Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012

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

C Name of organization
PAULDING MEDICAL CENTER INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
805 Sandy Plains Road

City or town, state or country, and ZIP + 4
Marietta, GA 300666340

D Employer identification number
58-2095884

E Telephone number
(770)792-5023

G Gross receipts $ 65,985,459

F Name and address of principal officer
REYNOLD J JENNINGS
805 Sandy Plains Road
Marietta,GA 300666340

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

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

H(c) Group exemption number ▶

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

J **Website:** ▶ www wellstar org

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

L Year of formation 1993

M State of legal domicile GA

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities
To deliver world-class charitable healthcare

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

3	Number of voting members of the governing body (Part VI, line 1a)	3	18
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	14
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	637
6	Total number of volunteers (estimate if necessary)	6	85
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	862,003	0
	9	Program service revenue (Part VIII, line 2g)	54,476,459	65,626,411
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-6,737	1,300
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	298,308	357,748
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	55,630,033	65,985,459
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	375
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	27,888,675	29,345,806
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	25,991,213	26,628,460
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	53,879,888	55,974,641
	19	Revenue less expenses Subtract line 18 from line 12	1,750,145	10,010,818
Net Assets or Fund Balances			**Beginning of Current Year**	**End of Year**
	20	Total assets (Part X, line 16)	33,291,391	47,403,429
	21	Total liabilities (Part X, line 26)	11,439,314	113,609,113
	22	Net assets or fund balances Subtract line 21 from line 20	21,852,077	-66,205,684

Part II Signature Block

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

Sign Here

▶ Signature of officer | 2013-05-10 Date

▶ James M Swartz VP of Accounting
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ▶ ☐	Preparer's taxpayer identification number (see instructions)
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶	PricewaterhouseCoopers LLP 2001 MARKET ST SUITE 1700 PHILADELPHIA, PA 19103		EIN ▶ Phone no ▶ (267) 330-3000

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

TO CREATE AND DELIVER HIGH QUALITY HOSPITAL, PHYSICIAN AND OTHER HEALTHCARE RELATED SERVICES THAT IMPROVE THE HEALTH AND WELL-BEING OF THE INDIVIDUALS AND COMMUNITIES WE SERVE

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the 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 $ 46,631,385 including grants of $ 375) (Revenue $ 65,626,411)

