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Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

TO PROVIDE A CONTINUUM OF QUALITY HEALTHCARE SERVICES WITHIN OUR RESOURCE CAPABILITIES TO SERVE AS A LEADER IN A COLLABORATIVE EFFORT WITH THE COMMUNITY TO PROVIDE HEATH EDUCATION, SUPPORT SERVICES, AND CARE FOR THE COUNTY AND SURROUNDING AREA

2

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

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

3

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

If “Yes,” describe these changes on Schedule O

4

Describe the 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 \$ 161,057,467 including grants of \$ ) (Revenue \$ 225,774,378 )

Tanner Medical Center provides healthcare to the population of northwest Georgia and east Alabama Medical services include inpatient, outpatient, and ancillary services As a not for profit corporation, Tanner provides services to patients regardless of their ability to pay for these services See Schedule O

4b

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

4c

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

4d

Other program services (Describe in Schedule O )





















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

4e

Total program service expenses \$ 161,057,467

Part IV

Checklist of Required Schedules

		Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	1	Yes
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (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? <i>If "Yes," complete Schedule C, Part I.</i> 	3	No
4	<b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> 	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? <i>If "Yes," complete Schedule C, Part III.</i> 	5	No
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? <i>If "Yes," complete Schedule D, Part I.</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? <i>If "Yes," complete Schedule D, Part II.</i> 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	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? <i>If "Yes," complete Schedule D, Part IV.</i> 	9	No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	Yes
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	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? <i>If "Yes," complete Schedule D, Part VII.</i> 	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? <i>If "Yes," complete Schedule D, Part VIII.</i> 	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? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	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)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	Yes
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	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? <i>If "Yes," complete Schedule F, Part I.</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 ? <i>If "Yes," complete Schedule F, Part II and IV.</i> . . . . .	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 ? <i>If "Yes," complete Schedule F, Part III and IV.</i> . . . . .	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? <i>If "Yes," complete Schedule G, Part I.</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? <i>If "Yes," complete Schedule G, Part II.</i> . . . . .	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i> . . . . .	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> 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	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		No
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> 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	Yes	
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	Yes	
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		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i> . . . . .	34	Yes	
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	<b>Section 501(c)(3) organizations.</b> 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		
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? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>						
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>						
		<b>Yes</b>	<b>No</b>			
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	<b>1a</b>	205			
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	0			
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>1c</b>	Yes			
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	<b>2a</b>	1,570			
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes			
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>	Yes			
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	<b>3b</b>	Yes			
<b>4a</b>	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)?	<b>4a</b>				No
<b>b</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.					
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	<b>5a</b>				No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>				No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>				
<b>6a</b>	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?	<b>6a</b>				No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	<b>6b</b>				
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>					
<b>a</b>	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?	<b>7a</b>				No
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7b</b>				
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7c</b>				No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.	<b>7d</b>				
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7e</b>				No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7f</b>				No
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7g</b>				
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>7h</b>				
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	<b>8</b>				
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>					
<b>a</b>	Did the organization make any taxable distributions under section 4966?	<b>9a</b>				
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?	<b>9b</b>				
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter					
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12.	<b>10a</b>				
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	<b>10b</b>				
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter					
<b>a</b>	Gross income from members or shareholders.	<b>11a</b>				
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	<b>11b</b>				
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12a</b>				
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	<b>12b</b>				
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>					
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> 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.	<b>13a</b>				
<b>b</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.	<b>13b</b>				
<b>c</b>	Enter the aggregate amount of reserves on hand.	<b>13c</b>				
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>				No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	<b>14b</b>				

Part VI

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . . . . .		
1a	11		
b	Enter the number of voting members included in line 1a, above, who are independent . . . . .	1b	9
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . .	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .	5	No
6	Did the organization have members or stockholders? . . . . .	6	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? . . . . .	7a	No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body? . . . . .	8a	Yes
b	Each committee with authority to act on behalf of the governing body? . . . . .	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O . . . . .	9	No

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

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

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. LEE SHERSETH CFO 705 DIXIE STREET CARROLLTON, GA 30117 (770) 836-9580

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 VII

<b>1b</b>	<b>Sub-Total . . . . .</b>	<b>▼</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>	<b>▼</b>			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	<b>▼</b>	4,030,301	2,139,400	793,616

**2** Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 90

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

## **Section B. Independent Contractors**

**1** Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
ROBINS MORTON GROUP 400 SHADES CREEK PARKWAY BIRMINGHAM, AL 35209	CONSTRUCTION	29,878,747
LABORATORY CORPORATION OF AMERICA PO BOX 12140 BURLINGTON, NC 27216	LAB SERVICES	3,388,186
SOUTHERN THERAPY SERVICES INC 120 EAST CENTER STREET CARROLLTON, GA 30117	PHYSICAL THERAPY	2,119,590
ARAMARK 10510 TWIN LAKES PARKWAY CHARLOTTE, NC 28269	CLINICAL ENGINEERING	1,900,975
ORACLE TRANSCRIPTION INC 4007-B NORBECK ROAD ROCKVILLE, MD 20853	TRANSCRIPTION	1,405,655

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization 85

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues . . . . .	1b					
	c	Fundraising events . . . . .	1c					
	d	Related organizations . . . .	1d	1,034,703				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f					
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f . . . . .		1,034,703				
Program Service Revenue			Business Code					
	2a	NET PATIENT REVENUE	623000	182,567,638	182,567,638			
	b	REFERENCE LAB	621500	508,888		508,888		
	c	PHYSICIAN BILLING SERVICES	541200	18,000		18,000		
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f . . . . .		183,094,526				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .		6,546,515	509,919		6,036,596	
	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				
			46,414,249	2,671				
			46,450,757	257,646				
			-36,508	-254,975				
	d	Net gain or (loss) . . . . .		-291,483			-291,483	
	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	SHARED SERVICE REVENUE	621990	38,717,362	38,717,362				
b	CAFETERIA	624200	1,036,186			1,036,186		
c	WELLNESS	623990	215,883			215,883		
d	All other revenue . . . . .		3,979,459	3,979,459				
e	Total. Add lines 11a-11d . . . . .		43,948,890					
12	Total revenue. See Instructions . . . . .		234,333,151	225,774,378	526,888	6,997,182		

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 . . . . .	3,595,215		3,595,215	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .	0			
7	Other salaries and wages	69,578,967	57,757,167	11,821,800	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	2,588,120	2,020,953	567,167	
9	Other employee benefits . . . . .	23,702,287	22,997,459	704,828	
10	Payroll taxes . . . . .	4,962,668	4,094,187	868,481	
11	Fees for services (non-employees)				
a	Management . . . . .	194,496	183,996	10,500	
b	Legal . . . . .	604,892		604,892	
c	Accounting . . . . .	220,575		220,575	
d	Lobbying . . . . .	143,810		143,810	
e	Professional fundraising See Part IV, line 17 . . . . .	0			
f	Investment management fees . . . . .	536,544		536,544	
g	Other . . . . .	18,716,718	12,713,386	6,003,332	
12	Advertising and promotion . . . . .	313,737	56,894	256,843	
13	Office expenses . . . . .	28,688,092	28,112,306	575,786	
14	Information technology . . . . .	4,306,180		4,306,180	
15	Royalties . . . . .	0			
16	Occupancy . . . . .	4,980,130	2,694,786	2,285,344	
17	Travel . . . . .	142,111	103,372	38,739	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .	0			
19	Conferences, conventions, and meetings . . . . .	478,673	189,353	289,320	
20	Interest . . . . .	3,266,705		3,266,705	
21	Payments to affiliates . . . . .	0			
22	Depreciation, depletion, and amortization . . . . .	12,681,387	10,313,792	2,367,595	
23	Insurance . . . . .	1,697,924	15,762	1,682,162	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O )				
a	BAD DEBTS	9,314,455	9,314,455		
b	REPAIRS AND MAINTENANCE	3,817,851	3,771,875	45,976	
c	PROVIDER TAX	2,320,172	2,320,172		
d	OTHER - FOUNDATION SUPPORT	553,463	553,463		
e					
f	All other expenses	5,195,250	3,844,089	1,351,161	
25	Total functional expenses. Add lines 1 through 24f	202,600,422	161,057,467	41,542,955	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	<b>1</b>	Cash—non-interest-bearing . . . . .			656,336	<b>1</b>	360,027
	<b>2</b>	Savings and temporary cash investments . . . . .			71,953,305	<b>2</b>	33,349,320
	<b>3</b>	Pledges and grants receivable, net . . . . .			0	<b>3</b>	0
	<b>4</b>	Accounts receivable, net . . . . .			19,231,242	<b>4</b>	16,328,622
	<b>5</b>	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .			0	<b>5</b>	0
	<b>6</b>	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	<b>6</b>	0
	<b>7</b>	Notes and loans receivable, net . . . . .			3,166,146	<b>7</b>	2,990,966
	<b>8</b>	Inventories for sale or use . . . . .			3,090,940	<b>8</b>	2,684,954
	<b>9</b>	Prepaid expenses and deferred charges . . . . .			4,631,125	<b>9</b>	4,714,859
	<b>10a</b>	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D . . . . .	<b>10a</b>	273,551,277			
	<b>b</b>	Less: accumulated depreciation . . . . .	<b>10b</b>	133,246,846	97,513,231	<b>10c</b>	140,304,431
	<b>11</b>	Investments—publicly traded securities . . . . .			149,329,739	<b>11</b>	175,630,148
	<b>12</b>	Investments—other securities. See Part IV, line 11 . . . . .			0	<b>12</b>	304,532
	<b>13</b>	Investments—program-related. See Part IV, line 11 . . . . .			0	<b>13</b>	0
	<b>14</b>	Intangible assets . . . . .			0	<b>14</b>	0
	<b>15</b>	Other assets. See Part IV, line 11 . . . . .			12,137,767	<b>15</b>	1,003,699
	<b>16</b>	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .			361,709,831	<b>16</b>	377,671,558
Liabilities	<b>17</b>	Accounts payable and accrued expenses . . . . .			24,683,496	<b>17</b>	28,862,385
	<b>18</b>	Grants payable . . . . .			0	<b>18</b>	0
	<b>19</b>	Deferred revenue . . . . .			0	<b>19</b>	0
	<b>20</b>	Tax-exempt bond liabilities . . . . .			112,947,580	<b>20</b>	109,595,234
	<b>21</b>	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .			0	<b>21</b>	0
	<b>22</b>	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .			587,797	<b>22</b>	518,283
	<b>23</b>	Secured mortgages and notes payable to unrelated third parties . . . . .			0	<b>23</b>	0
	<b>24</b>	Unsecured notes and loans payable to unrelated third parties . . . . .			0	<b>24</b>	0
	<b>25</b>	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 . . . . .			14,680,110	<b>25</b>	17,510,796
	<b>26</b>	<b>Total liabilities.</b> Add lines 17 through 25 . . . . .			152,898,983	<b>26</b>	156,486,698
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117, check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>						
	<b>27</b>	Unrestricted net assets . . . . .			203,311,068	<b>27</b>	215,504,439
	<b>28</b>	Temporarily restricted net assets . . . . .			3,909,507	<b>28</b>	4,051,933
	<b>29</b>	Permanently restricted net assets . . . . .			1,590,273	<b>29</b>	1,628,488
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>						
	<b>30</b>	Capital stock or trust principal, or current funds . . . . .				<b>30</b>	
	<b>31</b>	Paid-in or capital surplus, or land, building or equipment fund . . . . .				<b>31</b>	
	<b>32</b>	Retained earnings, endowment, accumulated income, or other funds . . . . .				<b>32</b>	
	<b>33</b>	<b>Total net assets or fund balances . . . . .</b>			208,810,848	<b>33</b>	221,184,860
	<b>34</b>	<b>Total liabilities and net assets/fund balances . . . . .</b>			361,709,831	<b>34</b>	377,671,558

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	234,333,151
2	Total expenses (must equal Part IX, column (A), line 25)	2	202,600,422
3	Revenue less expenses Subtract line 2 from line 1	3	31,732,729
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	208,810,848
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-19,358,717
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	221,184,860

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?		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public  
Inspection

Name of the organization TANNER MEDICAL CENTER	Employer identification number 58-1790149
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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 See**section 509(a)(4).**

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

Support Schedule for Organizations Described in 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

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 TANNER MEDICAL CENTER	Employer identification number 58-1790149
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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
<b>1</b>	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			
	<b>a</b> Volunteers?		No	
	<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	<b>c</b> Media advertisements?		No	
	<b>d</b> Mailings to members, legislators, or the public?		No	
	<b>e</b> Publications, or published or broadcast statements?		No	
	<b>f</b> Grants to other organizations for lobbying purposes?		No	
	<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	<b>i</b> Other activities? If "Yes," describe in Part IV	Yes		
	<b>j</b> Total lines 1c through 1i			
<b>2a</b>	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
	<b>b</b> If "Yes," enter the amount of any tax incurred under section 4912			
	<b>c</b> If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
	<b>d</b> If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).	2a	
a	Current year		
b	Carryover from last year		
c	Total		
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 1i. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
LOBBYING EXPENDITURES	Schedule C, Part II-B, Line 1i	A portion of the annual membership fees paid to the Georgia Hospital association is used for lobbying expenses to support and voice hospital concerns at the state level. In addition, Tanner pays the Garner Group to facilitate an ongoing relationship with members of the legislative body to support or oppose various legislative issues concerning the healthcare industry. Massey, Watson, Bowers, & Hembree, LLC are also retained to help Tanner in the area of public affairs support with the State of Georgia.

