residence for personal use		
<input type="checkbox"/> Payments for business use of personal residence		
<input type="checkbox"/> Health or social club dues or initiation fees		
<input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)		
1b 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		
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?		
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		
<input checked="" type="checkbox"/> Compensation committee		
<input checked="" type="checkbox"/> Independent compensation consultant		
<input type="checkbox"/> Form 990 of other organizations		
<input checked="" type="checkbox"/> Written employment contract		
<input type="checkbox"/> Compensation survey or study		
<input checked="" type="checkbox"/> Approval by the board or compensation committee		
4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
4a Receive a severance payment or change-of-control payment?	Yes	
4b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	Yes	
4c Participate in, or receive payment from, an equity-based compensation arrangement?		No
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
5a The organization?		No
5b Any related organization?		No
If "Yes," to line 5a or 5b, describe in Part III		
6 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
6a The organization?		No
6b Any related organization?		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	Yes	
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III		No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?		

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space 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) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(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) MICHAEL A YOUNG	(i)	375,948	204,652	17,422	9,965	1,326	609,313	0
	(ii)	0	0	0	0	0	0	0
(2) SUE MCCARTHY	(i)	412,305	83,432	78,096	15,940	1,742	591,515	0
	(ii)	0	0	0	0	0	0	0
(3) DENISE WILLIAMS	(i)	289,488	64,822	66,090	3,868	2,178	426,446	0
	(ii)	0	0	0	0	0	0	0
(4) DEBORAH CANCELLA	(i)	246,993	78,686	44,727	9,868	2,148	382,422	0
	(ii)	0	0	0	0	0	0	0
(5) TIMOTHY JEFFERSON	(i)	278,579	40,630	56,081	26,483	2,178	403,951	0
	(ii)	0	0	0	0	0	0	0
(6) SUE GREEN	(i)	260,552	74,588	60,035	0	2,148	397,323	0
	(ii)	0	0	0	0	0	0	0
(7) RHONDA SCOTT	(i)	235,404	65,287	38,273	12,467	2,100	353,531	0
	(ii)	0	0	0	0	0	0	0
(8) ALTHEA WILLIAMS	(i)	241,414	81,514	10,472	5,379	1,811	340,590	0
	(ii)	0	0	0	0	0	0	0
(9) MARK CHASTANG	(i)	273,712	0	57,584	0	1,325	332,621	0
	(ii)	0	0	0	0	0	0	0
(10) LYNN LAMBERT	(i)	192,940	0	22,693	6,975	657	223,265	0
	(ii)	0	0	0	0	0	0	0
(11) CHARLES BAI	(i)	203,552	0	16,718	9,286	39	229,595	0
	(ii)	0	0	0	0	0	0	0
(12) HOGAI NASSERY	(i)	182,190	0	17,040	4,512	1,708	205,450	0
	(ii)	0	0	0	0	0	0	0
(13) CRAIG TINDALL	(i)	178,177	57,970	16,410	20,429	1,896	274,882	0
	(ii)	0	0	0	0	0	0	0
(14) MICHAEL WRIGHT	(i)	229,875	0	8,090	0	1,925	239,890	0
	(ii)	0	0	0	0	0	0	0
(15) LISA BORDERS	(i)	198,302	0	1,242	0	1,469	201,013	0
	(ii)	0	0	0	0	0	0	0
(16) BENJAMIN HATCHETT	(i)	196,744	0	10,273	5,349	39	212,405	0
	(ii)	0	0	0	0	0	0	0

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
QUESTIONS REGARDING COMPENSATION	SCHEDULE J, PART 1	LINE 4A 2011 SEVERANCE PAYMENTS: ALTHEA WILLIAMS \$36,318; LINE 4B 2011 GROSS SERP PAYMENTS: SUE GREEN \$57,713; MARK CHASTANG \$46,000; RHONDA SCOTT \$27,215; TIMOTHY JEFFERSON \$32,474; DEBORAH CANCELLA \$30,917; SUE MCCARTHY \$60,786; DENISE WILLIAMS \$44,000. LINE 7 DESCRIPTION OF NON-FIXED PAYMENTS: THERE WAS A FORMAL PLAN FOR SENIOR LEADERSHIP WITH SPECIFIC OBJECTIVES AND PERCENTAGE PAYOUTS BASED ON ACCOMPLISHMENT OF THOSE OBJECTIVES. THE PLAN WAS APPROVED BY THE COMPENSATION COMMITTEE OF THE GMHC BOARD.

Software ID:
Software Version:
EIN: 26-2037695
Name: GRADY MEMORIAL HOSPITAL CORPORATION

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
MICHAEL A YOUNG	(i) (ii)	375,948 0	204,652 0	17,422 0	9,965 0	1,326 0	609,313 0	0 0
SUE MCCARTHY	(i) (ii)	412,305 0	83,432 0	78,096 0	15,940 0	1,742 0	591,515 0	0 0
DENISE WILLIAMS	(i) (ii)	289,488 0	64,822 0	66,090 0	3,868 0	2,178 0	426,446 0	0 0
DEBORAH CANCELLA	(i) (ii)	246,993 0	78,686 0	44,727 0	9,868 0	2,148 0	382,422 0	0 0
TIMOTHY JEFFERSON	(i) (ii)	278,579 0	40,630 0	56,081 0	26,483 0	2,178 0	403,951 0	0 0
SUE GREEN	(i) (ii)	260,552 0	74,588 0	60,035 0	0 0	2,148 0	397,323 0	0 0
RHONDA SCOTT	(i) (ii)	235,404 0	65,287 0	38,273 0	12,467 0	2,100 0	353,531 0	0 0
ALTHEA WILLIAMS	(i) (ii)	241,414 0	81,514 0	10,472 0	5,379 0	1,811 0	340,590 0	0 0
MARK CHASTANG	(i) (ii)	273,712 0	0 0	57,584 0	0 0	1,325 0	332,621 0	0 0
LYNN LAMBERT	(i) (ii)	192,940 0	0 0	22,693 0	6,975 0	657 0	223,265 0	0 0
CHARLES BAI	(i) (ii)	203,552 0	0 0	16,718 0	9,286 0	39 0	229,595 0	0 0
HOGAI NASSERY	(i) (ii)	182,190 0	0 0	17,040 0	4,512 0	1,708 0	205,450 0	0 0
CRAIG TINDALL	(i) (ii)	178,177 0	57,970 0	16,410 0	20,429 0	1,896 0	274,882 0	0 0
MICHAEL WRIGHT	(i) (ii)	229,875 0	0 0	8,090 0	0 0	1,925 0	239,890 0	0 0
LISA BORDERS	(i) (ii)	198,302 0	0 0	1,242 0	0 0	1,469 0	201,013 0	0 0
BENJAMIN HATCHETT	(i) (ii)	196,744 0	0 0	10,273 0	5,349 0	39 0	212,405 0	0 0

SCHEDULE M
(Form 990)

NonCash Contributions

OMB No 1545-0047

2011

Open to Public Inspection

►Complete if the organization answered "Yes" on Form 990, Part IV, lines 29 or 30.
► Attach to Form 990.

Name of the organization
GRADY MEMORIAL HOSPITAL CORPORATION

Employer identification number
26-2037695

Part I

Types of Property

	(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining contribution amounts
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies	X	12	17,265,788	COST
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ► ()				
26 Other ►()				
27 Other ►()				
28 Other ► ()				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement

29

	Yes	No
30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?		No
b If "Yes," describe the arrangement in Part II		
31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?		No
32a Does the organization hire or use third parties or related organizations to solicit, process, or sell non-cash contributions?		No
b If "Yes," describe in Part II		
33 If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II		

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.

► Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization GRADY MEMORIAL HOSPITAL CORPORATION	Employer identification number 26-2037695
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Identifier	Return Reference	Explanation
STATEMENT 1	FORM 990, PART III, LINE 1- ORGANIZATION'S MISSION	GRADY HEALTH SYSTEM IMPROVES THE HEALTH OF THE COMMUNITY BY PROVIDING QUALITY, COMPREHENSIVE HEALTHCARE IN A COMPASSIONATE, CULTURALLY COMPETENT, ETHICAL, AND FISCALLY REPOSNSIBLE MANNER GRADY MAINTAINS ITS COMMITMENT TO THE UNDERSERVED OF FULTON AND DEKALB COUNTIES WHILE ALSO PROVIDING CARE TO RESIDENTS OF METRO ATLANTA AND GEORGIA GRADY LEADS THROUGH CLINICAL EXCELLENCE, INNOVATIVE RESEARCH AND PROGRESSIVE MEDICAL EDUCATION AND TRAINING
STATEMENT 2	FORM 990, PART III - PROGRAM SERVICES	4A PROGRAM SERVICE CHARITY , UNINSURED, UNDERINSURED AND INDIGENT CARE IN THE 1800'S ATLANTA'S INDIGENT SICK HAD NO PLACE TO GO TO RECEIVE MEDICAL TREATMENT FOR ILLNESS OR INJURY THEREFORE, A DRIVE WAS BEGUN TO BUILD GRADY MEMORIAL HOSPITAL(GRADY) ON JUNE 1, 1892, GRADY ADMITTED ITS FIRST PATIENT AS OF TODAY , GRADY CONTINUES TO BE THE SAFETY NET HOSPITAL FOR THE UNINSURED AND UNDERINSURED CITIZENS OF FULTON AND DEKALB COUNTIES AND THE STATE OF GEORGIA AS THE LARGEST SAFETY NET HOSPITAL IN THE STATE AND ONE OF THE LARGEST IN THE COUNTRY , ITS MISSION IS (1) TO PROVIDE MEDICAL SERVICES TO UNINSURED, UNDERINSURED, OR INDIGENT PATIENTS, (2) TO PROVIDE AN OPEN ACCESS POLICY FOR RESIDENTS OF FULTON AND DEKALB COUNTIES REGARDLESS OF THEIR ABILITY TO PAY , (3) AND TO PROVIDE A PROVISION FOR SIGNIFICANT UNCOMPENSATED INDIGENT AND CHARITY CARE DURING 2011, GRADY PROVIDED CARE TO MORE THAN 113,980 UNDER AND UNINSURED PATIENTS WHICH REPRESENT APPROXIMATELY 79% OF ITS TOTAL PATIENTS WITH ABOUT 490,255 PATIENT ENCOUNTERS, COSTING APPROXIMATELY \$400M GRADY RECEIVES SOME REIMBURSEMENT FROM FULTON AND DEKALB COUNTIES, MEDICAID, AND SOME FUNDING FROM THE STATE OF GEORGIA'S INDIGENT CARE TRUST FUND (INCLUDING FEDERAL MATCHING FUNDS) TO HELP SUPPORT THE COSTS OF CARING FOR SO MANY IN THE REGION IN 2011, TOTAL FUNDING FROM ALL SOURCES OFFSET SOME, BUT NOT ALL OF GRADY'S UNCOMPENSATED CARE COSTS AND GRADY ENDED THE YEAR WITH A \$28.4M LOSS GRADY HAS BEEN AND CONTINUES TO BE SIGNIFCANTLY CHALLENGED BY THE FINANCIAL BURDEN OF PROVIDING SO MUCH FREE CARE TO THE REGION 2011 WAS A VERY CHALLENGING YEAR WITH THE ECONOMIC RECESSION IMPACTING THE EMPLOYMENT STATUS OF SO MANY WHICH HAS INCREASED THE SERVICE DEMAND 4B PROGRAM SERVICE GRADUATE MEDICAL EDUCATION GRADY MEMORIAL HOSPITAL CORPORATION (GMHC) HAS AFFILIATION AGREEMENTS WITH EMORY UNIVERSITY AND MOREHOUSE SCHOOLS OF MEDICINE TO SUPPORT THE TEACHING AND SUPERVISION OF RESIDENTS IN THE ORGANIZATION, AS WELL AS TO PROVIDE PROFESSIONAL CLINICAL AND ADMINISTRATIVE SERVICES IN 2011, MORE THAN 1000 RESIDENTS AND FELLOWS FROM EMORY AND MOREHOUSE PROGRAMS ROTATED THROUGH A BROAD SPECTRUM OF SERVICES IN THE ORGANIZATION ADDITIONALLY, HUNDREDS OF MEDICAL STUDENTS BENEFITTED FROM TRAINING IN THE ORGANIZATION GMHC OFFERS UNIQUE LEARNING EXPERIENCES FOR RESIDENTS BY PROVIDING EXPOSURE TO TRAUMA, BURN, INFECTIOUS DISEASE, SICKLE CELL, NEUROLOGY AND OTHER COMPLEX CASES AND HOSTS A SIGNIFICANT NUMBER OF CLINICAL RESEARCH TRIALS TO ENHANCE THE RESIDENTS EDUCATIONAL EXPERIENCE GMHC PROVIDED IN EXCESS OF \$61M IN SUPPORT RELATIVE TO TEACHING SERVICES IN 2011, REIMBURSEMENT FOR TEACHING SERVICES FROM MEDICARE, MEDICAID AND OTHER GOVERNMENTAL FUNDS TOTALED \$47M 4C PROGRAM SERVICE EMERGENCY AND TRAUMA SERVICES GRADY OPERATES ONE OF THE BUSIEST EMERGENCY DEPARTMENTS IN THE EASTERN UNITED STATES AND THE COUNTRY'S LARGEST HOSPITAL-BASED AMBULANCE SERVICE GMHC OPERATES THE LARGEST LEVEL 1 TRAUMA CENTER IN THE ATLANTA METROPOLITAN AREA WHICH HANDLED 2,911 ACUTE TRAUMA CASES IN 2011 ADDITIONALLY, AS PART OF ITS TRAUMA SERVICE, GMHC OPERATES ONE OF ONLY TWO BURN CENTERS IN GEORGIA THE NATIONALLY ACCLAIMED EMERGENCY CARE CENTER (ECC) HANDLED 104,946 EMERGENCY CASES IN 2011 THE EMERGENCY ROOM WAS THE INTAKE POINT FOR 18,398 OF THE SAFETY NET HOSPITAL'S TOTAL ADMISSIONS ALSO, GRADY'S EMS AMBULANCE FLEET OF 45 UNITS COMPLETED 99,506 TRIPS IN A 142 SQUARE-MILE AREA AND OF COURSE, THEY ALL OPERATE 24 HOURS A DAY, 365 DAYS A YEAR GMHC'S LEVEL 1 TRAUMA CENTER IS A REGIONAL RESOURCE TRAUMA CENTER THAT IS A TERTIARY CARE FACILITY, CENTRAL TO THE STATE'S TRAUMA CARE SYSTEM AS A LEVEL 1 TRAUMA CENTER, THE HOSPITAL MUST HAVE THE CAPABILITY OF PROVIDING LEADERSHIP AND TOTAL CARE FOR EVERY ASPECT OF INJURY , FROM PREVENTION THROUGH REHABILITAION LEVEL 1 TRAUMA SERVICES REQUIRE DEDICATED ONSITE PHYSICIANS, NURSING STAFF AND FACILITIES RESOURCES TO PROVIDE THE PATIENT CARE, EDUCATION, AND RESEARCH COMMITMENTS 4D PROGRAM SERVICE OTHER PROGAM SERVICES GRADY'S OTHER PROGRAMS INCLUDE NATIONALLY RECOGNIZED PROGRAMS IN THE AREAS OF INFECTIOUS DISEASE, DIABETES, AND SICKLE CELL AS WELL AS REGIONAL SERVICE FOR NEONATAL TRANSPORT, MATERNAL AND INFANT PROJECT, PSYCHOLOGY, BURN, CANCER AND MARCUS STROKE AND NEUROSCIENCE CENTER PRIMARY CARE SERVICES ARE ALSO PROVIDED THROUGH HOSPITAL MAIN-CAMPUS DEPARTMENTS AND NEIGHBORHOOD CLINICS
STATEMENT 3	FORM 990, PART VI, SECTION B	LINE 11A- REVIEW PROCESS OF FORM 990 IN NOVEMBER, 2012 THE FINANCE COMMITTEE OF THE GRADY MEMORIAL HOSPITAL CORPORATION (GMHC) REVIEWED A DRAFT OF THE 2011 FORM 990, WHICH HAD PREVIOUSLY BEEN REVIEWED BY MANAGEMENT, WHICH WAS DISTRIBUTED TO EACH COMMITTEE MEMBER DISCUSSION ENSUED AND COMMENTS AND SUGGESTIONS WERE TAKEN INTO CONSIDERATION IN FINALIZING THE FORM SUBSEQUENT TO THE MEETING A FINAL DRAFT WAS DISTRIBUTED TO ALL VOTING MEMBERS OF THE BOARD PRIOR TO FILING LINE 12C- ENFORCEMENT OF CONFLICT OF INTEREST POLICY GRADY MEMORIAL HOSPITAL CORPORATION HAS ESTABLISHED A CONFLICT OF INTEREST POLICY WHICH HAS BEEN REVIEWED AND APPROVED BY THE BOARD OF DIRECTORS GRADY MEMORIAL HOSPITAL CORPORATION IS COMMITTED TO THE BELIEF THAT SOUND BUSINESS PRACTICES START WITH AN ABSOLUTE COMMITMENT FROM EACH EMPLOYEE TO ACT ETHICALLY IN CARRYING OUT GRADY MEMORIAL HOSPITAL CORPORATION'S BUSINESS, AND TO COMPLY WITH THE LAWS AND REGULATIONS THAT WOULD IMPACT ITS BUSINESS, THUS GRADY MEMORIAL HOSPITAL CORPORATION'S EMPLOYEES MUST AVOID PARTICIPATING IN ACTIVITIES THAT CREATE OR APPEAR TO CREATE A CONFLICT OF INTEREST LINE 15B- COMPENSATION OF CEO AND KEY EMPLOYEES EXECUTIVE COMPENSATION FALLS WITHIN THE PURVIEW OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS AND IS REVIEWED ANNUALLY GRADY MEMORIAL HOSPITAL CORPORATION'S BOARD OF DIRECTORS DESIGNATED THE COMPENSATION COMMITTEE TO BE RESPONSIBLE FOR ESTABLISHING COMPENSATION PRACTICES WHICH ARE REASONABLE AND DO NOT VIOLATE THE PRIVATE INUREMENT PROHIBITION LINE 19- DOCUMENTS MADE PUBLIC GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE POSTED ON THE WEBPAGE REFERENCED ON FORM 990, PAGE 1, ITEM J
STATEMENT 4	PART VI, SECTION A GOVERNING BODY AND MANAGEMENT	LINE 3 - DELEGATION OF CONTROL- GMHC HAS CONTRACTED WITH CHILDREN'S HEALTHCARE OF ATLANTA (CHOA) TO MANAGE OPERATIONS OF HUGHES SPALDING CHILDREN'S HOSPITAL CHOA OVERSEES DAILY OPERATION
STATEMENT 5	PART XI, RECONCILIATION OF NET ASSETS	LINE 5- OTHER CHANGES TO THE FUND BALANCE ARE THE RELEASE FROM RESTRICTION OF TEMPORARILY RESTRICTED ASSETS THESE ASSETS WOULD BE DONATIONS FOR WHICH THE DONATED PURPOSE WAS REALIZED