Paulding Medical Center, Inc (an affiliate of Wellstar Health System, Inc) operates as a charitable organization consistent with the requirements of IRS Section 501 (c)(3) and the "community benefit standard of IRS Revenue Ruling 69-545 In this regard, the governing body of the organization and/or its parent is composed of prominent citizens in the community, medical staff privileges in the hospital are available to all qualified physicians in the area, consistent with the size and nature of the facility, the hospital operates a full-time emergency room open to all regardless of ability to pay, the hospital provides care to needy members of its community consistent with its charity care policy regardless of their ability to pay for these services, and the hospitals excess funds are generally applied to expansion and replacement of existing facilities and equipment, amortization of indebtedness, improvement in patient care, community benefit activities, and charity care Paulding had $18 9 million in capital expenditures disbursed during the tax period reviewed Wellstar Paulding Hospital is a general acute care hospital providing a full range of services to the community The hospital is licensed to operate 83 beds and is presently staffed to operate 34 beds Paulding Medical Center, Inc was organized in 1994 In 1994 Northwest Georgia Health System helped form the PROMINA Health System and changed its name to Promina Northwest Health System In 1998 Promina Northwest changed its name to Wellstar Health System Paulding Medical Center is subject to the authority and governing board of Wellstar Health System and the Paulding County Hospital Authority Paulding Hospital provides a full range of inpatient and outpatient services characteristic of a community hospital Paulding Nursing Home is located on the campus of the hospital and functions as part of the full range of health services provided to the community The nursing home provides skilled long-term nursing care to persons requiring those services by reason of age or physical impairment The nursing home is the only such facility in the Wellstar system The following stats consitute the overall program services provided for the period ended June 30, 2012 Adult Discharges-1,978, Nursing Facility Days-63,718, Medical & Surgical Short Stay Cases-242, Emergency Room Visits-40,575, Outpatient Surgical Cases-1,449, Inpatient Surgical Cases-415, Outpatient Procedures-Non ED OP Radiology-32,165, (10% increase from prior year), GI Laboratory-379, Total FTEs Paid-469 Community Benefit Reporting Unreimbursed Charity Care (at cost)$5,093,830, Medicaid Shortfalls (at cost)$1,162,959 As an affiliate of Wellstar Health System, Paulding Hospital participates in many community and educational programs for the overall health and benefit of the area that they serve Accomplishments and Awards The Paulding Nursing Home provides both subacute and long term care services to patients in the community Since the nursing home is one of very few in the area and located on the medical complex campus it is very crucial to an ever expanding service area Paulding Hospital is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) The parent company, Wellstar Health System, was again honored as one of the top 100 health systems in the country by Verispan The system was ranked at #5 as listed in the magazine, "Modern Healthcare", and is the highest ranked system in the state All of Wellstar hospital laboratories including Paulding were awarded "Accreditation with Distinction" by the Commission on Laboratory Accreditation of the College of American Pathologists (CAP) CAP awards are considered one of the most stringent in laboratory quality assurance in the industry Wellstar Health System ranks as the top company in the Working Mother 100 Best Companies List Wellstar ranked number 13 in Atlanta's Top 25 Employers by the publication "Atlanta Business Chronicle" Wellstar was recognized as a "Company that Cares" for 2010-2011 which was the fifth year in a row the system was honored The system began participating in Terrific Tales, a Company that Cares sponsored literacy project Several Wellstar hospitals took on the challenge of purchasing quality books for local elementary school libraries in underserved areas Paulding Hospital adopted a local school(Poole Elementary) and helped the system raise funds to purchase books for that and other local schools Paulding Hospital and Nursing Home embraced the senior community it serves by celebrating National Older People's Month The hospital has activities that help honor the seniors with events and educational sessions Wellstar Health System was named to the AARP National Employer Team for its commitment to recruiting older employees Wellstar also has several partnerships with local colleges to provide clinical training for nursing and therapy students to compliment their classroom curriculum in those areas Paulding Hospital was recognized by VHA, Inc for sustaining impressive clinical results VHA "blueprinted" the hospital's practices in reducing ventilator-associated penumonia and central line catheter-related blood stream infections to zero These practices were then made available to other VHA member hospitals Wellstar's Congregational Health Ministry presented at the 24th Annual Westber Parish Nurse Symposium The presentation was entitled "Diabetes Prevention for Hispanics/Latinos Using Community Health in Faith-based Setting A Collaborative Approach " Hispanics/Latinos are at a high rish for Type 2 Diabetes Through a collaboration with KSU's Ideal Project (Initiative for Diabetes Education Advancement for Latinos), two local parishes and Wellstar, a community health program was developed for Latinos to improve the acceptance of health messages and subsequently prevent or delay the onset of diabetes The program is gaining acceptance even though the numbers and outcomes are small at this point Paulding Hospital received a Quality and Patient Safety Award from the GHA Partnership for Health and Accountability (PHA) for its project that reduced re-admissions The project "Redesigning the Discharge Process to Reduce Re-admissions and Improve Patient Safety" won second place in the less than 100 bed category All WellStar hospitals, physician offices, and administrative offices implemented a policy of a Tobacco-Free Environment on January 1, 2012 This initiative makes our campuses better equipped to institute tobacco cessation programs and to provide leadership in this area It further meets the challenge of our credo which states that "at WellStar we believe in life well-lived" All five of WellStar's hospitals have earned Quality Respiratory Care Recognition (QRCR) for the ninth year in a row under a national program that attempts to help patients make informed decisions about quality respiratory services available in hospitals Only about 15 percent of hospitals have applied and received this recognition The designation ensures patient safety by agreeing to adhere to a strict set of criteria for quality respiratory services WellStar implemented a new Enterprise Master Patient Index (EMPI) during the year The project was activated at all of the system hospitals as well as the physician offices in an effort to enhance the patient experience and improve safety The system provides more patient-centered care and helps eliminate duplicate medical records as the information gathered at registration is shared throughout WellStar Wellstar Health System donated approximately $1 0 million in funds to the Georgia Highlands College Nursing program The funds to be disbursed over two years will to support the college's new Bachelor of Science in nursing as well as onsite programs for WellStar team members It is the largest single contribution the college has ever received The agreement expands the bridge program for licensed practical nurses who want to become registered nurses with an associate's degree The program is available at GHC to students in Cobb, Douglas and Paulding counties This will help meet the educational needs of WellStar team members who are students at GHC Having onsite access to learning opportunites so that nurses can learn and grow is critical to WellStar hiring and retaining nurses for the system WellStar Kennestone Hospital was designated as a Nurses Improving Care for Health System Elders (NICHE) Center NICHE is a leading national organization designed to help healthcare professionals improve the quality of care for an ever expanding older adult population The designation was received after a select group of WellStar Kennestone nurses completed an eight-week online leadership course through New York University The group developed and mentored all members of the Kennestone team and plans are underway to expand to other system hospitals over the next two years WellStar Cobb Hosp