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  
TANNER MEDICAL CENTER

Employer identification number  
58-1790149

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	

Part II

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

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

☐ Preservation of land for public use (e g , recreation or pleasure) ☐ Preservation of an historically importantly land area

☐ Protection of natural habitat ☐ Preservation of a certified historic structure

☐ Preservation of open space

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

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

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

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

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

☐ Yes ☐ No

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

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

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

☐ Yes ☐ No

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

Part III

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

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

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

(i) Revenues included in Form 990, Part VIII, line 1 ▶ \$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X ▶ \$ \_\_\_\_\_

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

a Revenues included in Form 990, Part VIII, line 1 ▶ \$ \_\_\_\_\_

b Assets included in Form 990, Part X ▶ \$ \_\_\_\_\_

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

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

1a

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

☐ Yes

☐ No

b

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

	Amount
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 . . . . .	1,593,273	1,359,108	1,134,911	1,371,828
b	Contributions . . . . .			5,000	
c	Investment earnings or losses . . . . .	342,277	234,165	224,197	-241,917
d	Grants or scholarships . . . . .				
e	Other expenditures for facilities and programs . . . . .				
f	Administrative expenses . . . . .				
g	End of year balance . . . . .	1,935,550	1,593,273	1,359,108	1,134,911

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶ 100 000 %

c

Term endowment ▶

3a

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

(i)

unrelated organizations . . . . .

3a(i)

Yes

No

(ii)

related organizations . . . . .

3a(ii)

Yes

b

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

3b

Yes

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 . . . . .		2,465,041		2,465,041
b Buildings . . . . .		139,544,434	62,989,879	76,554,555
c Leasehold improvements . . . . .		1,552,150	1,335,007	217,143
d Equipment . . . . .		90,471,962	68,921,960	21,550,002
e Other . . . . .		39,517,690		39,517,690
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				140,304,431



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
FIN 48 DISCLOSURE	Schedule D, Part X	The Medical Center is a not-for-profit corporation that has been recognized as tax-exempt pursuant to section 501(c)(3) of the Internal Revenue Code. The Medical Center applies accounting policies that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Medical Center only recognized the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses. Based on the results of management's evaluation, no liability is recognized in the accompanying balance sheet for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of June 30, 2012 and 2011 or for the years then ended. Tanner Medical Group is part of a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code. The affiliated business services provided are, however, subject to unrelated business income taxes and a Form 990-T, Exempt Organization Business Income Tax Return is filed for these services. As of 2012 and 2011, Tanner Medical Group has not recorded income tax expense due to net operating losses.



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**  
TANNER MEDICAL CENTER

**Employer identification number**  
58-1790149

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 checked="" type="checkbox"/> 200%<input 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? . . . . .	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount? . . . . .	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5c		No
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	6a	Yes	
6b	If "Yes," did the organization make it available to the public? . . . . .	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7

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) . . . . .			15,258,720		15,258,720	7 890 %
b Medicaid (from Worksheet 3, column a) . . . . .			25,743,169	23,468,756	2,274,413	1 180 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d <b>Total</b> Charity Care and Means-Tested Government Programs . . . . .			41,001,889	23,468,756	17,533,133	9 070 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			898,505		898,505	0 440 %
f Health professions education (from Worksheet 5) . . . . .			28,319		28,319	0 010 %
g Subsidized health services (from Worksheet 6) . . . . .						
h Research (from Worksheet 7) . . . . .			76,873		76,873	0 040 %
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .						
j <b>Total</b> Other Benefits . . . . .			1,003,697		1,003,697	0 490 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			42,005,586	23,468,756	18,536,830	9 560 %

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			196,944		196,944	0 100 %
2Economic development			50,852		50,852	0 030 %
3Community support			6,178		6,178	
4Environmental improvements						
5Leadership development and training for community members			25,977		25,977	0 010 %
6Coalition building						
7Community health improvement advocacy			17,117		17,117	0 010 %
8Workforce development			1,011,846		1,011,846	0 520 %
9Other						
10Total			1,308,914		1,308,914	0 670 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	Yes	
2Enter the amount of the organization's bad debt expense	2	9,314,455	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3		
4Provide 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

5Enter total revenue received from Medicare (including DSH and IME)	5	48,181,343	
6Enter Medicare allowable costs of care relating to payments on line 5	6	50,443,610	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	-2,262,267	
8Describe 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 type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other			

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
9bIf "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.	9b	Yes	

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? 1

## 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)

TANNER MEDICAL CENTER INC

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 <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>200</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 checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input checked="" 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 checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input checked="" 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 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 checked="" 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	No

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? 1

Name and address		Type of Facility (Describe)
1	TANNER MEDICAL CENTER SUBACUTE CARE 705 DIXIE STREET CARROLLTON, GA 30117	SKILLED NURSING FACILITY
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the 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
COSTING METHODOLOGY	SCHEDULE H, PART I, LINE 7	CHARITY CARE AND CERTAIN OTHER COMMUNITY BENEFIT COSTS WERE DETERMINED USING DATA FROM THE AUDITED FINANCIAL STATEMENTS AND MEDICARE AND MEDICAID COST REPORTS PART I, LINE 7, COLUMN F THIS IS THE PERCENTAGE OF NET COMMUNITY BENEFIT OF TOTAL EXPENSE OF TANNER MEDICAL CENTER



Identifier	ReturnReference	Explanation
COMMUNITY BUILDING ACTIVITIES	SCHEDULE H, PART II	Tanner provides the funding for a 24-hour information hotline, provided free to callers The Hotline - 770-214-2273 - provides callers with information on physicians and specialists, and provides referrals to medical staff based on a caller's needs, location and insurance information The line also provides callers with information on a wide range of free health education classes and health screenings provided by Tanner, and allows callers to register for classes and events over the phone In addition to the 24-hour hotline, Tanner also provides a web site, www.tanner.org, with a free, extensive health library with articles covering a range of subjects, from medical tests and procedures to symptoms, conditions and more Visitors can also access free online health assessments, health news, healthy recipes and more To improve access to medical care in the region, Tanner continued its work to recruit more physicians to practice in the area, enabling patients to choose from a greater number of providers in an expanded field of specialties In addition, Tanner supports the University of West Georgia's Nursing Program, West Central Tech and Georgia Highland's medical programs on an annual basis

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE	Schedule H, Part III, Line 4	EXCERPT FROM THE FINANCIAL STATEMENTS - THE SYSTEM INCURRED BAD DEBT EXPENSE, VALUED AT ESTABLISHED CHARGES, OF \$28,862,327 AND \$32,794,593 FOR YEARS ENDED JUNE 30, 2012 AND 2011, RESPECTIVELY

Identifier	ReturnReference	Explanation
MEDICARE	Schedule H, Part III, Line 8	AMOUNTS REPORTED ON SCHEDULE B ARE BASED ON THE MEDICARE COST REPORTS

Identifier	ReturnReference	Explanation
COLLECTION PRACTICES	Schedule H, Part III, Line 9B	<p>Patients that qualify for a charity write off are only held responsible for the portion remaining after write off Patients that qualify as indigent receive a 100% write off and are not responsible Patients approved for financial assistance receive a Letter of Notification that is good for one year from the determination date Interest free installment plans are available to all patients and payment amounts are determined by the patient's disposable wages and ability to pay Needs Assessment Tanner Medical Center, Inc conducts a study of its service area to determine locations where access to medical care is limited, as well as to determine the appropriate number of primary care and specialty providers based on the needs of the communities that Tanner serves The organization also works closely with community partners with similarly-aligned missions, including partnering with the Carroll County Health Department in community-wide vaccination programs and providing financial assistance to sponsor further research into specific community needs Tanner also works closely with two local clinics that provide low-cost and free medical services to area residents who could not otherwise afford care Patient Education of Eligibility for Assistance Tanner patients are provided with information pertaining to the organization's charity/indigent program at the time of registration Any self-pay or under-insured patients must meet criteria for indigent care in order to have the cost of their care written off by the system Patients are interviewed and financial statements are prepared Patients who meet the criteria for Medicaid eligibility are referred to an outside vendor for assistance Charity patients are defined as falling between 125 to 200 percent of the federal poverty guidelines, indigent patients are defined as falling below the 125 percent federal poverty guidelines and receive a 100 percent write off Translation assistance is provided for patients as needed Community Information Carroll County is located in the west central section of Georgia, along the Georgia-Alabama state line It is home to a growing state university with an enrollment of more than 11,000 students The county has a population of just more than 110,000 residents Most recently, growth in the area has been hampered by the economic impact from the lingering recession, and housing prices have fallen more than 20 percent The county's unemployment rate is at 8.2 percent, higher than the state or national rates Regionally, Carroll County is an economic center with seven incorporated municipalities Health of Community in Relation to Exempt Purpose Tanner Medical Center, Inc is committed to providing care for every member of the community it serves, regardless of ability to pay That care will be provided in advanced facilities with a focus on patient satisfaction and achievement of best possible outcomes During the year, Tanner provided free health screenings to almost 5,200 residents More health education was provided through Tanner's sponsorship of the "Community Voice" radio program on a local station, which featured a number of physicians and health professionals discussing and taking calls on a wide range of subjects Tanner hosted educational events focusing on cancer, heart disease and other diseases, and provided instructional classes to teach CPR, safe babysitting and more to almost 11,000 attendees Tanner staff provided free vision screenings to more than 300 Pre-K students and organized local blood drives with over 1,000 community participants Over 6,600 people attended programs on health and wellness topics through Tanner's speakers program Tanner's website <a href="http://www.tanner.org">www.tanner.org</a> was viewed almost 1.2 million times by residents The website contains a wealth of wellness and health information, including free health quizzes and sources to find a physician Tanner's Harmony for Healing music therapy program offered over 170 performances to audiences of patients, their families, staff and members of the community</p>

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM		TANNER MEDICAL CENTER, INC IS A HEALTHCARE SYSTEM PROVIDING INPATIENT, OUTPATIENT, AND EMERGENCY CARE SERVICES TO RESIDENTS OF WEST GEORGIA AND SURROUNDING AREAS TANNER MEDICAL CENTER PROVIDES COMPREHENSIVE HEALTH CARE SERVICES THROUGH THE OPERATION OF A 180-BED ACUTE CARE HOSPITAL AND A 21-BED SKILLED NURSING FACILITY IN CARROLLTON, GEORGIA COMMUNITY BENEFIT REPORT The Tanner Medical Center community benefit report can be found on the web at <a href="http://www.tanner.org/Main/HealthyLivingmagazine.aspx">http //www tanner org/Main/HealthyLivingmagazine.aspx</a>

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 TANNER MEDICAL CENTER	Employer identification number 58-1790149
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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 checked="" type="checkbox"/> Health or social club dues or initiation fees		
<input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)		
b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain	1b Yes	
2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2 Yes	
3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
<input checked="" type="checkbox"/> Compensation committee		
<input checked="" type="checkbox"/> Independent compensation consultant		
<input checked="" type="checkbox"/> Form 990 of other organizations		
<input checked="" type="checkbox"/> Written employment contract		
<input checked="" 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		
a Receive a severance payment or change-of-control payment?	4a Yes	
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b Yes	
c Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a The organization?	5a	No
b Any related organization?	5b	No
If "Yes," to line 5a or 5b, describe in Part III		
6 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a The organization?	6a	No
b Any related organization?	6b	No
If "Yes," to line 6a or 6b, describe in Part III		
7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7 Yes	
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	8	No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9	

Part II

Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use 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				
See Additional Data Table								