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

2011

Open to Public Inspection

Name of the organization
GRADY MEMORIAL HOSPITAL CORPORATION

Employer identification number
26-2037695

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) HENRY W GRADY FOUNDATION 50 HURT PLAZA SUITE 803 ATLANTA, GA 30303 58-2130437	HEALTH CARE	GA	501(c)(3)	11	NA		No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) 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	

Part IV

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

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

Part V

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

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

1

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

a

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

b

Gift, grant, or capital contribution to related organization(s)

c

Gift, grant, or capital contribution from related organization(s)

d

Loans or loan guarantees to or for related organization(s)

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

Other transfer of cash or property to related organization(s)

r

Other transfer of cash or property from related organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

Yes

No

No

No

No

No

No

No

No

Yes

No

No

No

No

No

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) HENRY W GRADY FOUNDATION	C	5,155,260	FMV
(2) HENRY W GRADY FOUNDATION	L	1,062,839	FMV
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2011

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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GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATE

Combined Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Board of Directors
Grady Memorial Hospital Corporation

We have audited the accompanying combined balance sheets of Grady Memorial Hospital Corporation and affiliate (the System) as of December 31, 2011 and 2010, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended. These combined financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Grady Memorial Hospital Corporation and affiliate as of December 31, 2011 and 2010, and the results of their operations, changes in their net assets, and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2012 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our 2011 audit.

KPMG LLP

April 30, 2012

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATE

Combined Balance Sheets

December 31, 2011 and 2010

(In thousands)

Assets	2011	2010
Current assets		
Cash and cash equivalents	\$ 60,512	29,939
Patient accounts receivable, less allowance for uncollectible accounts of \$115,493 and \$147,225 at December 31, 2011 and 2010, respectively	55,305	73,554
Grants receivable	12,476	18,579
Current portion of pledges receivable	50,339	68,326
Other current assets	20,396	69,734
Total current assets	199,028	260,132
Assets limited as to use	45,102	42,016
Property and equipment, net	308,531	320,258
Beneficial interest in net assets held by others	14,227	14,589
Pledges receivable, excluding current portion	71,276	74,026
Other assets	5,603	6,642
Total assets	\$ 643,767	717,663
Liabilities and Net Assets		
Current liabilities		
Current portion of capital lease obligations	\$ 1,361	2,951
Current portion of notes payable	3,275	3,075
Line of credit	—	30,000
Accounts payable	23,287	29,446
Current portion of self-insurance reserves	12,572	12,995
Due to third-party payors	27,553	22,522
Due to Medical Schools	9,322	8,265
Other accrued expenses	62,902	69,094
Total current liabilities	140,272	178,348
Capital lease obligations, excluding current portion	33,369	34,730
Notes payable, excluding current portion	15,369	18,644
Self-insurance reserves, excluding current portion	53,387	41,217
Accrued postretirement benefit cost	51,089	46,216
Other long-term liabilities	14,610	26,827
Total liabilities	308,096	345,982
Net assets		
Unrestricted	171,017	185,599
Temporarily restricted	151,544	172,610
Permanently restricted	13,110	13,472
Total net assets	335,671	371,681
Commitments and contingencies		
Total liabilities and net assets	\$ 643,767	717,663

See accompanying notes to combined financial statements

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATE

Combined Statements of Operations

Years ended December 31, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Revenue, gains, and other support		
Net patient service revenue	\$ 724,597	703,758
Contributions from Fulton and DeKalb Counties	64,405	70,593
Other revenue	79,852	94,408
Total revenue, gains, and other support	<u>868,854</u>	<u>868,759</u>
Expenses		
Salaries and benefits	304,727	301,324
Supplies and other expenses	330,216	326,775
Interest	4,882	5,835
Depreciation and amortization	43,726	34,874
Provision for uncollectible accounts	215,230	201,201
Total expenses	<u>898,781</u>	<u>870,009</u>
Operating (loss)	<u>(29,927)</u>	<u>(1,250)</u>
Nonoperating gains		
Investment income, net	264	342
Other	170	700
Total nonoperating gains, net	<u>434</u>	<u>1,042</u>
Revenue, gains, and other support (less than) expenses and losses	(29,493)	(208)
Accrued postretirement benefit cost adjustments	(4,103)	(4,606)
Net assets released from restriction used for the purchase of property and equipment	19,014	52,270
Change in unrestricted net assets	<u>\$ (14,582)</u>	<u>47,456</u>

See accompanying notes to combined financial statements

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATE

Combined Statements of Changes in Net Assets

Years ended December 31, 2011 and 2010

(In thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets, December 31, 2009	\$ 138,143	203,693	11,884	353,720
Revenue, gains, and other support (less than) expenses and losses	(208)	—	—	(208)
Accrued postretirement benefit cost adjustments	(4,606)	—	—	(4,606)
Contributions	—	38,279	—	38,279
Net assets released from restriction used for the purchase of property and equipment	52,270	(52,270)	—	—
Net assets released from restriction used for operations	—	(17,092)	—	(17,092)
Net change in beneficial interest in net assets held by others	—	—	1,588	1,588
Change in net assets	<u>47,456</u>	<u>(31,083)</u>	<u>1,588</u>	<u>17,961</u>
Net assets, December 31, 2010	185,599	172,610	13,472	371,681
Revenue, gains, and other support (less than) expenses and losses	(29,493)	—	—	(29,493)
Accrued postretirement benefit cost adjustments	(4,103)	—	—	(4,103)
Contributions	—	952	—	952
Net assets released from restriction used for the purchase of property and equipment	19,014	(19,014)	—	—
Net assets released from restriction used for operations	—	(3,004)	—	(3,004)
Net change in beneficial interest in net assets held by others	—	—	(362)	(362)
Change in net assets	<u>(14,582)</u>	<u>(21,066)</u>	<u>(362)</u>	<u>(36,010)</u>
Net assets, December 31, 2011	<u>\$ 171,017</u>	<u>151,544</u>	<u>13,110</u>	<u>335,671</u>