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** ▶$ 46,631,385

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2		No
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25*	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b	Yes	
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? *If "Yes," complete Schedule L, Part IV*	28c		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	33		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34	Yes	
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)? *If "Yes," complete Schedule R, Part V, line 2*	35b		No
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	0		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c		
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	637		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?		3a		No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?		4a		No
b	If "Yes," enter the name of the foreign country ▶ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .		5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?		6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?		7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .		7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?		9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state		13a		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the aggregate amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?		14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .		14b		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a 18			
b	Enter the number of voting members included in line 1a, above, who are independent	1b 14			
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	Yes	
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	Yes	
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	Yes	
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	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		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		No
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		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review 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

☐ Own website ☐ Another's website ☑ 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 ▶

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Marietta, GA 300666340
(770) 792-5023

Part VII **Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

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

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
See Additional Data Table										

Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position: Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
See Additional Data Table										

		(D)	(E)	(F)
1b	**Sub-Total** ▶			
c	**Total from continuation sheets to Part VII, Section A** ▶			
d	**Total (add lines 1b and 1c)** ▶	1,219,659	15,140,537	992,248

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶21

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization 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
Brasfield Gorrie 1990 Vaughn Rd NW Suite 100 MARIETTA, GA 30144	General Contractor	401,227
CDH PARTNERS 675 TOWER RD MARIETTA, GA 30060	General Contractor	1,904,804
Elekta Inc PO Box 404199 ATLANTA, GA 303844199	Information Services	160,162
Surgical Operational Service 505 Commerce Park Drive Suite G MARIETTA, GA 30060	SUPPLY CONSULTING	153,150
AIKEN GRADING COMPANY PO BOX 106 DALLAS, GA 30132	General Contractor	345,938

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 ▶8

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f	▶	0			
Program Service Revenue			Business Code				
	2a	HOSPITAL PATIENT REVENUE	621990	65,462,010	65,462,010		
	b	MEDICAL RECORDS	621990	15	15		
	c	MEDICAID REIMB (MEANINGFUL USE)	621990	164,386	164,386		
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f	▶	65,626,411			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)	▶	0			
	4	Income from investment of tax-exempt bond proceeds	▶	0			
	5	Royalties	▶	0			

	(i) Real	(ii) Personal
6a Gross rents	23,100	
b Less rental expenses		
c Rental income or (loss)	23,100	

		(A)	(B)	(C)	(D)
d	Net rental income or (loss) ▶	23,100			23,100

	(i) Securities	(ii) Other
7a Gross amount from sales of assets other than inventory		1,300
b Less cost or other basis and sales expenses		
c Gain or (loss)		1,300

				(A)	(B)	(C)	(D)
7d	Net gain or (loss)		▶	1,300			1,300
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	RETAIL PHARMACY		446199	85,098			85,098
b	CAFETERIA		722210	194,576			194,576
c	IMMUNIZATIONS		621990	9,871			9,871
d	All other revenue			45,103			45,103
e	**Total.** Add lines 11a–11d		▶	334,648			
12	**Total revenue.** See Instructions		▶	65,985,459	65,626,411		359,048