**Part III**   **Supplemental Information**

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

Identifier	Return Reference	Explanation
FRINGE OR EXPENSE	SCHEDULE J, PART I, LINE 1A	Social club dues are paid on behalf of several executives, but are approved by the CEO. Actual invoices must be submitted prior to reimbursement. These reimbursements are included in the individuals' taxable income.
NON-FIXED PAYMENTS PROVIDED	SCHEDULE J, PART I, LINE 7	The CEO of the organization is eligible to receive incentive compensation in such amount, if any, as determined by the Executive Compensation Committee of the Board in its sole discretion, based on, among other things, the attainment of annual objectives established by the Board. Various employees are eligible to receive bonuses.
OTHER ADDITIONAL INFORMATION	SCHEDULE J, PART III	Loy Howard, CEO, participates in an ineligible unfunded 457(F) plan provided to senior executives as set by his employment contract. The plan payments are subject to substantial risk of forfeiture and are conditioned upon the future performance of services. Tanner Medical Center, Inc. Long Term Retention Plan is an unfunded top-hat plan that is provided to Mr. Howard. Vesting occurs in 10% increments yearly and fully vests June 30, 2021. Plan payments are subject to substantial risk of forfeiture and are conditioned upon the future performance of services. Mr. Howard is also eligible for the Tanner Advantage Deferred Compensation Plan which is an eligible unfunded 457(B) top-hat plan available to senior executives and physicians. A contribution equal to the IRS maximum contribution limit for the year is made on Mr. Howard's behalf each year. Contributions for all three plans remain the sole property of Tanner and are subject to the claims of general creditors until distributed to the participant.
SEVERANCE, NONQUALIFIED, AND EQUITY-BASED PAYMENTS	SCHEDULE J, PART I, LINE 4	Severance Nonqualified Equity-Based Loy Howard 0 86,618 0 Jeff Jennings 199,614 0 0
COMPENSATION PROCESS FOR TOP OFFICIAL	SCHEDULE J, PART I, LINE 3	The organization's compensation committee reviews recommendations and approves compensation packages for all senior management. TMC uses an outside nationally known compensation and benefits firm that uses survey information, reviews job standards, etc. for all senior management. The outside firm analyzes comparable compensation data for similarly qualified persons in functionally comparable positions at similarly situated organizations and presents the data to the compensation committee. With respect to deliberations and decisions regarding the compensation arrangement, official minutes are kept. The Executive Assistant to the CEO maintains the minutes. This process last completed in 2012.



**Software ID:**  
**Software Version:**  
**EIN:** 58-1790149  
**Name:** TANNER MEDICAL CENTER

## 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				
LOY HOWARD	(i)	395,212	124,013	10,870	49,805	27,079	606,979	0
	(ii)	292,115	91,662	8,034	36,812	20,015	448,638	0
LEE SHERSETH	(i)	184,601	44,721	4,174	8,769	22,968	265,233	0
	(ii)	136,444	33,054	3,085	6,481	16,976	196,040	0
LARRY STEED	(i)	207,496	64,903	4,174	9,344	23,010	308,927	0
	(ii)	153,367	47,972	3,085	6,906	17,008	228,338	0
JEFF JENNINGS	(i)	14,672	0	114,778	0	0	129,450	0
	(ii)	10,844	0	84,836	0	0	95,680	0
DENISE TAYLOR	(i)	125,048	31,685	4,174	6,325	22,163	189,395	0
	(ii)	92,427	23,419	3,085	4,675	16,381	139,987	0
DALE DREILING	(i)	165,941	36,225	4,140	8,050	23,970	238,326	0
	(ii)	122,652	26,775	3,060	5,950	17,717	176,154	0
WILLIAM WATERS MD	(i)	264,762	52,038	1,421	12,938	22,174	353,333	0
	(ii)	195,694	38,463	1,050	9,563	16,389	261,159	0
DEBORAH HOLLENSTEIN	(i)	92,424	15,071	0	0	16,349	123,844	0
	(ii)	68,313	11,139	0	0	12,084	91,536	0
CYNTHIA MASTERS	(i)	93,013	23,458	0	0	12,769	129,240	0
	(ii)	68,749	17,339	0	0	9,438	95,526	0
DEBORAH MATTHEWS	(i)	187,536	44,252	6,000	0	37,232	275,020	0
	(ii)	0	0	0	0	0	0	0
CAROL CREWS	(i)	81,734	13,782	0	0	16,712	112,228	0
	(ii)	60,412	10,187	0	0	12,352	82,951	0
STEPHANIE YATES	(i)	83,332	14,310	0	0	12,333	109,975	0
	(ii)	61,593	10,577	0	0	9,115	81,285	0
LINDA CONNER	(i)	151,696	14,180	0	0	34,861	200,737	0
	(ii)	0	0	0	0	0	0	0
DENENE COFIELD	(i)	87,146	9,095	0	0	13,754	109,995	0
	(ii)	64,412	6,722	0	0	10,166	81,300	0
VIVIAN BARR	(i)	84,249	9,041	0	0	20,206	113,496	0
	(ii)	62,271	6,683	0	0	14,935	83,889	0
DAVID THORNHILL	(i)	81,916	7,300	0	0	12,673	101,889	0
	(ii)	60,546	5,396	0	0	9,367	75,309	0
JADA REESE MD	(i)	396,396	95,094	37,594	0	22,438	551,522	0
	(ii)	0	0	0	0	0	0	0
JAKE CHESSER	(i)	202,471	600	0	0	30,461	233,532	0
	(ii)	0	0	0	0	0	0	0

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				
LYNN BARRETT	(i)	91,571	9,522	0	0	17,932	119,025	0
	(ii)	67,683	7,038	0	0	13,254	87,975	0
JANE HORNSBY	(i)	98,902	600	0	0	26,423	125,925	0
	(ii)	73,545	0	0	0	0	73,545	0
DIANNE REED	(i)	86,864	8,993	0	0	7,468	103,325	0
	(ii)	64,204	6,647	0	0	5,520	76,371	0

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
TANNER MEDICAL CENTER

Employer identification number  
58-1790149

Part I Bond Issues											
(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A CARROLL CITY-COUNTY HOSPITAL AUTHORITY	58-1790149	144709FK3	03-11-2008	32,970,000	CONSTRUCTION		X		X		X
B CARROLL CITY-COUNTY HOSPITAL AUTHORITY	58-1790149	144709GCO	08-31-2010	81,569,188	CONSTRUCTION		X		X		X

Part II		Proceeds							
		A		B		C		D	
1	Amount of bonds retired	0		0					
2	Amount of bonds defeased	0		0					
3	Total proceeds of issue	32,837,800		81,569,188					
4	Gross proceeds in reserve funds	0		0					
5	Capitalized interest from proceeds	0		0					
6	Proceeds in refunding escrow	0		35,910,031					
7	Issuance costs from proceeds	837,414		657,030					
8	Credit enhancement from proceeds	0		0					
9	Working capital expenditures from proceeds	0		0					
10	Capital expenditures from proceeds	32,000,386		45,002,127					
11	Other spent proceeds	0		0					
12	Other unspent proceeds	0		0					
13	Year of substantial completion	2009							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		X				
15	Were the bonds issued as part of an advance refunding issue?		X	X					
16	Has the final allocation of proceeds been made?	X			X				
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

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

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

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

Part V

Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☒ No

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
PART II, LINE 3	0	THE PART I, COLUMN (E) ISSUE PRICE DOES NOT AGREE WITH THE PART II, LINE 3 TOTAL PROCEEDS OF ISSUE DUE TO THE INCLUSION OF INTEREST AND OTHER INVESTMENT EARNINGS ON THE PROCEEDS

Schedule L  
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
TANNER MEDICAL CENTER

Employer identification number  
  
58-1790149

Part I

Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected?	
			Yes	No

2

Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . .

\$

3

Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . .

\$

Part II

Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c)Original principal amount	(d)Balance due	(e) In default?		(f) Approved by board or committee?		(g)Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
(1) DR JOHN BURSON	X		1,600,000	518,283		No	Yes		Yes	
Total . . . . .				\$ 518,283						

Part III

Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b)Relationship between interested person and the organization	(c)Amount of grant or type of assistance

Part IV

Business Transactions Involving Interested Persons.  
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) STEVE ADAMS	BOARD MEMBER	219,392	AMBULANCE SERVICE		No

Part V

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

Identifier	Return Reference	Explanation
ADDITIONAL INFORMATION	SCHEDULE L, PART II	The organization purchased property from Dr John Burson, JHB Properties at fair market value of \$1,600,000 and a note payable was established in June 2002 In March 2003, a lump sum payment was made and a the note was reduced to \$1,000,000 The current balance of the note is \$518,283
ADDITIONAL INFORMATION	SCHEDULE L, PART IV	Steve Adams, Board Member, owns an ambulance company that provides patient transportation services to the system The organization follows a specific process to bid out these services via outside legal counsel to ensure these services are at fair market value

efile GRAPHIC print - DO NOT PROCESS

As Filed Data -

DLN: 93493136009373

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  
TANNER MEDICAL CENTER

Employer identification number  
58-1790149

Identifier	Return Reference	Explanation
ADDITIONAL INFORMATION	FORM 990	As of June 30, 2012, Tanner Medical Center, Inc is a regional healthcare provider with more than 300 physicians representing 35 unique medical specialties Tanner provides a wide range of comprehensive medical services for residents in a region of west Georgia and east Alabama Tanner's facilities include the 202-bed acute care Tanner Medical Center/Carrollton, The Roy Richards, Sr Cancer Center, Tanner Heart and Vascular Center, Tanner Breast Health, The Tanner Advanced Wound Center, employee assistance program (Tanner EAP) and more More information on Tanner Medical Center, Inc is available in the health system's annual community benefit report, which can be downloaded at <a href="http://www.tanner.org/main/healthlivingmagazine.aspx">http://www.tanner.org/main/healthlivingmagazine.aspx</a> Tanner Medical Center, Inc is a not-for-profit healthcare system The medical center provides inpatient, outpatient and emergency care services to residents of west Georgia and surrounding areas Admitting physicians are primarily practitioners in the local area and employed physicians Tanner Medical Center, Inc includes the following Tanner Medical Center/Carrollton, established to provide comprehensive healthcare services through the operation of a 180-bed acute care hospital and a 21-bed skilled nursing facility in Carrollton, Georgia Tanner Medical Center, Inc is responsible for allocating resources and for approving budgets, major contracts and debt financing for all entities
ORGANIZATIONS PROCESS TO REVIEW FORM 990	Form 990, Part VI, Line 11B	The organization's VP of Finance gathers information for the Form 990 and consults with the CFO and compliance officer on certain matters A draft copy is reviewed by the VP of Finance and CFO for accuracy The final version is presented to the Executive Committee for review and questions The Chairman of the Executive Committee then presents this at the next board meeting to the full Board The 2011 Form 990 (FYE June 30, 2012) was presented to the Board after filing due to time constraints
ENFORCEMENT OF CONFLICTS POLICY	Form 990, Part VI, Line 12c	The policy covers all employees, suppliers, medical staff and volunteers Conflicts are reviewed by the compliance officer for resolution The compliance officer then consults with the executive team and the CEO for final resolution Per the policy, any person with a conflict will excuse themselves from the decision making process completely Board members physically leave the room when discussions occur that are potential conflicts Tanner bids out service and if a company owned by a board member chooses to bid, there are additional steps for transparency, such as advertising the bidding process in the newspaper All services are compared to fair market value Transactions involving any potential conflict of interest are handled by the attorney to make sure all steps are taken to comply with the conflict of interest policy
GOVERNING DOCUMENTS DISCLOSURE	Form 990, Part VI, Line 19	The organization makes available its governing documents, conflict of interest policy and financial statements to members of the public who make their request at the administrative office of the organization
OTHER CHANGES IN NET ASSETS	FORM 990, PART XI, LINE 5	UNREALIZED GAIN/LOSS AND PRIOR PERIOD ADJUSTMENT - NO TAX EFFECT (19,358,717)
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME LOY HOWARD TITLE CEO HOURS 17
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME LEE SHERSETH TITLE CFO HOURS 17
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME LARRY STEED TITLE COO HOURS 17
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME DENISE TAYLOR TITLE CDO HOURS 17
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME WILLIAM WATERS, MD TITLE CMO HOURS 17
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME MARIA RUSSO TITLE CIO HOURS 17
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME DEBORAH HOLLENSTEIN TITLE VP, PR MARKETING HOURS 17
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME CYNTHIA MASTERS TITLE VP, SERVICE INTEGRATION HOURS 17
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME CAROL CREWS TITLE VP, FINANCE HOURS 17
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME STEPHANIE YATES TITLE VP, COMPLIANCE HOURS 17
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME DENENE COFIELD TITLE OR DIRECTOR HOURS 17
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME VIVIAN BARR TITLE HR DIRECTOR HOURS 17
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME DAVID THORNHILL TITLE IMAGING DIRECTOR HOURS 17
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME LYNN BARRETT TITLE PHARMACY DIRECTOR HOURS 17
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME DIANNE REED TITLE IT DIRECTOR HOURS 17