See accompanying notes to combined financial statements

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATE

Combined Statements of Cash Flows

Years ended December 31, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ (36,010)	17,961
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	43,726	34,874
Accrued postretirement benefit cost adjustments	4,103	4,606
Net unrealized losses on investments	223	509
Net realized gains on investments	(190)	(131)
Net change in beneficial interest in net assets held by others	362	(1,588)
Provision for uncollectible accounts	215,230	201,201
Contributions used for the purchase of capital and equipment	(19,014)	(52,270)
Changes in operating assets and liabilities		
Patient accounts receivable	(196,981)	(217,190)
Grants and pledges receivable	26,840	25,450
Other current assets	49,338	(14,553)
Other assets	1,039	(1,689)
Accounts payable and other accrued expenses	(26,919)	9,709
Due to third-party payors, net	5,031	4,766
Accrued postretirement benefit cost	660	500
Self-insurance reserves	11,747	10,736
Net cash provided by operating activities	<u>79,185</u>	<u>22,891</u>
Cash flows from investing activities		
Purchase of property and equipment, net	(28,481)	(75,059)
Net change in assets limited as to use	(3,119)	(5,126)
Distribution of beneficial interest in net assets held by others	—	5,609
Net cash used in investing activities	<u>(31,600)</u>	<u>(74,576)</u>
Cash flows from financing activities		
Principal repayments under capital lease obligations	(2,951)	(3,505)
Principal repayments under notes payable	(3,075)	(2,886)
Net change in line of credit	(30,000)	19,947
Contributions used for the purchase of capital and equipment	19,014	52,270
Net cash (used in) provided by financing activities	<u>(17,012)</u>	<u>65,826</u>
Net change in cash and cash equivalents	30,573	14,141
Cash and cash equivalents, beginning of period	<u>29,939</u>	<u>15,798</u>
Cash and cash equivalents, end of period	<u>\$ 60,512</u>	<u>29,939</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 2,854	3,020

See accompanying notes to combined financial statements

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATE

Notes to Combined Financial Statements

December 31, 2011 and 2010

(1) Organization, Business, and Summary of Significant Accounting Policies

Grady Memorial Hospital Corporation (the System) is a 501(c)(3) not-for-profit health system formed on March 17, 2008, which subsequently entered into a Lease and Transfer Agreement (the Agreement) effective June 1, 2008 with The Fulton-DeKalb Hospital Authority (the Authority). The System, located in Atlanta, Georgia, is comprised of Grady Memorial Hospital (one of the largest teaching hospitals in the state, licensed for over 900 beds), Hughes Spalding Children's Hospital, six free-standing primary care clinics, and other significant healthcare facilities and services consistent with an integrated delivery and medical education system serving a major metropolitan area. The System is the principal safety-net healthcare provider for the Atlanta metropolitan area, and maintains the sole Level I trauma center for the region.

The key terms and conditions associated with the Agreement follow:

- The System makes monthly lease payments to the Authority, totaling \$2.5 million in the initial year of the Agreement, and increasing each year by an amount generally measured by inflation in the published Consumer Price Index (CPI), not to exceed 3%, for an initial term of 40 years.
- The System assumed the liabilities of the Authority related to its previous operation of the former Grady Memorial Hospital and related facilities.
- In exchange for the lease payments and assumption of liabilities, the Authority transferred to the System all of the Authority's right, title, and interest in the operating assets of Grady Memorial Hospital and related facilities.
- The System is the agent for the Authority with respect to pre-existing Operating Agreements among the Authority, Fulton County, and DeKalb County. The Operating Agreements define the obligations of the Authority with respect to (principally) the provision of indigent care to the citizens of Fulton and DeKalb Counties (the Counties), in exchange for related ongoing funding that the Counties provide. The Authority is obligated to remit directly to the System all such funds the Authority receives from the Counties.

Certain assets and obligations of the Authority were excluded from the Agreement. In particular, the Authority retained certain assets and obligations related to (a) its sponsorship of The Fulton-DeKalb Hospital Authority Employee Pension Plan (the Plan – a frozen plan effective May 19, 2008) and (b) pre-existing Authority hospital revenue bond issues.

The Authority has defined obligations within the Agreement related to how it will apply the lease payments to its own obligations. A portion of the lease payments is to be applied to the Authority's ongoing funding of the Plan, and the Agreement requires that the System fund any shortfall between required Plan funding and available funds from the lease payments. Should there be an excess of lease payments over the Authority's bona fide operating costs and pension obligations, such excess must be returned to the System. The Authority may not carry over excess funds from year to year.

The System's acquisition of assets and assumption of liabilities under the Agreement was accounted for as a purchase. The System has recognized a capital lease obligation for the lease payments (excluding any future CPI adjustments), which were discounted at 7.24%, representing management's best estimate of a

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATE

Notes to Combined Financial Statements

December 31, 2011 and 2010

fair value rate that might be available to the System on an unenhanced credit basis. Other acquired assets and assumed liabilities were recognized at their respective fair values.

Because any future funding obligations of the System for the Plan are currently indeterminable, those payments (if any) are accounted for on a "pay-as-you-go" basis and recognized currently in expense as invoiced from the Authority. During the years ended December 31, 2011 and 2010, the System recognized approximately \$4.3 million and \$4.8 million, respectively, in expense associated with its pension funding obligation as described herein. At December 31, 2011 and 2010, the System's accrual for this obligation totaled approximately \$0.7 million and \$3.8 million, respectively, which is included in other accrued expenses in the accompanying combined balance sheets.

The Agreement subjects the System to a number of commercially typical covenants, principally related to continuance of mission as a safety-net hospital system, maintenance of facilities, and financial and other reporting, including the System's obligation to deliver audited financial statements within 120 days of year-end.

The significant accounting policies used by the System in preparing and presenting its combined financial statements are as follows:

(a) Principles of Combination

The accompanying combined financial statements include the accounts of the System and the Henry W. Grady Memorial Foundation, Inc. (the Foundation). All significant intercompany accounts and transactions are eliminated in combination.

(b) Use of Estimates

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

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

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks, and investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts limited as to use.

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATE

Notes to Combined Financial Statements

December 31, 2011 and 2010

(d) *Investments and Investment Income*

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying combined balance sheets. Investment income items (including unrealized gains and losses on trading investments, realized gains and losses on sales of investments, interest, and dividends) are included in revenues, gains, and other support in excess of (less than) expenses and losses unless the income or loss is temporarily or permanently restricted by donor or law.

The System has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 – *Fair Value Measurements*. ASC 820 establishes an enhanced framework for measuring fair value and expands disclosures about fair value measurements.

In accordance with ASC 820, the System has categorized its financial instruments, based on the priority of inputs used in related valuation techniques, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and observable market inputs for similar instruments (Level 2), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure a specific financial instrument fall within multiple levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Effective December 31, 2010, the System adopted FASB Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measurements*, which amended ASC 820. ASU 2010-06 required that the System provide enhanced disclosures related to its fair value measurements. The System has complied with the additional disclosure requirements of ASU 2010-06 in these combined financial statements.

(e) *Assets Limited as to Use*

Assets limited as to use include assets for self-insurance funding arrangements, assets designated under grant agreements, assets designated by the board of directors for capital expansion, and assets restricted by donors.

(f) *Inventories*

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

(g) *Property and Equipment*

Property and equipment transferred to the System under the terms of the Agreement are stated at fair value at the date of transfer. Property and equipment acquired subsequently are stated at cost, with the exception of donated items and the information technology contract, which are stated at fair value at the date of donation and net present value, respectively. Equipment held under capital lease obligations is initially recorded at the present value of minimum lease payments. Provisions for depreciation are computed using the straight-line method based on the estimated useful lives of the assets. Equipment held under capital lease obligations is amortized using the straight-line method.

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATE

Notes to Combined Financial Statements

December 31, 2011 and 2010

over the shorter of the estimated useful life or the lease term, and such amortization is included in depreciation and amortization in the accompanying combined statements of operations

A summary of depreciable lives are as follows

Land improvements	3 – 8 years
Buildings and improvements	5 – 40 years
Machinery, equipment, and vehicles	3 – 20 years
Computer hardware and software	3 – 10 years

Gifts of long-lived assets such as property and equipment are excluded from revenue, gains, and other support in excess of expenses and losses and are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Contributions restricted to the purchase of property and equipment, which restrictions are met within the same year as received, are reported as increases in unrestricted net assets in the accompanying combined financial statements.

The System capitalizes interest cost on qualified construction and development projects as a component of the cost of the related projects.

(h) *Temporarily and Permanently Restricted Net Assets*

Temporarily restricted net assets are those whose use by the System is restricted by the donor to a specific time period or purpose. Permanently restricted net assets are those that have been restricted by donors to be maintained in perpetuity. Permanently restricted net assets consist primarily of the System's beneficial interest in indigent care and nursing scholarship funds held by the Authority. All of the earnings of the trust are donor-restricted for the System's use in providing indigent and charity care.

(i) *Net Patient Service Revenue*

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments (if necessary) 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.