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	375	375		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	0	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	520,887	449,578	71,309	
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	23,831,735	20,568,425	3,263,310	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,230,592	1,062,124	168,468	
9 Other employee benefits	2,002,851	1,728,661	274,190	
10 Payroll taxes	1,759,741	1,518,832	240,909	
11 Fees for services (non-employees)				
a Management	0			
b Legal	596		596	
c Accounting	0			
d Lobbying	0			
e Professional fundraising *See Part IV, line 17* . .	0			
f Investment management fees	0			
g Other	1,577,517	1,534,059	43,458	
12 Advertising and promotion	479	88	391	
13 Office expenses	3,772,231	2,603,725	1,168,506	
14 Information technology	0			
15 Royalties . .	0			
16 Occupancy	1,273,869	551,655	722,214	
17 Travel	64,165	39,590	24,575	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	33,020	9,575	23,445	
20 Interest	9,538		9,538	
21 Payments to affiliates	10,188,030	8,793,289	1,394,741	
22 Depreciation, depletion, and amortization	2,843,019	1,688,949	1,154,070	
23 Insurance	306,033		306,033	
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 REPAIRS & MAINTENANCE	1,530,124	1,057,854	472,270	
b MEDICAL SUPPLIES	4,207,939	4,207,939		
c OTHER OPERATING EXPENSES	821,900	816,667	5,233	
d				
e				
f All other expenses				
25 **Total functional expenses.** Add lines 1 through 24f	55,974,641	46,631,385	9,343,256	0
26 **Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

					(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing			1,400	1	1,600
	2	Savings and temporary cash investments			64,220	2	48,576
	3	Pledges and grants receivable, net			0	3	0
	4	Accounts receivable, net			6,795,542	4	8,992,487
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			0	6	0
	7	Notes and loans receivable, net			0	7	0
	8	Inventories for sale or use			1,095,030	8	853,611
	9	Prepaid expenses and deferred charges			358,555	9	443,140
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a	66,889,653			
	b	Less accumulated depreciation	10b	30,235,211	24,275,531	10c	36,654,442
	11	Investments—publicly traded securities			0	11	0
	12	Investments—other securities See Part IV, line 11			0	12	0
	13	Investments—program-related See Part IV, line 11			0	13	0
	14	Intangible assets			0	14	0
	15	Other assets See Part IV, line 11			701,113	15	409,573
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)			33,291,391	16	47,403,429
Liabilities	17	Accounts payable and accrued expenses			5,087,405	17	7,202,414
	18	Grants payable			0	18	0
	19	Deferred revenue			0	19	0
	20	Tax-exempt bond liabilities			0	20	0
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			0	22	0
	23	Secured mortgages and notes payable to unrelated third parties			0	23	0
	24	Unsecured notes and loans payable to unrelated third parties			0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D			6,351,909	25	106,406,699
	26	**Total liabilities.** Add lines 17 through 25			11,439,314	26	113,609,113
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**					
	27	Unrestricted net assets			21,852,077	27	-66,205,684
	28	Temporarily restricted net assets			0	28	0
	29	Permanently restricted net assets			0	29	0
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			21,852,077	33	-66,205,684
	34	Total liabilities and net assets/fund balances			33,291,391	34	47,403,429

Part XI **Reconcilliation of Net Assets**

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	65,985,459
2	Total expenses (must equal Part IX, column (A), line 25)	2	55,974,641
3	Revenue less expenses Subtract line 2 from line 1	3	10,010,818
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	21,852,077
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-98,068,579
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	-66,205,684

Part XII **Financial Statements and Reporting**

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other ____________ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separated basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b		

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SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
PAULDING MEDICAL CENTER INC

Employer identification number
58-2095884

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?

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

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

(i) Name of supported organization	**(ii)** EIN	**(iii)** Type of organization (described on lines 1- 9 above or IRC section (see instructions))	**(iv)** Is the organization in col (i) listed in your governing document? Yes	No	**(v)** Did you notify the organization in col (i) of your support? Yes	No	**(vi)** Is the organization in col (i) organized in the U S ? Yes	No	**(vii)** Amount of support?
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 (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 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 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 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

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
PAULDING MEDICAL CENTER INC

Employer identification number
58-2095884

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b Assets included in Form 990, Part X ▶ $ ______________