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME JEFF JENNINGS TITLE SR VICE PRESIDENT HOURS 17
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME DALE DREILING TITLE SR VP, TMG HOURS 17



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  
TANNER MEDICAL CENTER

Employer identification number  
58-1790149

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) TANNER MEDICAL FOUNDATION INC  705 DIXIE STREET  CARROLLTON, GA 30117 58-1790152	FOUNDATION	GA	501(C)(3)	11B	NA		No
(2) TANNER HEALTH SERVICES  705 DIXIE STREET  CARROLLTON, GA 30117 58-1790151	HEALTHCARE	GA	501(C)(3)	9	TMC	Yes	

Part III

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

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

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) TMCWEST GEORGIA CARDIOLOGY INC 705 DIXIE STREET CARROLLTON, GA 30117 58-2555827	HEALTHCARE	GA	NA	C			100 000 %
(2) TMCINTERNAL MEDICINE ASSOCIATES 705 DIXIE STREET CARROLLTON, GA 30117 58-2453300	HEALTHCARE	GA	NA	C			100 000 %
(3) TMCTOTAL CARE FAMILY MEDICINE INC 705 DIXIE STREET CARROLLTON, GA 30117 20-3604679	HEALTHCARE	GA	NA	C			100 000 %
(4) TMCBUCHANAN FAMILY HEALTHCARE 705 DIXIE STREET CARROLLTON, GA 30117 58-2502339	HEALTHCARE	GA	NA	C			100 000 %
(5) TMCWEST GEORGIA PEDIATRICS INC 705 DIXIE STREET CARROLLTON, GA 30117 58-2362405	HEALTHCARE	GA	NA	C			100 000 %

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

Yes

Yes

No

Yes

No

Yes

No

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) TANNER MEDICAL FOUNDATION INC	1C	132,613	FMV
(2) TANNER MEDICAL CENTER GROUP	1P	38,717,362	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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*Final Editorial Review Not Completed*

<b><i>PLEASE COMPLETE</i></b>	
<b><i>Date/Time Due</i></b> _____	
<b><i>Services Requested-</i></b>	
_____ <i>Format</i>	_____ <i>Revisions</i>
_____ <i>Editorial Review</i>	_____ <i>Print</i>
<b><i>Name-</i></b> _____	
<b><i>Tel Ext -</i></b> _____	
<b><i>Special Instructions-</i></b>	
_____	
_____	

**TANNER MEDICAL CENTER, INC.**

Combined Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

**TANNER MEDICAL CENTER, INC.**

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## **Independent Auditors' Report**

The Board of Directors  
Tanner Medical Center, Inc  
Carrollton, Georgia

We have audited the accompanying combined balance sheet of Tanner Medical Center, Inc. as of June 30, 2012, and the related combined statements of operations, changes in net assets and cash flows for the year then ended. These combined financial statements are the responsibility of Tanner Medical Center's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The accompanying combined financial statements of Tanner Medical Center, Inc. as of June 30, 2011 and for the year then ended were audited by other auditors whose report dated November 18, 2011 expressed an unqualified opinion on those statements.

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined 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 Tanner Medical Center 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 combined 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 audit provides 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 Tanner Medical Center, Inc. as of June 30, 2012, and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Date



**TANNER MEDICAL CENTER, INC.**

## Combined Balance Sheets

June 30, 2012 and 2011

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Current assets		
Cash and cash equivalents	\$ 29,380,182	31,487,782
Assets limited as to use – current portion	5,746,193	1,346,475
Patient accounts receivable, net of allowance for doubtful accounts of \$36,530,000 in 2012 and \$41,100,000 in 2011	31,385,310	34,825,046
Estimated third-party payor settlements	605,327	—
Supplies, at lower of cost or market	4,705,877	5,225,278
Other current assets	3,964,061	5,608,472
Total current assets	<u>75,786,950</u>	<u>78,493,053</u>
Assets limited as to use		
Internally designated	174,272,818	149,991,247
Held by trustee under indenture for debt obligations	5,746,193	40,209,292
Assets limited as to use – current portion	<u>(5,746,193)</u>	<u>(1,346,475)</u>
Noncurrent assets limited as to use	174,272,818	188,854,064
Property and equipment, net	209,111,791	158,971,255
Interest in net assets of Tanner Medical Center Foundation, Inc	7,604,466	7,387,186
Physician notes receivable and other	3,295,498	3,504,637
Bond issue cost, net	1,068,454	1,137,405
Goodwill and intangible assets	<u>6,015,821</u>	<u>6,803,526</u>
Total assets	<u><u>\$ 477,155,798</u></u>	<u><u>445,151,126</u></u>

See accompanying notes to combined financial statements

<b>Liabilities and Net Assets</b>		<b>2012</b>	<b>2011</b>
		<u></u>	<u></u>
Current liabilities			
Current portion of long-term debt	\$	3,444,911	3,349,514
Accounts payable		16,297,460	9,339,074
Accrued salaries		22,009,411	17,806,786
Other accrued expenses		3,076,667	4,046,712
Estimated third-party payor settlements		—	580,285
Total current liabilities		<u>44,828,449</u>	<u>35,122,371</u>
Long-term debt, net of current portion			
Notes and leases payable		443,373	518,283
Revenue certificates payable		<u>106,225,233</u>	<u>109,667,580</u>
Total long-term debt, net of current portion		<u>106,668,606</u>	<u>110,185,863</u>
Total liabilities		<u>151,497,055</u>	<u>145,308,234</u>
Net assets			
Unrestricted		319,978,322	294,343,112
Temporarily restricted		4,051,933	4,322,282
Permanently restricted		<u>1,628,488</u>	<u>1,177,498</u>
Total net assets		<u>325,658,743</u>	<u>299,842,892</u>
Total liabilities and net assets	\$	<u><u>477,155,798</u></u>	<u><u>445,151,126</u></u>

**TANNER MEDICAL CENTER, INC.**

## Combined Statements of Operations

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted revenues, gains, and other support		
Net patient service revenue	\$ 369,697,322	347,803,324
Other revenue	7,906,928	3,022,232
Total revenues, gains, and other support	<u>377,604,250</u>	<u>350,825,556</u>
Expenses		
Salaries	148,414,037	138,612,844
Employee benefits	38,798,875	38,822,404
Contracted services	11,275,430	9,632,286
Purchased services	20,912,030	14,789,796
Supplies and drugs	51,513,476	44,746,979
Insurance	2,863,077	2,928,094
Depreciation and amortization	20,253,334	20,334,592
Interest	3,266,705	3,355,817
Provision for bad debts	28,862,327	32,794,593
Other	26,750,615	24,927,749
Total expenses	<u>352,909,906</u>	<u>330,945,154</u>
Operating income	<u>24,694,344</u>	<u>19,880,402</u>
Other income (loss)		
Contributions and other	94,466	126,176
Investment (loss) income	(121,466)	5,126,566
Loss on sale of assets	(464,905)	(64,848)
Loss on extinguishment of debt	—	(1,824,266)
Total other (loss) income	<u>(491,905)</u>	<u>3,363,628</u>
Excess of revenues over expenses	24,202,439	23,244,030
Net unrealized gains and losses on investments	—	8,362,044
Change in interest in net assets of Tanner Medical Foundation, Inc	36,639	32,600
Contributions and transfers from affiliated entities	1,396,132	922,361
Increase in unrestricted net assets	<u>\$ 25,635,210</u>	<u>32,561,035</u>

See accompanying notes to combined financial statements

**TANNER MEDICAL CENTER, INC.**  
**Combined Statements of Changes in Net Assets**  
**Years ended June 30, 2012 and 2011**

	<u><b>2012</b></u>	<u><b>2011</b></u>
Unrestricted net assets		
Excess of revenues over expenses	\$ 24,202,439	23,244,030
Change in unrealized gains and losses on investments	—	8,362,044
Change in interest in net assets of Tanner Medical Foundation, Inc	36,639	32,600
Contributions and transfers from affiliated entities	1,396,132	922,361
Increase in unrestricted net assets	<u>25,635,210</u>	<u>32,561,035</u>
Temporarily restricted net assets		
Change in interest in net assets of Tanner Medical Foundation, Inc	(270,349)	275,894
Permanently restricted net assets		
Change in interest in net assets of Tanner Medical Foundation, Inc	450,990	—
Increase in net assets	25,815,851	32,836,929
Net assets, beginning of year	<u>299,842,892</u>	<u>267,005,963</u>
Net assets, end of year	<u><u>\$ 325,658,743</u></u>	<u><u>299,842,892</u></u>

See accompanying notes to combined financial statements

**TANNER MEDICAL CENTER, INC.**

## Combined Statements of Cash Flows

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Changes in net assets	\$ 25,815,851	32,836,929
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Loss on disposal of assets	464,905	64,848
Contributions and transfers from affiliated entities	(1,396,132)	(922,361)
Depreciation and amortization	20,253,334	20,334,592
Forgiveness of physician notes receivable	1,404,000	1,415,057
Provision for bad debts	28,862,327	32,794,593
Net realized and unrealized (gains) losses on investments	121,466	(8,362,044)
Change in interest in net assets of Tanner Medical Foundation, Inc	(217,280)	(308,494)
Increase in patient accounts receivable	(25,422,591)	(34,612,361)
Decrease (increase) in supplies and other current assets	2,163,812	(1,866,984)
Increase in accounts payable	4,200,733	2,369,876
Increase in other accrued expenses	3,160,234	3,753,413
(Increase) decrease in estimated third-party pay or settlements	(1,185,612)	2,767,573
Increase in physician notes receivable	(1,180,952)	(568,673)
Decrease in other assets	258,955	271,611
Net cash provided by operating activities	<u>57,303,050</u>	<u>49,967,575</u>
Cash flows from investing activities		
Purchases of property and equipment	(66,121,198)	(27,596,956)
Proceeds from sale of property and equipment	—	3,036
Purchase of MS Center of Georgia	—	(7,410,000)
Proceeds from sale of investments	81,407,791	88,675,624
Purchase of investments	(71,347,729)	(148,461,076)
Net cash used by investing activities	<u>(56,061,136)</u>	<u>(94,789,372)</u>
Cash flows from financing activities		
Payments on long-term debt	(3,349,514)	(36,816,956)
Proceeds from issuance of long-term debt	—	81,147,980
Net cash provided by (used in) financing activities	<u>(3,349,514)</u>	<u>44,331,024</u>
Net decrease in cash and cash equivalents	(2,107,600)	(490,773)
Cash and cash equivalents, beginning of year	<u>31,487,782</u>	<u>31,978,555</u>
Cash and cash equivalents, end of year	<u>\$ 29,380,182</u>	<u>31,487,782</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 4,866,000	3,356,000
Noncash disclosure information		
Liabilities assumed for additions to property and equipment	\$ 2,757,653	—

See accompanying notes to combined financial statements

**TANNER MEDICAL CENTER, INC.**

Notes to Combined Financial Statements

June 30, 2012 and 2011

**(1) Summary of Significant Accounting Policies**

**(a) Organization**

Tanner Medical Center, Inc. (the Medical Center) is a not-for-profit healthcare system providing inpatient, outpatient and emergency care services to residents of West Georgia and surrounding areas. Admitting physicians are primarily practitioners in the local area and employed physicians.

Tanner Medical Center, Inc. is located in Carrollton, Georgia and is the holding company for the following entities:

- Tanner Medical Center/Carrollton, established to provide comprehensive health care services through the operation of a 180-bed acute care hospital and a 21-bed skilled nursing facility in Carrollton, Georgia.
- Tanner Medical Center/Villa Rica, established to provide comprehensive health care services through the operation of a 40-bed acute care hospital and Willowbrook at Tanner/Villa Rica, a 52-bed psychiatric facility in Villa Rica, Georgia.
- Tanner Medical Center/Higgins General Hospital, established to provide comprehensive health care services through the operation of a 25-bed critical access hospital in Bremen, Georgia.
- Tanner Medical Group, established to operate physician practices in West Georgia and Eastern Alabama.

Tanner Medical Center, Inc. is responsible for allocating resources and for approving budgets, major contracts and debt financing for all entities listed above.

**(b) Principles of Combination**

The accompanying combined financial statements include the accounts of Tanner Medical Center, Inc., Tanner Medical Center/Carrollton, Tanner Medical Center/Villa Rica, Willowbrook at Tanner/Villa Rica, Tanner Medical Center/Higgins General Hospital, Tanner Medical Group, Tanner Medical Foundation, Inc. and certain auxiliary activities. All significant intercompany transactions have been eliminated.