(j) *Charity Care*

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

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATE

Notes to Combined Financial Statements

December 31, 2011 and 2010

(k) *Revenue, Gains, and Other Support (Less than) Expenses and Losses*

The combined statements of operations include revenue, gains, and other support (less than) expenses and losses. Changes in unrestricted net assets, which are excluded from revenue, gains, and other support in excess of (less than) expenses and losses (to the extent applicable in any particular year), include certain postretirement benefit plan accounting adjustments, and net assets released from restrictions used for purchase of property and equipment.

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

(l) *Contributions*

Unconditional promises to give cash and other assets to the System 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 underlying condition is satisfied by the System or the date the donor's intention to give becomes a promise to give. 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 reclassified as unrestricted net assets and reported in the combined statements 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 combined financial statements.

(m) *Asset Retirement Obligations*

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

(n) *Impairment of Long-Lived Assets*

Long-lived assets, such as property and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized to the extent that the carrying amount of an asset exceeds its fair value. Assets to be disposed of are separately presented in the accompanying combined balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATE

Notes to Combined Financial Statements

December 31, 2011 and 2010

classified as held-for-sale are presented separately in the asset and liability sections of the accompanying combined balance sheets. In the period in which the disposal group is sold or classified as held-for-sale, the results of its operations are classified in the accompanying combined statements of operations as discontinued operations.

(o) *Income Taxes*

The System has been recognized by the Internal Revenue Service as exempt from federal income tax under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3) and, therefore, related income is generally not subject to federal or state income taxes. The Foundation has been similarly recognized.

The System applies FASB ASC 740 – *Income Taxes* in accounting for uncertainty in income taxes. ASC 740 provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined. There is currently no impact on the System's combined financial statements from the application of ASC 740.

(p) *Postretirement Benefit Plan*

The System applies the recognition, disclosure, and measurement date provisions of FASB ASC 715 – *Compensation – Retirement Benefits*. ASC 715 requires that the System recognize the unfunded status of its postretirement benefit plan on its combined balance sheet. The System measures the Plan at December 31 each year.

(q) *Subsequent Events*

The System has evaluated subsequent events through April 30, 2012, the date the combined financial statements were available to be issued.

(r) *Reclassifications*

Certain 2010 amounts have been reclassified to conform to the 2011 presentation.

(s) *Healthcare Industry Environment*

The System's management monitors economic conditions closely, both with respect to potential impacts on the healthcare provider industry and from a more general business perspective, and management recognizes that economic conditions may continue to impact the System in a number of ways, including (but not limited to) uncertainties associated with U.S. financial system reform.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the impacts of federal healthcare reform legislation, which was passed in the spring of 2010. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant (and potentially unprecedented) capital investment in healthcare information technology (HCIT) and associated operational challenges.

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATE

Notes to Combined Financial Statements

December 31, 2011 and 2010

- Continuing volatility in the state and federal government reimbursement programs.
- Uncertainties resulting from ongoing political and judicial challenges aimed at the constitutionality of the “insurance mandate” included in the 2010 federal healthcare reform legislation.
- Lack of clarity related to the health benefit exchange framework mandated by healthcare reform legislation, including important open questions regarding exchange reimbursement levels, changes in combined state/federal disproportionate share payments, and impact on the healthcare “demand curve” as the previously uninsured enter the insurance system.
- Effective management of multiple major regulatory mandates, including achievement of meaningful use of HCIT and the transition to ICD-10, and
- Significant potential business model changes throughout the healthcare ecosystem, including within the healthcare commercial payor industry

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others currently in existence and/or which may or may not arise in the future, could have a material adverse impact on the System’s financial position and operating results.

(2) Principal Safety Net Healthcare Provider – Implications for the System

The System’s creation was driven by the strategic vision of local business and community leaders who recognized the overriding importance of Grady Memorial Hospital in providing appropriately accessible healthcare for the indigent and other potentially under-served populations in the region. In short, the vision is founded on a deep desire to ensure that the System can both survive and thrive in an increasingly competitive and challenging healthcare industry environment. The System’s ability to continue its mission on a long-term sustainable basis is a critical benefit to the citizens of both metropolitan Atlanta and the State of Georgia.

As indicated in note 1, the System is the principal safety-net healthcare provider for the Atlanta metropolitan area. Additionally, because the System is the sole Level I trauma center for the region (and for other reasons unique to the System), it also has significant patient volumes from outside of the metropolitan area. Finally, the System is one of the largest medical education platforms in Georgia. Given all of those factors, the System’s payor mix is dominated by care to the uninsured and underinsured. The financing of the System’s care for this critical population is provided through two key sources:

- Funding from the Counties, as described in note 1, which totaled approximately \$64.4 million and \$70.6 million for the 2011 and 2010 calendar years, respectively.
- Funding from the combined state/federal Medicaid disproportionate share program (referred to in Georgia as the Indigent Care Trust Fund, or ICTF), which totaled approximately \$74.2 million and \$87.7 million for the 2011 and 2010 calendar years, respectively.

The System is wholly dependent on the two financing sources described above to provide net cash from operations at levels sufficient to fund the System’s operating activities in a fashion consistent with its mission. Any material reduction in funds from these two financing sources would have a materially

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adverse impact on the System's financial results. Management recognizes the risks inherent in the System's dependence on these financing sources.

As previously noted, the System is the legal agent for the Authority's obligations to the Counties regarding the provision of indigent care to the Counties' citizens, under the terms of continuing Operating Agreements that obligate the Counties to fund the cost of that care according to certain defined criteria. To further clarify Fulton County's obligations (which have historically represented the significant majority of related funding), the Authority and Fulton County entered into a Memorandum of Understanding (the MOU), which effectively further memorializes the financial obligation of Fulton County under the Operating Agreements. System management views the MOU as an important additional level of confirmation ensuring that funding it receives from the Counties will continue at levels reasonably consistent with the services the System provides to the Counties' citizens. Nevertheless, funding under the Operating Agreements (as supplemented by the MOU) is necessarily subject to political and related implications arising from the Counties' budgeting and related processes, and therefore there are no guarantees regarding future funding amounts beyond the commitments evidenced in the Operating Agreements.

Under the provisions of the ICTF program, the System contributes funds to be used by the state in the Medicaid program that are then supplemented by federal funds, the aggregate of which are often referred to as combination dollars. The combination dollars are returned to the System as additional Medicaid inpatient reimbursement. The state Medicaid program is funded on a state fiscal year basis (the state maintains a June 30 fiscal year-end). As of December 31, 2011 and 2010, the System has been approved to participate in the state fiscal 2012 ICTF program; the state fiscal 2013 ICTF program plan terms have not been finalized. Because of the importance of the ICTF funding to the System, management maintains routine contact with state Medicaid officials and has no reason to believe that the System's participation in the state fiscal 2013 ICTF program will be meaningfully different from the System's historical participation. Nevertheless, there can be no assurance that the specific funding levels associated with the System's future participation in this program will be maintained at or near historical levels, or that the program will not ultimately be discontinued or materially modified. Distributions of the annual ICTF funding are generally disbursed in semiannual lump sums, the timing of which varies from year-to-year. Amounts outstanding for fiscal 2011 and 2010 totaled \$0 and \$32.9 million, respectively, and are included in other current assets in the accompanying combined balance sheets. The fiscal 2010 amount was received by the System in January 2011.

The System's funding contribution to the ICTF program has historically been facilitated by a specific line-of-credit financing arrangement with a commercial bank. On August 3, 2011, the System obtained an amendment to the commitment letter dated August 6, 2010 from the bank, which is expected to fully enable the System's necessary funding contributions through expiration of the arrangement in August 2012. Management is in discussions with the commercial bank regarding routine renewal of the line, and anticipates such renewal prior to expiration with substantially the same terms and conditions as the existing facility. However, there is currently no commitment to renewal from the bank and such renewal is not assured.

Significant operational improvements have been achieved since the formation of the System and management remains focused on continuing to improve operational efficiencies and growing revenue.

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An important goal in the creation of the System was the solicitation of contributions from community donors who had previously not significantly supported Grady Memorial Hospital. To that end, the System has received multiple commitments totaling approximately \$313 million through December 31, 2011 for contributions to support the System's significant need to improve its capital asset base. In particular, The Woodruff Foundation has formally committed \$200 million over five years to the System for capital improvements. These funds have been, and will be, directed to a number of important capital asset needs, including major clinical equipment upgrades and new information technology systems. These capital asset additions support the System's important strategic goals of improving clinical quality, attracting commercial and other insured patients, giving physicians and other clinicians clinical equipment that is consistent with current standards of care, and creating support systems that optimize effectiveness and efficiency in both clinical and nonclinical information reporting.

The System's ability to continue to pursue its safety net mission in a fashion consistent with otherwise-comparable institutions serving major metropolitan areas is dependent on a number of factors, the most important of which have been described above. A reasonably assured funds flow from the Counties, continued participation in the ICTF program at legacy levels, achievement of continued operational improvement strategies, and enhanced community fund-raising support are all vital to the System's mission. Management believes that the System is well-positioned against the critical dependencies previously described, but also notes that any material variance from the System's expectations in any of these areas would have an associated material adverse effect on financial condition and results of operations.

Healthcare reform legislation, signed by the President in April 2010, is complex and far-reaching, possibly representing the most dramatic set of changes to the U.S. healthcare system since the advent of the Medicare program. Additionally, there are other transformative dynamics in the healthcare industry that preceded the signing of reform legislation that will also impact the System. The System's management is actively evaluating the impact of reform legislation and other important transformative factors, but is unable to predict currently what, if any, impact (positive or negative) such matters might have on the System.

(3) Other Current Assets

The composition of other current assets is as follows:

	December 31	
	2011	2010
	(In thousands)	
Prepaid expenses	\$ 6,496	8,063
Inventories	11,551	9,175
Due from state reimbursement programs	—	37,566
Due from Fulton County	—	9,927
Other current assets	2,349	5,003
	<u>\$ 20,396</u>	<u>69,734</u>

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(4) Assets Limited as to Use

The composition of assets limited as to use is as follows

	Fair value hierarchy level	December 31	
		2011	2010
		(In thousands)	
Internally designated for capital acquisition and other uses			
Cash and cash equivalents	Level 1	\$ 1,447	3,077
Mutual funds	Level 2	2,283	827
		<u>3,730</u>	<u>3,904</u>
Held by trustee under escrow agreements			
Cash and cash equivalents	Level 1	<u>866</u>	<u>853</u>
Held by trustee under self-insurance programs			
Cash and cash equivalents	Level 1	23	23
U S government and agency bonds	Level 1	<u>905</u>	<u>905</u>
		<u>928</u>	<u>928</u>
Insurance guaranty trust fund			
Cash and cash equivalents	Level 1	<u>7,808</u>	<u>7,855</u>
Limited by donor for specific purposes			
Cash and cash equivalents	Level 1	29,300	25,458
Mutual funds – equity securities	Level 1	—	162
Mutual funds – proprietary funds	Level 1	290	323
Common collective trust funds	Level 1	<u>2,180</u>	<u>2,533</u>
		<u>31,770</u>	<u>28,476</u>
Totals		\$ 45,102	42,016

There were no significant transfers between Level 1 and Level 2 during the year ended December 31, 2011 and 2010, respectively

The composition of investment income is as follows

	Year ended December 31	
	2011	2010
(In thousands)		
Interest and dividends	\$ 297	720
Realized gains on sales of investments	190	131
Net unrealized losses on investments	<u>(223)</u>	<u>(509)</u>
	<u>\$ 264</u>	<u>342</u>

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(5) Property and Equipment

A summary of property and equipment is as follows

	December 31	
	2011	2010
	(In thousands)	
Land and land improvements	\$ 2,714	2,714
Buildings, leasehold improvements, and fixtures	230,083	219,981
Equipment	126,425	112,848
Computer hardware and software	61,920	58,605
	421,142	394,148
Less accumulated depreciation and amortization	(123,235)	(80,984)
	297,907	313,164
Construction in progress	10,624	7,094
	\$ 308,531	320,258

Construction in progress at December 31, 2011 and 2010 principally consists of expenditures related to renovation of existing facilities. Current projects in process are largely planned for completion in fiscal 2012 at an estimated total remaining cost to complete of approximately \$4.0 million.

Equipment under capital lease obligations at December 31, 2011 and 2010, exclusive of amounts held under the Agreement, is approximately \$11.0 million. Related accumulated amortization at December 31, 2011 and 2010 is \$6.7 million and \$4.8 million, respectively.

(6) Pledges Receivable

Pledges receivable are due as follows

	December 31	
	2011	2010
	(In thousands)	
Less than one year	\$ 50,339	68,326
One to five years	79,319	79,566
	129,658	147,892
Less		
Unamortized discounts ranging from 2.2% to 3.4% at December 31, 2011 and 2010	5,736	5,051
Allowance for doubtful pledges	2,307	489
	\$ 121,615	142,352

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(7) Other Accrued Expenses

The composition of other accrued expenses is as follows

	December 31	
	2011	2010
	(In thousands)	
Accrued salaries and benefits	\$ 30.462	32.899
Authority pension plan funding obligation	737	3.819
Current portion of accrued postretirement benefit cost	2.422	2.532
Other accrued expenses	29.281	29.844
	<u>\$ 62.902</u>	<u>69.094</u>

(8) Notes Payable

During 2009, the System entered into separate agreements with Emory University and Morehouse School of Medicine to convert certain accounts payable then due under healthcare services contracts (as described further in note 16) to long-term debt. Amounts outstanding are reflected as notes payable in the accompanying combined balance sheets and consist of the following:

	December 31	
	2011	2010
	(In thousands)	
Note payable to Emory University, payable in monthly installments of \$268,000, including imputed interest at approximately 6.3% per annum. Final payment is due on December 31, 2016.	\$ 16.104	19.325
Note payable to the Morehouse School of Medicine, payable in monthly installments of \$95,000, including imputed interest at approximately 6.3% per annum. Final payment is due on December 31, 2016.	5.683	6.820
	<u>21.787</u>	<u>26.145</u>
Less:		
Allowance for interest	3.143	4.426
Current installments	<u>3.275</u>	<u>3.075</u>
Notes payable, less current installments	<u>\$ 15.369</u>	<u>18.644</u>

(9) Self-Insurance Programs

The System is self-insured for its general and professional liability insurance coverages. The System's self-insured retention is \$5 million per claim. Commercial insurance has been obtained to provide for coverage in excess of the System's self-insured retention limits on a claims-made basis.

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The general and professional self-insurance reserves included in the accompanying combined balance sheets, totaling \$60.4 million and \$47.4 million at December 31, 2011 and 2010, respectively, include estimates of the ultimate costs for both reported claims and claims incurred but not reported. The System has employed independent actuaries to estimate the ultimate costs of the settlement of such claims. Accrued general and professional liability reserves have been discounted at 3.5% at both December 31, 2011 and 2010.

The System is self-insured for its workers' compensation liability exposures up to limits of \$350,000 per claim. Commercial insurance has been obtained to provide for excess workers' compensation liability coverage. The related amounts recorded by the System in the accompanying combined balance sheets totaled \$5.6 million and \$6.8 million at December 31, 2011 and 2010, respectively. Accrued workers' compensation is recorded on an undiscounted basis in the accompanying combined financial statements.

Beginning in 2009, the System sponsors a self-insured program for its employee health benefits up to limits of \$250,000 per claim. The System recognized related reserves of approximately \$2.5 million and \$2.2 million in accrued salaries and benefits in the accompanying 2011 and 2010 combined balance sheets, respectively. The reserves include estimates of the ultimate cost for claims incurred but not reported through December 31, 2011.

In the opinion of management, adequate provision has been made for losses that may occur from the asserted and unasserted claims for each of these self-insurance programs.

(10) Net Patient Service Revenue

The System has agreements with governmental and other third-party payors that provide for reimbursement to Grady Memorial Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between billings at established rates for services and amounts paid by third-party payors. A summary of payment arrangements with major third-party payors is as follows:

Medicare – Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Certain types of exempt services and other defined payments related to Medicare beneficiaries are paid based upon cost reimbursement or other retroactive-determination methodologies. Payments for cost reimbursable items are made at tentative rates, with final settlement determined after submission of annual cost reports by Grady Memorial Hospital and audits by the Medicare administrative contractors. Grady Memorial Hospital's cost reports have been audited and settled for all fiscal years through 2006. Revenue from the Medicare program accounted for approximately 28% and 32% of the System's net patient service revenue net of bad debt expense for the years ended December 31, 2011 and 2010, respectively.

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are generally paid based upon prospective reimbursement methodologies established by the State of Georgia. Certain types of exempt services and outpatient services related to Medicaid beneficiaries are paid based upon cost reimbursement or other retroactive-determination methodologies. Payments for cost reimbursable items are made at tentative rates, with final settlement determined after submission of annual cost reports by the System and audits by the Medicaid fiscal intermediary. Grady Memorial Hospital's

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cost reports have been audited and settled for all fiscal years through 2007. The System also contracts with certain managed care organizations to receive reimbursement for providing services to Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diem rates. Revenue from the Medicaid program accounted for approximately 46% and 40% of the System's net patient service revenue net of bad debt expense for the years ended December 31, 2011 and 2010, respectively.