**(c) Formation of Medical Center and Leases Between Related Entities**

Effective July 1, 1988, under a plan of reorganization, the Carroll City-County Hospital Authority (the Carroll Authority) which owns and previously operated Tanner Medical Center, d/b/a Tanner Medical Center/Carrollton and Tanner Medical Center/Villa Rica, leased Tanner Medical Center and its related facilities, along with a transfer of all other assets and liabilities, to Tanner Medical Center, Inc., a corporation which was created to lease and operate Tanner Medical Center and its related facilities for the benefit of the general public.

The initial term of the lease was for forty (40) years. The lease was amended in 2008 to extend its term until 2048. Lease payments made by Tanner Medical Center, Inc. comprise the debt service obligations associated with the leased properties. The Carroll Authority acts as a conduit debt issuer.

**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

of revenue anticipation certificates (note 8) for the benefit of Tanner Medical Center, Inc. The Carroll Authority has issued such certificates and then concurrently loaned the proceeds to Tanner Medical Center, Inc., secured by the Medical Center's master note in favor of the trustee for the certificates. The terms of the related agreements provide that Tanner Medical Center, Inc. is effectively directly obligated for the certificates and, therefore, the certificates are recorded on the Medical Center's combined balance sheet.

The lease may be terminated at an earlier date by the mutual consent of the Carroll Authority and Tanner Medical Center, Inc. as well as by reason of default by either party under the lease agreement. Upon termination of the lease, Tanner Medical Center, Inc. is obligated to reconvey, retransfer, and reassign to the Carroll Authority the leased property as then existing, plus its assets, as then existing, subject to any debt and liabilities as may be applicable thereto.

**(d) *Lease and Transfer Agreement with the Hospital Authority of the City of Bremen and County of Haralson***

During 1998, the Hospital Authority of the City of Bremen and County of Haralson (the Bremen Authority) entered into a lease and transfer agreement with Tanner Medical Center, Inc. which became effective on October 1, 1998. The purpose and intent of the agreement was to transfer control over all the real property, operating assets, and existing Higgins General Hospital operations to Tanner Medical Center, Inc. from the Bremen Authority. The original lease was terminated and a new lease was entered into by the parties effective December 1, 2000. The term of the new lease is for forty (40) years. It may be terminated at an earlier date by the mutual consent of the Bremen Authority and Tanner Medical Center, Inc.

In consideration for leasing to Tanner Medical Center, Inc. the real property and transfer of all the existing hospital operations from the Bremen Authority to Tanner Medical Center, Inc. the Medical Center is required to commit at least \$9 million to fund enhancements at the Higgins General Hospital or to fund the cost of maintenance, licensing, rentals, or repairs related to such enhancements.

**(e) *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 accounts and contractual adjustments, reserves for employee healthcare and workers' compensation claims, accrued professional and general liability costs, and estimated third-party settlements. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.

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.

**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

**(f) Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid instruments with an original maturity of three months or less, excluding amounts limited as to use by board, management, or donor designation and amounts included in certain debt reserve funds

**(g) Inventories**

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

**(h) Assets Limited as to Use**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the combined balance sheet. Investments without a readily determinable fair value are evaluated for the applicability of the cost or equity method.

Assets limited as to use primarily include assets held by trustees under indenture agreements, and designated assets set aside by the Board of Directors of the Medical Center for future capital improvements and debt service requirements, over which the Board retains control and which may subsequently be used for other purposes at the Board's discretion. Amounts required to meet current debt service obligations of the Medical Center have been reclassified on the balance sheet at June 30, 2012 and 2011.

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in other gains (losses) in the excess of revenues over expenses unless the income or loss is restricted by donor or law.

**(i) Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Equipment under capital lease obligations is amortized on a straight-line basis over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of qualifying capital assets is capitalized as a component of the cost of acquiring those assets. The Medical Center capitalized interest cost of \$1,627,110 and 1,245,944, respectively, during the fiscal years ended June 30, 2012 and 2011.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted 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.



**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

**(j) *Impairment of Long-Lived Assets***

Long-lived assets 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 future cash flows, an impairment charge is recognized to the extent that the carrying amount of the asset exceeds its fair value. Assets to be disposed of are separately presented in the combined balance sheet 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 classified as held for sale are presented separately in the appropriate asset and liability sections of the combined balance sheet.

**(k) *Goodwill and Intangible Assets***

Goodwill is the amount by which purchase price exceeds the fair value of net assets acquired. In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions* (ASU 2010-07), which was adopted by the System in fiscal 2011, goodwill is not amortized, but is reviewed at least annually for impairment, as well as whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. An impairment charge is recorded if the carrying value of the goodwill exceeds its fair value.

In July 2012, the Medical Center adopted the provisions of ASU 2011-08, *Intangibles – Goodwill and Other (Topic 350)* that permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test required by ASU 2010-07. If an entity concludes, based on the qualitative assessment, that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it is not required to perform the two-step impairment test for that reporting unit. The Medical Center has elected June 30<sup>th</sup> as its annual impairment assessment date. The Medical Center completed its annual impairment assessment and concluded that no goodwill or indefinite lived intangible asset impairment charge was required as of June 30, 2012.

**(l) *Beneficial Interest in Net Assets of Foundation***

The Medical Center accounts for the activities of its related Tanner Medical Foundation, Inc. in accordance with FASB Accounting Standards Codification (ASC) 958-20, *Not-For-Profit Entities, Financially Interrelated Entities* (ASC 958-20). ASC 958-20 established reporting standards for transactions in which a donor makes a contribution to a not-for-profit organization which accepts the assets on behalf of or transfers these assets to a beneficiary which is specified by the donor. Tanner Medical Foundation, Inc. accepts assets on behalf of Tanner Medical Center, Inc.

**(m) *Deferred Financing Costs***

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

**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

**(n) *Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Medical Center in perpetuity.

**(o) *Excess of Revenues Over Expenses***

The combined statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include: permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

**(p) *Net Patient Service Revenue***

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

**(q) *Charity Care***

The Medical Center's operating companies provide care to patients who meet certain criteria under their charity care policies without charge or at amounts less than their established rates. Charity services are defined as those for which patients have the obligation to pay but do not have the ability to do so. Because the operating companies do not pursue collection of amounts determined to qualify as charity/indigent care, such amounts are not included in net patient service revenue. During fiscal 2012, the Medical Center adopted the provisions of FASB ASU 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure*. ASU 2010-23 amends ASC Subtopic 954-605, *Health Care Entities – Revenue Recognition* and requires that cost be used as the measurement basis for charity care disclosure purposes. The method used to estimate such costs as well as any funds received to offset or subsidize charity care services provided should be disclosed.

**(r) *Endowments***

Endowments are provided to the Medical Center on a voluntary basis by individuals and private organizations. Permanent endowments require that the principal of the endowment be retained in perpetuity. If a donor has not provided specific instructions, state law permits the Medical Center's Board of Directors to authorize for expenditure the net appreciation of the investments of endowment funds.

**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

**(s) Donor Restricted Gifts**

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

**(t) Estimated Malpractice and Other Self-Insurance Costs**

The provisions for estimated medical malpractice claims and other claims under self-insurance plans include estimates of the ultimate costs for both reported claims and claims incurred, but not reported.

**(u) Income Taxes**

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

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

Based on the results of management's evaluation, no liability is recognized in the accompanying combined balance sheets for uncertain income tax positions. Further, no interest or penalties have been accrued or charged to expense as of June 30, 2012 and 2011 or for the years then ended.

Tanner Medical Group is part of a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code. The affiliated business services provided are, however, subject to unrelated business income taxes and a Form 990-T, Exempt Organization Business Income Tax Return is filed for these services. As of 2012 and 2011, Tanner Medical Group has not recorded income tax expense due to net operating losses.

**(v) Fair Value Measurements**

FASB ASC 820, *Fair Value Measurement and Disclosures* defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market

**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

participants on the measurement date FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value FASB ASC 820 describes the following three levels of inputs that may be used

- Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities The fair value hierarchy gives the highest priority to Level 1 inputs
- Level 2 – Observable prices that are based on inputs not quoted on active markets, but corroborated by market data
- Level 3 – Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions The fair value hierarchy gives the lowest priority to Level 3 inputs

**(iv) Prior Year Reclassifications**

Certain reclassifications have been made to the fiscal year 2011 combined financial statements to conform to the fiscal year 2012 presentation These reclassifications had no impact on the change in net assets in the accompanying combined financial statements

**(x) Subsequent Events**

In preparing these financial statements, the Medical Center has evaluated events and transactions for potential recognition or disclosure through \_\_\_\_\_, \_\_\_\_\_, the date the financial statements were issued

**(2) Net Patient Service Revenue**

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

Revenue from the Medicare and Medicaid programs accounted for approximately 31% and 12%, respectively, of the Medical Center's net patient revenue for the year ended June 30, 2012 and 29% and 8%, respectively, of the Medical Center's net patient revenue for the year ended June 30, 2011 Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined

The Medical Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential noncompliance However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program The RAC Program was created to review Medicare claims for medical necessity and coding appropriateness The RAC's have authority to pursue improper payments made on or after October 1, 2007 The RAC's are currently reviewing certain Medicare claims that may result in amounts payable to

**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

the Medicare program. At June 30, 2012, management believes adequate provisions have been made for losses which may occur from such reviews.

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

**(a) Medicare**

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient psychiatric services, certain outpatient services, and defined capital costs related to Medicare beneficiaries are paid based upon both a cost and a prospective reimbursement methodology.

The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare fiscal intermediary. The Medical Center's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2007.

**(b) Medicaid**

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to the Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Medical Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid fiscal intermediary. The Medical Center's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2007.

Effective September 1, 2006, the Medical Center began contracting with certain managed care organizations to receive reimbursement for providing services to selected enrolled 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 diems.

During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (the Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health and are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment will result in an increase in hospital payments on Medicaid services of approximately 11.88%. Approximately \$2,320,000 and \$2,096,000 relating to the Act is included in other expenses in the accompanying combined statements of operations for the years ended June 30, 2012 and 2011, respectively.

**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

**(c) Other Reimbursement Arrangements**

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

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

	Year ended June 30	
	2012	2011
Gross patient service revenue	\$ 808,421,499	750,719,402
Less provisions for contractual and other adjustments	438,724,177	402,916,078
Net patient service revenue	<u>\$ 369,697,322</u>	<u>347,803,324</u>

The Medical Center provides services to patients who do not have the ability to pay and who qualify for charity services pursuant to established policies of the Medical Center. 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 Medical Center does not include charity care in net patient service revenue. The cost of charity care provided totaled approximately \$19,605,000 and \$19,950,000 for the years ended June 30, 2012 and 2011, respectively.

The Medical Center 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 \$28,862,327 and \$32,794,593 for years ended June 30, 2012 and 2011, respectively.

**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

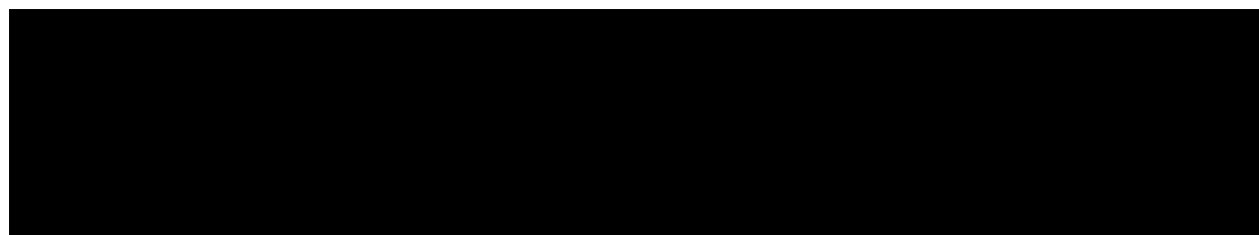
**(3) Assets Limited as to Use**

The composition of assets limited as to use at June 30, 2012 and 2011, is set forth in the following table. Investments are stated at fair value.

	<u>2012</u>	<u>2011</u>
Internally designated		
Cash and cash equivalents	\$ 3,687,887	1,386,021
Mutual funds	86,304,297	91,794,031
Stocks and options	34,884,341	17,581,691
Corporate bonds	37,129,206	38,672,876
Alternative equity investments	<u>12,267,087</u>	<u>556,628</u>
Total	174,272,818	149,991,247
Held by trustee under indenture agreement for debt obligations		
Cash and cash equivalents	<u>5,746,193</u>	<u>40,209,292</u>
Total assets limited as to use	180,019,011	190,200,539
Less amounts required for current liabilities	<u>5,746,193</u>	<u>1,346,475</u>
Total assets limited as to use	<u>\$ 174,272,818</u>	<u>188,854,064</u>

Alternative equity investments seek to achieve long-term capital appreciation. The primary strategy of the funds is to pursue a "multi-advisor" strategy by investing primarily in investee pools and portfolio managers which, in turn, invest in "managed futures" using a blend of strategies including intermediate trend following, short-term counter-trend, and ultra-long-term with systematic and discretionary trading. The funds trade in four broad sectors – currencies, interest rates, global stock indices, and physical commodities. The funds currently have 71% of their assets invested in separately managed accounts allowing for greater transparency, increased liquidity, lower cost structure, and improved timing of tax reporting. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. These securities have no unfunded commitments and offer monthly to quarterly liquidity with a 10 to 65 business day notice.