As described in note 2, the System participates in the state ICTF program (which for purposes of disclosure here also includes the System's participation in an ancillary program referred to as the Upper Payment Limit program). Net amounts received from the ICTF program are recognized as additional Medicaid inpatient reimbursement and, therefore, are reflected in net patient service revenue. The related net reimbursement benefit recognized by the System for the years ended December 31, 2011 and 2010 was approximately \$80.6 million and \$92.9 million, respectively. The fact that the System's fiscal year-end differs from the state fiscal year also drives certain timing differences in terms of ICTF funds both received and to be received, and therefore the System has recognized a receivable from the ICTF in the accompanying December 31, 2010 combined balance sheet (in other current assets) totaling approximately \$37.6 million. The System's ICTF revenue is subject to retrospective adjustment in future periods based upon audits as required by CMS.

The System has also entered into other reimbursement arrangements providing for payment methodologies, which include prospectively determined rates per discharge, prospectively determined per diem amounts, and discounts from established charges.

With respect to reserves for third-party payor cost report audits and anticipated settlements, the System routinely provides such reserves through initial audit and final settlement of the cost reports. The System has historically provided such reserves in recognition of the complexity of relevant reimbursement regulations and the volatility of related settlement processes. In any event, the System's estimates in this area will differ from actual experience, and those differences may be material.

The composition of net patient service revenue (excluding charity care) is as follows:

	Year ended December 31	
	2011	2010
	(In thousands)	
Gross patient service revenue	\$ 1,811,718	1,648,486
Less provisions for contractual and other adjustments	1,087,121	944,728
Net patient service revenue	<u>\$ 724,597</u>	<u>703,758</u>

As further described in both notes 1 and 2, the System is the principal safety net healthcare provider for the Atlanta metropolitan area. As a result, the System provides significant amounts of healthcare services to a large number of uninsured citizens in the region, the majority of which do not have the means to pay for the cost of services provided. Consistent with the System's mission, all patients are served without regard to ability to pay, and charity care is offered to all in accordance with the System's financial assistance policies. While a significant number of uninsured patients apply and qualify for financial assistance, a large

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population of uninsured patients that are cared for by the System (especially those provided emergency care) may never apply for financial assistance and therefore the System also incurs significant amounts of bad debt expense related to the charges for services provided

The System provides services to patients who do not have the ability to pay and who qualify for charity services pursuant to established policies of the System. Charity services are defined as those for which patients have the obligation and willingness to pay but do not have the ability to do so. The System does not include charity care in net patient service revenue. The cost of charity care provided totaled \$106.9 million and \$122.7 million for the years ended December 31, 2011 and 2010, respectively. The System estimated these costs by applying a ratio of cost to gross charges to the gross uncompensated charges associated with providing care to charity patients.

Additionally, the System incurred bad debt expense, valued at established charges, of \$215.2 million and \$201.2 million for the years ended December 31, 2011 and 2010, respectively. In an effort to improve amounts collected from uninsured patients that do not apply and/or qualify for charity assistance, the System offers discounted prices to the uninsured. In addition to charity care and bad debt write-offs, the System provided discounts to the uninsured of \$64.7 million and \$68.5 million (recorded as other adjustments in net patient service revenue) for the years ended December 31, 2011 and 2010, respectively.

(11) Employee Benefits Plans

(a) *Postretirement Medical Plan*

The System provides retiree medical benefits covering all employees of the System who previously retired at age 55 or older with at least 10 years of service. In fiscal 2008, the System amended this plan to limit availability of retiree medical benefits to current employees aged 50 or older on September 4, 2008 and who retire at age 62 or older with at least 10 years of service. The cost of providing most of these benefits is shared with the retirees. The plan is unfunded, and therefore the System's participation is on a "pay-as-you-go" basis.

The changes in the accumulated postretirement benefit obligation (APBO) during the years ended December 31, 2011 and 2010 are as follows:

	December 31	
	2011	2010
	(In thousands)	
APBO, beginning of year	\$ 48,748	43,882
Service cost	1,454	1,473
Interest cost	2,470	2,685
Plan participant contributions	1,295	1,417
Benefits paid	(2,548)	(3,303)
Actuarial loss (gain)	2,092	2,594
APBO, end of year	<u>\$ 53,511</u>	<u>48,748</u>

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The amounts recognized in the accompanying combined balance sheets are as follows

	December 31	
	2011	2010
	(In thousands)	
Current liabilities	\$ 2,422	2,532
Long-term liabilities	51,089	46,216
Net amount recognized	<u>\$ 53,511</u>	<u>48,748</u>

The amounts accumulated in unrestricted net assets are as follows

	December 31	
	2011	2010
	(In thousands)	
Prior service credit	\$ (13,409)	(15,420)
Net loss	4,430	2,338
	<u>\$ (8,979)</u>	<u>(13,082)</u>

The total amount of prior service credit and actuarial net loss expected to be amortized into net periodic postretirement benefit cost in 2012 is a net credit of \$2.0 million

Weighted average assumptions used to determine benefit obligations in the accompanying combined balance sheets are as follows

	December 31	
	2011	2010
Discount rate	4.60%	5.40%
Rate of compensation increases	N/A	N/A

The components of net periodic postretirement benefit cost, which is included in salaries and benefits, are as follows

	Year ended December 31	
	2011	2010
	(In thousands)	
Service cost	\$ 1,454	1,473
Interest cost	2,470	2,685
Amortization of prior service credit	(2,011)	(2,012)
Net periodic postretirement benefit cost	<u>\$ 1,913</u>	<u>2,146</u>

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Weighted average assumptions used to determine net periodic postretirement benefit cost are as follows

	Year ended December 31	
	2011	2010
Discount rate	5.40%	5.90%
Expected long-term rate of return on plan assets	N/A	N/A
Rate of compensation increases	N/A	N/A

Assumed healthcare cost trend rates are as follows

2012	7.70%
2013	7.50
2014	7.30
2015	7.10
2016	7.00
2017 – 2027	Reduce by 0.20% per year
2028 and thereafter	4.50

Assumed healthcare cost trend rates can have a significant effect on amounts reported for postretirement healthcare benefits. A 1% increase in the healthcare cost trend rate would increase the APBO by approximately \$7.7 million and increase interest and service cost by approximately \$630,000. A 1% decrease in the healthcare cost trend rate would decrease the APBO by approximately \$6.4 million and reduce interest and service cost by approximately \$530,000.

Expected Future Benefit Payments

The following benefit payments are expected to be paid (in thousands)

2012	\$	2,422
2013		2,544
2014		2,574
2015		2,644
2016		2,903
2017 – 2021		18,551

(b) Defined Contribution Savings Plan

The System sponsors a defined contribution savings plan, which covers substantially all of its employees. Total matching contributions made and accrued under the savings plan totaled approximately \$3.6 million and \$6.4 million for the years ended December 31, 2011 and 2010, respectively.

Beginning January 1, 2009, the deferred retirement savings program changed from the previous 403(b) plan sponsored by the Authority to a 401(k) Plan sponsored by the System. The System

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matches employee contributions dollar for dollar up to 4% of eligible employees' base compensation after completion of one year of eligible service. Employees are immediately fully vested in matching contributions. Under the new plan, an employer discretionary nonelective provision exists whereby the System also may contribute at its discretion up to 2% of the eligible employees' annual based compensation. Eligible employees are not obligated to have made voluntary contributions to be eligible for the nonelective discretionary 2% contribution. Eligible employees vest in the 2% nonelective contributions at a rate of 20% per year over five years of service to attain 100% vesting after completion of year five, including credit for service rendered prior to December 31, 2008.

(12) Leases

As previously described in note 1, the Agreement was determined to be a capital lease obligation under relevant accounting literature. Additionally, the System has also entered into certain noncancelable medical equipment leases, determined to be capital lease obligations under relevant accounting literature, which expire at various dates through 2013. Future minimum payments under these capital lease obligations at December 31, 2011 are as follows (in thousands):

	<u>The agreement</u>	<u>Other</u>
Payable in fiscal year		
2012	\$ 2,500	1,211
2013	2,500	553
2014	2,500	—
2015	2,500	—
2016	2,500	—
Thereafter	78,542	—
	<u>91,042</u>	<u>1,764</u>
Less:		
Interest cost	58,015	61
Current portion	203	1,158
	<u>\$ 32,824</u>	<u>545</u>

The System has also entered into certain noncancelable leases for office space and office equipment, determined to be operating leases under relevant accounting literature, which expire at various dates through 2019. Total rent expense recognized for the years ended December 31, 2011 and 2010 was approximately \$4.3 million and \$3.4 million, respectively, principally for building and equipment rentals.

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Future minimum payments due under noncancelable operating leases as of December 31, 2011 are as follows (in thousands)

Payable in fiscal year	
2012	\$ 2.158
2013	2.287
2014	2.316
2015	1.848
2016	1.777
Thereafter	5.096
	<u>\$ 15.482</u>

(13) Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2011 and 2010 are restricted by donors for the following purposes

	December 31	
	2011	2010
	(In thousands)	
Capital improvements	\$ 145,580	163,089
Fundraising	586	722
Other programs	5,378	8,799
	<u>\$ 151,544</u>	<u>172,610</u>

(14) Business and Credit Concentrations

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

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The composition of the System's net accounts receivable balance by payor type is as follows

	December 31	
	2011	2010
Medicare	22	25%
Medicaid	30	29
Commercial and other third-party payors	45	37
Patients	3	9
	100%	100%

(15) Fair Value of Financial Instruments

The carrying amounts of all applicable asset and liability financial instruments reported in the accompanying combined balance sheets approximate their estimated fair values, in all significant respects, at December 31, 2011 and 2010. Fair value of a financial instrument is defined 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 measurements date.

(16) Affiliation with Medical Schools

The System serves as one of the largest teaching hospitals in the state of Georgia. In that respect, the System has contracts with both Emory University (Emory) and the Morehouse School of Medicine (Morehouse) (collectively, the Medical Schools), wherein practicing interns and residents of the Medical Schools receive clinical training at the System. The teaching services provided to the interns and residents are provided primarily by faculty members of the Medical Schools in addition to other clinical and administrative services, which they provide to the System. The Medical Schools are compensated for the costs of interns and residents effectively at cost. The Medical Schools are compensated for the faculty teaching, administrative, and clinical services based on certain formulas that consider the number of interns and residents taught, time spent performing administrative services and otherwise unreimbursed clinical services, and consider fair market value of compensation rates by specialty and ranking. Additionally, the System has agreed to fund other costs specifically associated with the ongoing provision of physician services by the Medical Schools, including the cost of professional liability exposures and the funding of intergovernmental transfers to enable the receipt of related Medicaid program supplemental payments for physician services billed by the Medical Schools. The current contracts expire on June 30, 2013 for both Emory and Morehouse. Total expense for direct physician services under these contracts totaled approximately \$82.5 million and \$74.8 million for the years ended December 31, 2011 and 2010, respectively, and is reported in supplies and other expenses in the accompanying combined statements of operations.

The System has historically provided significant support to Morehouse to fund its operations and associated residency programs. Support payments of \$16.2 million and \$32.5 million were provided to Morehouse in 2011 and 2010, respectively, in addition to other contractual support for professional services. As a result of the System's unique relationship with Morehouse, the System receives

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supplemental Medicaid payments from the State. Supplemental Medicaid payments received by the System were \$28.9 million and \$35.2 million in 2011 and 2010, respectively.

(17) Other Related Parties

(a) *Hughes Spalding Operating Company, Inc.*

With the execution of the Agreement (note 1), Hughes Spalding Operating Company, Inc. (HSOC) committed to a total of \$15 million of donated capital for capital improvements to Hughes Spalding Children's Hospital (Hughes Spalding). The System has a contract with HSOC, a nonprofit affiliate of Children's Healthcare of Atlanta (CHOA), whereby HSOC provides certain management, administrative, and related services to Hughes Spalding for an initial term of 15 years beginning February 2006. The contract requires that Hughes Spalding operate under the name "Children's Healthcare of Atlanta at Hughes Spalding." HSOC is responsible for the costs of operating Hughes Spalding. The System has a commitment of \$2 million of specific annual support for the operation of Hughes Spalding and CHOA has a matching support commitment of \$2 million annually. Additionally, the System and CHOA are each responsible for 50% of the Hughes Spalding "Excess/Deficit" (as defined) up to a total of \$2 million annually per organization, not to exceed \$4 million in any successive rolling three-year period. The System maintains ownership of Hughes Spalding, including ownership of Hughes Spalding's certificate of need, licensure, and provider agreements. The System provided support for Hughes Spalding totaling \$2.6 million during the years ended December 31, 2011 and 2010 in fulfilling its annual support commitment. Hughes Spalding also received \$2.6 million from CHOA during the years ended December 31, 2011 and 2010 related to its annual support commitment.

The management agreement also gives CHOA the right to acquire Hughes Spalding, subject to a lease/purchase negotiation with the System and other terms and conditions. Any such option, if elected, contemplates a reversionary interest on the part of the System and other System involvement in HSOC's potential ownership of Hughes Spalding, which would be subject to additional negotiation as well. The agreement also contemplates that, given the \$15 million in original donations by HSOC and other ongoing consideration under the agreement as described above, there would be no further economic consideration required in the exercise of the HSOC option. Given the significant uncertainties associated with the potential future exercise of the HSOC option, there is no current recognition of the option in the System's combined financial statements.

(b) *Fulton-DeKalb Hospital Authority*

During both the years ended December 31, 2011 and 2010, \$2.5 million of lease payments were provided to the Authority in accordance with the Agreement. As required by the Agreement, at the conclusion of the "lease years" ended May 31, 2011 and 2010, no excess funds were applied toward the Authority's pension obligation and excess funds in the amount of \$200,000 had yet to be applied as of December 31, 2011 and 2010. The Authority provided \$0 and \$491,000 in funds released from restriction held on behalf of the System in 2011 and 2010, respectively.

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(18) Asset Retirement Obligations

The System's asset retirement obligations arise primarily from contractual commitments to remove asbestos from System facilities at the time of major renovation or demolition and to restore leased property, at the end of the lease term, to its condition at inception of the lease.

The following tables present the activity for the asset retirement obligations and additional cost basis of related assets for the years ended December 31, 2011 and 2010.

	December 31	
	2011	2010
	(In thousands)	
Balance at beginning of year	\$ 1,347	1,256
Accretion expense	98	91
Balance at end of year (included in other long-term liabilities)	<u>\$ 1,445</u>	<u>1,347</u>

	December 31	
	2011	2010
	(In thousands)	
Additional cost basis	\$ 93	97
Accumulated depreciation	<u>(4)</u>	<u>(4)</u>
Cost basis, net (included in property and equipment)	<u>\$ 89</u>	<u>93</u>

(19) Line of Credit

The System has historically maintained a line-of-credit facility with a commercial bank, which serves as bridge financing for the System's intergovernmental transfer (IGT) funding requirements for the ICTF program (notes 2 and 10) and as a general revolving working capital facility. On August 3, 2011, the System executed an amendment to its prior commitment letter dated August 6, 2010 with the bank for renewal of the facility for the upcoming annual ICTF program cycle, and therefore, the new facility currently expires August 2, 2011. The working capital component generally provides a range of \$10 million to \$50 million of non-IGT funding capacity, while the ICTF program component generally flexes with the required amount of IGT funding. In total, the facility is currently estimated at \$50 million. Amounts outstanding under the facility were \$0 and \$30 million at December 31, 2011 and 2010, respectively.

The ICTF program component is repaid with the receipt of related program funds by the System, and reduces to zero as the System's IGT funding requirements for the current program year are met. Amounts outstanding under the working capital and ICTF program components accrue interest at LIBOR plus 220 basis points and 150 basis points, respectively. The working capital component carries a 20 basis point

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commitment fee on the unused line, while the ICTF program component carries a commitment fee of 10 basis points against each associated draw. The facility matures 364 days from closing.

(20) Information Technology Contract

The System has entered into a software and services agreement with a major information technology vendor. The agreement generally commits the System to the purchase of a variety of information technology products and services from this vendor for a defined payment stream over the term of the contract. Certain software license and support fees and related implicit maintenance costs (totaling approximately \$13.8 million) were capitalized during fiscal 2010 with recognition of an associated liability related to the System's acquisition of these intangible assets. Implied maintenance costs of approximately \$6.5 million are being amortized over the estimated useful life of the implicit maintenance period of five years. Such costs are included in computer software and other assets in the accompanying combined balance sheets. Other contract costs are evaluated for capitalization or expense recognition under relevant accounting literature as associated products and/or services are provided.

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The following table summarizes the future payment commitments by year under the contract as of December 31, 2011

	Capitalized software and implicit maintenance costs obligation
	(In thousands)
Payable in fiscal year	
2012	\$ 3,167
2013	3,732
2014	<u>2,218</u>
Total	9,117
Less amounts representing interest at 6%	<u>579</u>
Total obligation	8,538
Less current portion (included in other accrued expenses)	<u>2,824</u>
Long-term obligation (included in other long-term liabilities)	<u><u>\$ 5,714</u></u>

Interest expense incurred under the agreement in fiscal 2011 and 2010 was approximately \$490,000 and \$900,000, respectively