Investment income and gains and losses for assets limited as to use and cash and cash equivalents are comprised of the following for the years ending June 30, 2012 and 2011:



**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

**(4) Property and Equipment**

A summary of property and equipment at June 30, 2012 and 2011 follows

	<u>2012</u>	<u>2011</u>
Land	\$ 10,442,854	9,234,745
Land improvements	2,377,792	2,272,853
Buildings	211,850,014	184,494,078
Equipment	122,603,782	115,847,691
Equipment under capital lease obligations	2,198,404	2,198,404
	<u>349,472,846</u>	<u>314,047,771</u>
Less accumulated depreciation	<u>181,716,132</u>	<u>168,476,225</u>
	167,756,714	145,571,546
Construction in process	<u>41,355,077</u>	<u>13,399,709</u>
Property and equipment, net	<u><u>\$ 209,111,791</u></u>	<u><u>158,971,255</u></u>

Depreciation expense for the years ended June 30, 2012 and 2011 amounted to approximately \$19,320,000 and \$19,270,000, respectively. Construction contracts of approximately \$50,990,000 exist for the renovation of Tanner Medical Center's ER. At June 30, 2012, the remaining commitment on these contracts approximated \$18,342,000.

**(5) Physician Notes Receivable**

Physician notes receivable consist primarily of loans secured by promissory notes to physicians under income guarantee arrangements. In general, the income guarantees are being forgiven over a period of time in which the physician practices medicine within the healthcare system of the Medical Center. If the physician discontinues medical practice, the outstanding principal and accrued interest becomes due immediately. The amounts forgiven and charged to expense during 2012 and 2011 were approximately \$1,404,000 and \$1,415,000, respectively.

Physician notes receivable also consist of educational loans to employees. In general, the educational loans are forgiven over a period of time in which the employee works for the Medical Center.

**(6) Deferred Financing Costs**

Bond issue costs and loan origination fees are amortized over the life of the debt instrument. Amortization expense for the years ended June 30, 2012 and 2011 amounted to approximately \$103,000 and \$109,000, respectively.



**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

**(7) Goodwill and Intangible Assets**

A summary of goodwill and intangible assets at June 30, 2012 and 2011 follows

	<u>2012</u>	<u>2011</u>
Goodwill and intangible assets	\$ 6,015,821	6,803,526

On March 31, 2011, the Medical Center acquired the business operations and related assets of the infusion center of The Multiple Sclerosis Center of Georgia, Inc (the Infusion Center) for \$7,420,000. The Infusion Center provides healthcare services for multiple sclerosis patients, including infusion treatments using the drug TYSABRI, which helps prevent episodes of symptoms and slow the worsening of disability in patients experiencing relapsing forms of multiple sclerosis. In connection with the acquisition, The Multiple Sclerosis Center of Georgia, Inc. and certain of its key employees agreed not to compete with the Infusion Center for a period of three years within a 30-mile radius from the current location of the Infusion Center. The Medical Center and The Multiple Sclerosis Center of Georgia, Inc. also entered into a management services agreement and a sublease agreement for the space occupied by the Infusion Center.

Purchase price allocation related to the acquisition of the Infusion Center was finalized in fiscal 2012. The following table summarizes the final fair values of the assets acquired at the date of acquisition:

Equipment	\$ 13,100
Supplies inventory	500
Noncompetition agreement	<u>3,764,000</u>
Net assets acquired	3,777,600
Goodwill	<u>3,642,400</u>
Purchase price	<u><u>\$ 7,420,000</u></u>

The following table presents the composition of the Medical Center's goodwill and intangible assets as of June 30, 2012, following finalization of the purchase price allocation related to the acquisition of the Infusion Center:

	<u>Goodwill</u>	<u>Noncompetition agreement</u>	<u>Other</u>	<u>Total</u>
Cost	\$ 3,642,400	3,764,000	875,241	8,281,641
Accumulated amortization	<u>—</u>	<u>(1,568,333)</u>	<u>(697,487)</u>	<u>(2,265,820)</u>
Intangible assets, net	<u><u>\$ 3,642,400</u></u>	<u><u>2,195,667</u></u>	<u><u>177,754</u></u>	<u><u>6,015,821</u></u>

The value assigned to the noncompetition agreement is amortized by the Medical Center on a straight-line basis over a period of three years, the term of the underlying contract with The Multiple Sclerosis Center of Georgia, Inc. Other intangible assets are amortized on a straight-line basis over their estimated useful lives.

**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

Amortization expense for the year ended June 30, 2012 amounted to approximately \$933,000 which is net a correction of approximately \$510,000 related to amortization expense recorded in the previous year on the intangible assets of the Infusion Center, prior to the finalization of the purchase price allocation. Estimated future amortization expense for the years ending June 30 is as follows:

2013	\$ 1,362,000
2014	975,000
2015	33,000
2016	—
2017	—

**(8) Long-Term Debt**

A summary of long-term debt for the years ended June 30, 2012 and 2011, follows:

	<u>2012</u>	<u>2011</u>
Revenue Certificates, Series 2008, bearing interest of 3.00% to 5.00%, maturing in installments of \$610,000 to \$1,985,000 each July 1 until 2038. The Revenue Certificates are collateralized by a pledge of the Medical Center's gross receipts	\$ 31,189,600	31,799,600
Revenue Certificates, Series 2010, bearing interest of 2.00% to 5.00%, maturing in installments of \$1,575,000 to \$3,525,000 each July 1 until 2040. The Revenue Certificates are collateralized by a pledge of the Medical Center's gross receipts	75,275,000	77,945,000
7.50% note payable, payable in monthly installments of \$9,270, including interest, due March 2018, collateralized by land	<u>518,283</u>	<u>587,797</u>
	106,982,883	110,332,397
Less current portion	<u>3,444,911</u>	<u>3,349,514</u>
	103,537,972	106,982,883
Plus unamortized premium	<u>3,130,634</u>	<u>3,202,980</u>
Total	<u>\$ 106,668,606</u>	<u>110,185,863</u>

Under the lease agreement with Carroll City-County Hospital Authority, the Medical Center assumes all obligations of the Authority under all outstanding Revenue Anticipation Certificates and all obligations of the Authority under the Trust Indenture.

Under the terms of the 2010 and 2008 revenue bond indentures, the Medical Center is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use. The revenue note indenture also places limits on the incurrence of additional borrowings and requires that the Medical Center satisfy certain measures of financial performance as long as the notes are outstanding.

**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

Simultaneous with the issuance of the 2010 Series Revenue Certificates, the Medical Center redeemed the 1998 Series on October 14, 2010. The Medical Center also defeased the 2001 Series by irrevocably depositing a portion of the proceeds of the 2010 Series in escrow with The Bank of New York Mellon Trust Corporation. The outstanding principal on the defeased bonds at June 30, 2011 is \$25,635,000. On July 1, 2011, the irrevocable funds were released to pay off the outstanding balance on the defeased bonds.

As a result of the bond refunding transaction, the Medical Center recognized a loss on extinguishment of approximately \$1,824,000 during 2011. The loss included the write-off of unamortized 1998 and 2001 Series discount and issue costs as well as funds necessary to adequately fund the defeased 2001 Series escrow account. The loss is reflected in other income (loss) in the accompanying combined statement of operations.

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

	<b>Long-term debt</b>
2013	\$ 3,444,911
2014	3,545,725
2015	3,656,993
2016	3,788,747
2017	3,941,024
Thereafter	88,605,483
Total	<u>\$ 106,982,883</u>

**(9) Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30, 2012 and 2011:

	<b>2012</b>	<b>2011</b>
Breast health	\$ 176,908	167,921
Cancer care	242,276	171,006
Capital improvement	830,905	1,312,307
Heart center	10,764	10,486
Heartbeat – funds	592,329	498,060
Hospice care	852,089	747,120
Memorial fund	579,154	579,154
Multiple sclerosis patient assistance	88,411	100,000
Music therapy	71,757	62,057
Other	607,340	674,171
Total	<u>\$ 4,051,933</u>	<u>4,322,282</u>

**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

Permanently restricted net assets at June 30, 2012 and 2011, are restricted to

	<b>2012</b>	<b>2011</b>
Bowdon Clinic Endowment Fund	\$ 450,990	—
Capital Improvement Endowment	5,000	5,000
E V and Lucy Patrick Endowment for Indigent Care	24,833	24,833
Gilreath Endowment for Cancer Care	348,511	348,511
Raymond L. Abernathy family and Dale Howard Endowment for Nursing Education	10,000	10,000
Rev. Arthur & Bill Rucker Endowment for Cardiac Rehab	25,000	25,000
Roy Richards, Sr. Endowment for Cancer Care	750,000	750,000
Roy Richards, Sr. Endowment for Capital Improvement	14,154	14,154
Total	<u>\$ 1,628,488</u>	<u>1,177,498</u>

***Endowment Fund***

Tanner Medical Foundation's donor-restricted endowment funds were established to support cancer, capital improvements and nursing education. As required by U.S. generally accepted accounting principles, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of Tanner Medical Foundation has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act (GUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of its gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. In accordance with GUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds – (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over the long-term. Endowment assets include assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce positive results while assuming a moderate level of investment risk. Endowment assets are invested in mutual funds.

**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

Changes in permanently restricted endowment net assets as of June 30, 2012 and 2011 are as follows

	<b>Permanently restricted</b>	
	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Endowment net assets, beginning of year	\$ 1,177,498	1,177,498
Contributions	450,990	—
Endowment net assets, end of year	<u>\$ 1,628,488</u>	<u>1,177,498</u>

**(10) Defined Contribution Plan**

The Medical Center has a defined contribution plan. The defined contribution plan covers substantially all employees 18 years of age and with at least 30 days of eligible service. Employees are 100% vested as to employee contributions and generally become 100% vested as to employer contributions after three years of vesting service.

The Medical Center, at its sole discretion, has agreed to match up to 5% of employee contributions. The Medical Center's contributions to the Plan were approximately \$5,617,000 and \$5,528,000 for the years ended June 30, 2012 and 2011, respectively.

**(11) Concentrations of Credit Risk**

The Medical Center is located in West Georgia. The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is

	<b>2012</b>	<b>2011</b>
Medicare	34%	25%
Medicaid	15	25
Third-party payors	23	19
Patients	28	31
Total	<u>100%</u>	<u>100%</u>

At June 30, 2012, the Medical Center had deposits at major financial institutions which exceeded Federal Depository Insurance limits. Management believes the credit risks related to these deposits is minimal.

**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

**(12) Contingencies****(a) Compliance Plan**

The healthcare industry has recently been subjected to increased scrutiny from governmental agencies at both the national and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. The Medical Center's compliance plan continues to focus on such issues. There can be no assurance that the Medical Center will not be subjected to future investigations with accompanying financial and operating impacts.

**(b) Litigation**

Various claims and assertions have been made against the Medical Center in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance.

It is the opinion of management that any losses that may result from such claims and assertions would not materially affect the operations or financial position of the Medical Center for the year ended June 30, 2012.

**(c) Health Care Reform**

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 and largely upheld by the U.S. Supreme Court in June 2012. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant (and potentially unprecedented) capital investment in healthcare information technology (HCIT).
- Continuing volatility in the state and federal government reimbursement programs.
- Lack of clarity related to the health benefit exchange framework mandated by 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.
- 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 both currently in existence and which may arise in the future, could have a material adverse impact on the Medical Center's financial position and operating results.

**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

**(13) Employee Health and Workers' Compensation Insurance**

Tanner Medical Center, Inc. is self-insured for its employee group health and workers' compensation insurance. The Medical Center has estimated and recorded accruals for claims incurred but not reported or paid prior to the fiscal year end. The Medical Center has reinsurance with insurance companies in which the premiums are included as expense and reinsurance recoveries offset expense. Under these self-insurance programs, the Medical Center paid or accrued approximately \$22,117,000 and \$22,889,000 during fiscal years ended June 30, 2012 and 2011, respectively.

**(14) Malpractice Insurance**

The Medical Center is covered by a claims made general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis. The self-insured retention related to this policy in 2012 and 2011 is \$100,000 per claim and \$400,000 in aggregate. The coverage limits related to this policy in 2012 and 2011 is \$1 million per occurrence and \$3 million in aggregate. The Medical Center uses a third-party administrator to review and analyze incidents that may result in a claim against the Medical Center. In conjunction with the third-party administrator, incidents are assigned reserve amounts for the ultimate liability that may result from an unasserted claim. Accrued professional claims are included in the accompanying combined financial statements and in management's opinion provide an adequate reserve for loss contingencies.

The Medical Center has an additional general liability umbrella policy that provides coverage for general liability claims as well as malpractice. This policy covers claims up to \$9 million in aggregate.

**(15) Functional Expenses**

The Medical Center provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	<b>2012</b>	<b>2011</b>
Health care services	\$ 305,218,397	285,951,195
Management and general	47,691,509	44,993,959
Total	<u>\$ 352,909,906</u>	<u>330,945,154</u>

**(16) Fair Values of Financial Instruments**

The following methods and assumptions were used by Tanner Medical Center, Inc. in estimating the fair value of its financial instruments:

- *Cash and Cash Equivalents* – The carrying amount reported in the combined balance sheets for cash and cash equivalents approximates its fair value.
- *Assets Limited As To Use* – Fair values, which are the amounts reported in the combined balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

- *Accounts Payable and Accrued Expenses* – The carrying amount reported in the combined balance sheets for accounts payable and accrued expenses approximates its fair value
- *Estimated Third Party Payor Settlements* – The carrying amount reported in the combined balance sheets for estimated third party payor settlements approximates its fair value
- *Long-Term Debt* – The fair value of long-term debt is estimated using discounted cash flow analyses, based on the current incremental borrowing rates for similar types of borrowing arrangements

The carrying amounts and fair values of the financial instruments at June 30, 2012 and 2011 are as follows

	<b>June 30, 2012</b>		<b>June 30, 2011</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	\$ 29,380,182	29,380,182	31,487,782	31,487,782
Estimated third party settlements (assets)	605,327	605,327	—	—
Assets limited as to use	180,019,011	180,019,011	190,200,539	190,200,539
Accounts payable and accrued expenses	41,383,538	41,383,538	31,192,572	31,192,572
Estimated third-party settlements (liabilities)	—	—	580,285	580,285
Long-term debt	110,113,517	116,183,485	113,535,377	133,178,784



**TANNER MEDICAL CENTER, INC.**

## Notes to Combined Financial Statements

June 30, 2012 and 2011

**(17) Fair Value Measurement**

Fair values of assets measured on a recurring basis at June 30, 2012 and 2011 are as follows

		Fair value measurements at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
June 30, 2012	Fair value			
Assets				
Cash and cash equivalents	\$ 3,687,887	3,687,887	—	—
Mutual funds	86,304,297	86,304,297	—	—
Stocks and options				
Value	41,949,101	41,949,101	—	—
Large cap value	7,154,205	7,154,205	—	—
Large cap growth	—	—	—	—
Corporate bonds	22,910,241	22,910,241	—	—
Alternative investments	12,267,087	—	12,267,087	—
Total	\$ 174,272,818	162,005,731	12,267,087	—

		Fair value measurements at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
June 30, 2011	Fair value			
Assets				
Cash and cash equivalents	\$ 41,595,313	41,595,313	—	—
Mutual funds	91,794,030	91,794,030	—	—
Stock and options				
Value	9,442,246	9,442,246	—	—
Large cap value	4,042,237	4,042,237	—	—
Large cap growth	4,097,208	4,097,208	—	—
Corporate bonds	38,672,877	38,672,877	—	—
Alternative investments	556,628	—	556,628	—
Total	\$ 190,200,539	189,643,911	556,628	—

**TANNER MEDICAL CENTER, INC.**

Notes to Combined Financial Statements

June 30, 2012 and 2011

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets.

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

**(18) Indigent Care Trust Fund**

The Medical Center qualified as a Medicaid disproportionate share medical center for the years ended June 30, 2012 and 2011. By qualifying, the Medical Center received approximately \$5,819,000 and \$5,853,000 in payment adjustments in 2012 and 2011, respectively. All of these payments are reflected in net patient service revenue in the accompanying combined statements of operations.

**(19) Medicaid Upper Payment Limit**

The Medicare, Medicaid, and SCRIP Benefits Improvement and Protection Act of 2000 (BIPA) provide for enhanced payments to Medicaid providers under the Upper Payment Limit (UPL) methodology. Subsequent to the implementation of the UPL methodology, federal budget concerns have led to reconsideration of the BIPA legislation with possible elimination of enhanced Medicaid payments. Legislation has been enacted to reduce the level of UPL payments in future periods. The 2012 and 2011 combined financial statements include enhanced payments of approximately \$612,350 and \$1,833,000, respectively.

## **ADDITIONAL INFORMATION**

## **Independent Auditors' Report on Supplemental Data**

The Board of Directors  
Tanner Medical Center, Inc  
Carrollton, Georgia

We have audited the combined financial statements of Tanner Medical Center, Inc. as of and for the year ended June 30, 2012 and have issued our report thereon dated \_\_\_\_\_ which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. We have not performed any procedures with respect to the audited combined financial statements subsequent to \_\_\_\_\_. The combined financial statements of Tanner Medical Center, Inc. as of June 30, 2011 were audited by other auditors whose report dated November 18, 2011 expressed an unqualified opinion on those statements.

The supplementary 2012 combining information included on pages 31-32 and 35 is presented for the purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2012 combined financial statements as a whole. The supplementary 2011 combining information included on pages 33-34 and 36 is also presented for the purposes of additional analysis and is not a required part of the combined financial statements. The other auditors referred to above performed procedures on the 2011 combining information and issued a report dated November 18, 2011 which expressed an unqualified opinion on the 2011 combining information in relation to the 2011 combined financial statements as a whole. The statistical data included on pages 29-30 is presented for the purposes of additional analysis and is not a required part of the combined financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the combined financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Date

**TANNER MEDICAL CENTER, INC.**

## Statistical Data

Years ended June 30, 2012 and 2011

(Unaudited)

	<b>2012</b>	<b>2011</b>
Inpatient days		
Medical/surgical days	34,464	35,329
Behavioral health	14,097	11,755
Skilled nursing	3,694	3,694
Total inpatient days	<u>52,255</u>	<u>50,778</u>
Average daily inpatient census	143.0	139.1
Adjusted average daily census	422.0	390.4
Admissions		
Medical/surgical	9,860	10,155
Behavioral health	2,671	2,467
Skilled nursing	486	479
Total admissions	<u>13,017</u>	<u>13,101</u>
Admissions by payor		
Medicare – routine	5,272	5,194
Medicare – behavioral health	335	332
Medicare – skilled nursing	352	377
Medicaid	3,561	3,665
Other	3,497	3,533
Total admissions by payor	<u>13,017</u>	<u>13,101</u>
Average length of stay	4.0	3.9
Patient days by payor		
Medicare – routine	23,267	20,837
Medicare – behavioral	2,218	3,438
Medicare – skilled nursing	2,683	2,956
Medicaid	14,118	13,291
Other	9,969	10,256
Total patient days by payor	<u>52,255</u>	<u>50,778</u>

**TANNER MEDICAL CENTER, INC.**

Statistical Data

Years ended June 30, 2012 and 2011

(Unaudited)

	<b>2012</b>	<b>2011</b>
Deliveries	1,743	1,778
Surgery cases	9,249	9,771
Emergency room visits	108,942	103,669
Outpatient visits	307,576	275,933
Tanner Medical Group visits	308,618	313,161
Adjusted patient days	154,008	142,491

See accompanying auditors' report on supplemental data

**TANNER MEDICAL CENTER, INC.**

Combining Balance Sheets

June 30, 2012

<b>Assets</b>	<b>Tanner Medical Center/ Carrollton</b>	<b>Tanner Medical Center/ Villa Rica</b>	<b>Tanner Medical Center/ Higgins General Hospital</b>	<b>Tanner Medical Group</b>	<b>Subtotal</b>	<b>Foundation, Auxiliary and Eliminations</b>	<b>Balance at June 30, 2012</b>
Current assets							
Cash and cash equivalents	\$ 29,344,030	17,824	1,593	8,044	29,371,491	8,691	29,380,182
Due from related parties	—	61,935,280	28,319,773	—	90,255,053	(90,255,053)	—
Assets limited as to use – current portion	5,746,193	—	—	—	5,746,193	—	5,746,193
Patient accounts receivable, net	17,997,149	7,212,255	2,771,531	3,404,375	31,385,310	—	31,385,310
Estimated third-party payor settlements	(101,112)	525,281	336,665	(155,507)	605,327	—	605,327
Supplies, at lower of cost or market	2,684,954	1,308,359	459,764	218,958	4,672,035	33,842	4,705,877
Other current assets	3,781,117	74,079	108,103	270,984	4,234,283	(270,222)	3,964,061
Total current assets	59,452,331	71,073,078	31,997,429	3,746,854	166,269,692	(90,482,742)	75,786,950
Assets limited as to use							
Internally designated	174,272,818	—	—	—	174,272,818	—	174,272,818
Held by trustee under indenture	5,746,193	—	—	—	5,746,193	—	5,746,193
Assets limited as to use – current portion	(5,746,193)	—	—	—	(5,746,193)	—	(5,746,193)
Noncurrent assets limited as to use	174,272,818	—	—	—	174,272,818	—	174,272,818
Property and equipment, net	140,304,431	37,709,585	10,652,466	20,444,046	209,110,528	1,263	209,111,791
Interest in net assets of Tanner Medical Foundation, Inc	—	—	—	—	—	7,604,466	7,604,466
Physician notes receivable and other	3,295,498	—	—	—	3,295,498	—	3,295,498
Bond issue cost, net	1,068,454	—	—	—	1,068,454	—	1,068,454
Goodwill and intangible assets	—	5,831,667	—	184,154	6,015,821	—	6,015,821
Total assets	\$ 378,393,532	114,614,330	42,649,895	24,375,054	560,032,811	(82,877,013)	477,155,798

See accompanying auditors' report on supplemental data

Liabilities and Net Assets	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/ Higgins General Hospital	Tanner Medical Group	Subtotal	Foundation, Auxiliary and Eliminations	Balance at June 30, 2012
Current liabilities							
Current portion of long-term debt	\$ 3,444,911	—	—	—	3,444,911	—	3,444,911
Due to related parties	12,530,495	—	—	78,023,904	90,554,399	(90,554,399)	—
Accounts payable	12,940,470	1,825,278	510,302	973,899	16,249,949	47,511	16,297,460
Accrued salaries	17,048,403	1,104,683	1,032,635	2,823,690	22,009,411	—	22,009,411
Other accrued expenses	3,018,090	58,577	—	—	3,076,667	—	3,076,667
Estimated third-party payor settlements	—	—	—	—	—	—	—
Total current liabilities	48,982,369	2,988,538	1,542,937	81,821,493	135,335,337	(90,506,888)	44,828,449
Long-term debt, net of current portion							
Notes and leases payable	443,373	—	—	—	443,373	—	443,373
Revenue certificates payable	106,225,233	—	—	—	106,225,233	—	106,225,233
Total long-term debt, net of current portion	106,668,606	—	—	—	106,668,606	—	106,668,606
Total liabilities	155,650,975	2,988,538	1,542,937	81,821,493	242,003,943	(90,506,888)	151,497,055
Net assets (deficit)							
Unrestricted	222,742,557	111,625,792	41,106,958	(57,446,439)	318,028,868	1,949,454	319,978,322
Temporarily restricted	—	—	—	—	—	4,051,933	4,051,933
Permanently restricted	—	—	—	—	—	1,628,488	1,628,488
Total net assets	222,742,557	111,625,792	41,106,958	(57,446,439)	318,028,868	7,629,875	325,658,743
Total liabilities and net assets	\$ 378,393,532	114,614,330	42,649,895	24,375,054	560,032,811	(82,877,013)	477,155,798



## TANNER MEDICAL CENTER, INC.

Combining Balance Sheets

June 30, 2011

Assets	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/ Higgins General Hospital	Tanner Medical Group	Subtotal	Foundation, Auxiliary and Eliminations	Balance at June 30, 2011
Current assets							
Cash and cash equivalents	\$ 31,418,591	56,740	1,552	5,396	31,482,279	5,503	31,487,782
Due from related parties	—	44,608,013	27,235,096	—	71,843,109	(71,843,109)	—
Assets limited as to use – current portion	1,346,475	—	—	—	1,346,475	—	1,346,475
Patient accounts receivable, net	20,722,055	7,659,362	3,465,731	2,977,898	34,825,046	—	34,825,046
Estimated third-party payor settlements	223,631	544,127	—	—	767,758	—	767,758
Supplies, at lower of cost or market	3,060,400	1,378,396	506,672	249,270	5,194,738	30,540	5,225,278
Other current assets	5,553,540	29,105	102,394	180,185	5,865,224	(256,752)	5,608,472
Total current assets	62,324,692	54,275,743	31,311,445	3,412,749	151,324,629	(72,063,818)	79,260,811
Assets limited as to use							
Internally designated	149,991,247	—	—	—	149,991,247	—	149,991,247
Held by trustee under indenture	40,209,292	—	—	—	40,209,292	—	40,209,292
Assets limited as to use – current portion	(1,346,475)	—	—	—	(1,346,475)	—	(1,346,475)
Noncurrent assets limited as to use	188,854,064	—	—	—	188,854,064	—	188,854,064
Property and equipment, net	97,511,464	35,358,536	11,453,010	14,646,478	158,969,488	1,767	158,971,255
Interest in net assets of Tanner Medical Foundation, Inc	—	—	—	—	—	7,387,186	7,387,186
Physician notes receivable and other	3,504,637	—	—	—	3,504,637	—	3,504,637
Bond issue cost, net	1,137,405	—	—	—	1,137,405	—	1,137,405
Goodwill and intangible assets	—	6,586,667	—	216,859	6,803,526	—	6,803,526
Total assets	\$ 353,332,262	96,220,946	42,764,455	18,276,086	510,593,749	(64,674,865)	445,918,884

See accompanying auditors' report on supplemental data

Liabilities and Net Assets	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/ Higgins General Hospital	Tanner Medical Group	Subtotal	Foundation, Auxiliary and Eliminations	Balance at June 30, 2011
Current liabilities							
Current portion of long-term debt	\$ 3,349,514	—	—	—	3,349,514	—	3,349,514
Due to related parties	12,715,440	—	—	59,399,429	72,114,869	(72,114,869)	—
Accounts payable	6,930,989	1,150,580	501,318	755,608	9,338,495	579	9,339,074
Accrued salaries	13,789,599	1,142,138	908,944	1,966,105	17,806,786	—	17,806,786
Other accrued expenses	3,962,329	84,383	—	—	4,046,712	—	4,046,712
Estimated third-party payor settlements	384,266	—	741,890	221,887	1,348,043	—	1,348,043
Total current liabilities	41,132,137	2,377,101	2,152,152	62,343,029	108,004,419	(72,114,290)	35,890,129
Long-term debt, net of current portion							
Notes and leases payable	518,283	—	—	—	518,283	—	518,283
Revenue certificates payable	109,667,580	—	—	—	109,667,580	—	109,667,580
Total long-term debt, net of current portion	110,185,863	—	—	—	110,185,863	—	110,185,863
Total liabilities	151,318,000	2,377,101	2,152,152	62,343,029	218,190,282	(72,114,290)	146,075,992
Net assets (deficit)							
Unrestricted	202,014,262	93,843,845	40,612,303	(44,066,943)	292,403,467	1,939,645	294,343,112
Temporarily restricted	—	—	—	—	—	3,909,507	3,909,507
Permanently restricted	—	—	—	—	—	1,590,273	1,590,273
Total net assets	202,014,262	93,843,845	40,612,303	(44,066,943)	292,403,467	7,439,425	299,842,892
Total liabilities and net assets	\$ 353,332,262	96,220,946	42,764,455	18,276,086	510,593,749	(64,674,865)	445,918,884

## TANNER MEDICAL CENTER, INC.

Combining Statements of Excess of Revenues over Expenses

June 30, 2012

	<b>Tanner Medical Center/ Carrollton</b>	<b>Tanner Medical Center/ Villa Rica</b>	<b>Tanner Medical Center/ Higgins General Hospital</b>	<b>Tanner Medical Group</b>	<b>Subtotal</b>	<b>Foundation, Auxiliary and Eliminations</b>	<b>Balance at June 30, 2012</b>
Unrestricted revenues, gains, and other support							
Net patient service revenue	\$ 198,795,549	99,736,075	35,727,495	35,438,203	369,697,322	—	369,697,322
Other revenue	5,231,529	1,779,218	469,891	293,056	7,773,694	133,234	7,906,928
Total revenues, gains and other support	<u>204,027,078</u>	<u>101,515,293</u>	<u>36,197,386</u>	<u>35,731,259</u>	<u>377,471,016</u>	<u>133,234</u>	<u>377,604,250</u>
Expenses							
Salaries	85,542,162	23,580,070	12,608,939	26,682,866	148,414,037	—	148,414,037
Employee benefits	32,366,719	2,644,801	1,370,227	2,417,128	38,798,875	—	38,798,875
Contracted services	7,747,582	1,976,289	664,486	887,073	11,275,430	—	11,275,430
Purchased services	14,707,348	2,612,514	2,645,045	947,123	20,912,030	—	20,912,030
Supplies and drugs	29,119,456	17,755,113	2,122,280	2,366,754	51,363,603	149,873	51,513,476
Insurance	1,954,859	70,201	68,069	769,948	2,863,077	—	2,863,077
Depreciation and amortization	12,696,252	4,285,698	1,481,441	1,789,438	20,252,829	505	20,253,334
Interest	3,266,705	—	—	—	3,266,705	—	3,266,705
Provision for bad debts	10,209,446	9,731,493	5,254,284	3,667,104	28,862,327	—	28,862,327
Other	22,199,915	2,084,251	567,761	1,898,688	26,750,615	—	26,750,615
Total expenses	<u>219,810,444</u>	<u>64,740,430</u>	<u>26,782,532</u>	<u>41,426,122</u>	<u>352,759,528</u>	<u>150,378</u>	<u>352,909,906</u>
Operating income (loss)	<u>(15,783,366)</u>	<u>36,774,863</u>	<u>9,414,854</u>	<u>(5,694,863)</u>	<u>24,711,488</u>	<u>(17,144)</u>	<u>24,694,344</u>
Other income (loss)							
Contributions and other	132,613	—	—	—	132,613	(38,147)	94,466
Investment loss	(121,466)	—	—	—	(121,466)	—	(121,466)
Loss on sale of assets	(254,975)	(89,838)	(12,286)	(107,806)	(464,905)	—	(464,905)
Total other loss	<u>(243,828)</u>	<u>(89,838)</u>	<u>(12,286)</u>	<u>(107,806)</u>	<u>(453,758)</u>	<u>(38,147)</u>	<u>(491,905)</u>
Excess of revenues over expenses	<u>(16,027,194)</u>	<u>36,685,025</u>	<u>9,402,568</u>	<u>(5,802,669)</u>	<u>24,257,730</u>	<u>(55,291)</u>	<u>24,202,439</u>
Shared service expenses	<u>38,717,362</u>	<u>(19,094,690)</u>	<u>(8,388,456)</u>	<u>(11,234,216)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess of revenues over expenses and shared service expenses	<u>\$ 22,690,168</u>	<u>17,590,335</u>	<u>1,014,112</u>	<u>(17,036,885)</u>	<u>24,257,730</u>	<u>(55,291)</u>	<u>24,202,439</u>

See accompanying auditors' report on supplemental data

## TANNER MEDICAL CENTER, INC.

Combining Statements of Excess of Revenues over Expenses

June 30, 2011

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/ Higgins General Hospital	Tanner Medical Group	Subtotal	Foundation, Auxiliary and Eliminations	Balance at June 30, 2011
Unrestricted revenues, gains, and other support							
Net patient service revenue	\$ 194,665,205	82,430,709	36,547,623	34,159,787	347,803,324	—	347,803,324
Other revenue	2,252,732	296,371	134,353	88	2,683,544	338,688	3,022,232
Total revenues, gains and other support	196,917,937	82,727,080	36,681,976	34,159,875	350,486,868	338,688	350,825,556
Expenses							
Salaries	81,039,679	23,086,907	11,917,950	22,568,308	138,612,844	—	138,612,844
Employee benefits	32,574,939	2,597,993	1,356,888	2,292,584	38,822,404	—	38,822,404
Contracted services	6,235,749	1,741,108	1,093,126	562,303	9,632,286	—	9,632,286
Purchased services	10,059,090	1,617,763	2,304,778	808,165	14,789,796	—	14,789,796
Supplies and drugs	29,851,411	9,442,631	2,773,381	2,403,998	44,471,421	275,558	44,746,979
Insurance	2,143,738	29,354	46,034	708,968	2,928,094	—	2,928,094
Depreciation and amortization	12,709,502	4,860,784	1,337,925	1,425,876	20,334,087	505	20,334,592
Interest	3,355,817	—	—	—	3,355,817	—	3,355,817
Provision for bad debts	10,629,377	13,201,683	5,397,748	3,565,785	32,794,593	—	32,794,593
Other	20,057,222	1,978,157	614,584	2,277,786	24,927,749	—	24,927,749
Total expenses	208,656,524	58,556,380	26,842,414	36,613,773	330,669,091	276,063	330,945,154
Operating income (loss)	(11,738,587)	24,170,700	9,839,562	(2,453,898)	19,817,777	62,625	19,880,402
Other income (loss)							
Contributions and other	177,476	—	—	—	177,476	(51,300)	126,176
Investment income	5,126,566	—	—	—	5,126,566	—	5,126,566
Gain (loss) on sale of assets	(70,900)	(2,249)	(5,182)	13,483	(64,848)	—	(64,848)
Loss on extinguishment of debt	(1,824,266)	—	—	—	(1,824,266)	—	(1,824,266)
Total other income (loss)	3,408,876	(2,249)	(5,182)	13,483	3,414,928	(51,300)	3,363,628
Excess of revenues over expenses	(8,329,711)	24,168,451	9,834,380	(2,440,415)	23,232,705	11,325	23,244,030
Shared service expenses	36,750,556	(18,134,836)	(8,429,683)	(10,186,037)	—	—	—
Excess of revenues over expenses and shared service expenses	\$ 28,420,845	6,033,615	1,404,697	(12,626,452)	23,232,705	11,325	23,244,030

See accompanying auditors' report on supplemental data

Additional Data

Software ID:  
Software Version:  
EIN: 58-1790149  
Name: TANNER MEDICAL CENTER

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			
STEVE ADAMS BOARD MEMBER	1 0	X								
NORMAN BANKS BOARD MEMBER	1 0	X								
LARRY BOGGS BOARD MEMBER	1 0	X								
JOHN BURSON III MD BOARD MEMBER	1 0	X								
JERRY CLAYTON BOARD MEMBER	1 0	X								
MARY COVINGTON BOARD MEMBER	1 0	X								
DANIEL JACKSON BOARD MEMBER	1 0	X								
STEPHEN KAHLER MD BOARD MEMBER	1 0	X								
JEFF LINDSEY DMD BOARD MEMBER	1 0	X								
ROBERT PITTS MD BOARD MEMBER	1 0	X								
NITA PRICE BOARD MEMBER	1 0	X								
LOY HOWARD CEO	23 0			X				530,095	391,811	133,711
LEE SHERSETH CFO	23 0			X				233,496	172,583	55,194
LARRY STEED COO	23 0			X				276,573	204,424	56,268
DENISE TAYLOR CDO	23 0			X				160,907	118,931	49,544
WILLIAM WATERS MD CMO	23 0			X				318,221	235,207	61,064
MARIA RUSSO CIO	23 0			X				47,111	34,821	4,306
DEBORAH HOLLENSTEIN VP, PR MARKETING	23 0				X			107,495	79,452	28,433
CYNTHIA MASTERS VP, SERVICE INTEGRATION	23 0				X			116,471	86,088	22,207
DEBORAH MATTHEWS ADMINISTRATOR	40 0				X			237,788	0	37,232
CAROL CREWS VP, FINANCE	23 0				X			95,516	70,599	29,064
STEPHANIE YATES VP, COMPLIANCE	23 0				X			97,642	72,170	21,448
LINDA CONNER DON	40 0				X			165,876	0	34,861
DENENE COFIELD OR DIRECTOR	23 0				X			96,241	71,134	23,920
VIVIAN BARR HR DIRECTOR	23 0				X			93,290	68,954	35,141

**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			
DAVID THORNHILL IMAGING DIRECTOR	23 0				X			89,216	65,942	22,040
JADA REESE MD PHYSICIAN	40 0					X		529,084	0	22,438
JAKE CHESSE MEDICAL PHYSICIST	40 0					X		203,071	0	30,461
LYNN BARRETT PHARMACY DIRECTOR	23 0					X		101,093	74,721	31,186
JANE HORNSBY CHIEF SONOGRAPHER	40 0					X		99,502	73,545	26,423
DIANNE REED IT DIRECTOR	23 0					X		95,857	70,851	12,988
JEFF JENNINGS SR VICE PRESIDENT	23 0						X	129,450	95,680	0
DALE DREILING SR VP, TMG	23 0						X	206,306	152,487	55,687