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a Board designated or quasi-endowment ▶

b Permanent endowment ▶

c Term endowment ▶

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

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

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI 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		3,170,972		3,170,972
b Buildings		17,412,280	11,319,197	6,093,083
c Leasehold improvements		356,123	279,786	76,337
d Equipment		26,544,755	18,636,228	7,908,527
e Other		19,405,523		19,405,523
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				36,654,442

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

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

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

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

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

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

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
ASSET RETIREMENT OTHER LT	599,329
TAX EXEMPT BOND LIAB-DUE TO WH	105,807,370
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	106,406,699

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

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

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

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
SCH D PART X, LINE 2- LIABILITIES		The following footnote is taken from the audited financial statements for Wellstar Health System and Affiliates (including Paulding Medical Center) "WellStar and all but one of its affiliates have been recognized as exempt from Federal income tax under Internal Revenue Code Section 501(a) as organizations described in Section Sec 501(c)(3) and, therefore, related income is generally not subject to Federal or state income taxes CAC is a controlled foreign corporation not subject to Federal tax WellStar applies FASB ASC 740, Income Taxes, which addresses accounting for uncertainties in income tax positions It also provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined There is no impact on WellStar's combined financial statements as a result of the application of ASC 740 "

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
PAULDING MEDICAL CENTER INC

Employer identification number
58-2095884

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 ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
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 *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care	3a	Yes	
	☐ 100% ☐ 150% ☐ 200% ☑ Other 125. %			
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other ____ %			
c	If the organization 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"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's 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 eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit reportduring 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)			5,093,830		5,093,830	9 100 %
b Medicaid (from Worksheet 3, column a)			6,775,228	5,155,680	1,619,548	2 890 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			11,869,058	5,155,680	6,713,378	11 990 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			107,175		107,175	0 190 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j **Total** Other Benefits			107,175		107,175	0 190 %
k **Total.** Add lines 7d and 7j			11,976,233	5,155,680	6,820,553	12 180 %

Part II **Community 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
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 **Total**						

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense	2	3,557,899		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	722,679		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	13,264,259
6	Enter Medicare allowable costs of care relating to payments on line 5	6	16,244,251
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-2,979,992

8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

			Yes	No
9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes	

Part IV **Management 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				

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Wellstar Paulding Hospital 600 West Memorial Drive Dallas, GA 300666340	X	X					X		Skilled Nursing Home

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)

Name of Hospital Facility: Wellstar Paulding Hospital

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	**1**		
If "Yes," indicate what the Needs Assessment describes (check all that apply) **a** ☐ A definition of the community served by the hospital facility **b** ☐ Demographics of the community **c** ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community **d** ☐ How data was obtained **e** ☐ The health needs of the community **f** ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups **g** ☐ The process for identifying and prioritizing community health needs and services to meet those needs **h** ☐ The process for consulting with persons representing the community's interests **i** ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs **j** ☐ Other (describe in Part VI)			
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?	**5**		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) **a** ☐ Hospital facility's website **b** ☐ Available upon request from the hospital facility **c** ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) **a** ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community **b** ☐ Execution of the implementation strategy **c** ☐ Development of a community-wide community benefit plan for the facility **d** ☐ Participation in community-wide community benefit plan **e** ☐ Inclusion of a community benefit section in operational plans **f** ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA **g** ☐ Prioritization of health needs in the community **h** ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community **i** ☐ 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?	**9**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 125 % If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing discounted care?	10	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 % If "No," explain in Part VI the criteria the hospital facility used			
11 Explained the basis for calculating amounts charged to patients?	11	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☑ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☑ State regulation			
h ☐ Other (describe in Part VI)			
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?	13	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted at all times on the hospital facility's web site			
b ☑ The policy was attached to all billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☑ The policy was available upon request			
g ☑ Other (describe in Part VI)			
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 ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments or arrests			
e ☐ 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?	16		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
a ☑ Notified patients of the financial assistance policy upon admission			
b ☑ Notified patients of the financial assistance policy prior to discharge			
c ☑ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☑ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e ☐ 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?	**18**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Individuals Eligible for Financial Assistance

		Yes	No
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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☑ 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 ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ 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?	**20**		No
If "Yes," explain in Part VI			
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?	**21**		No
If "Yes," explain in Part VI			

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?

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the 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, 6i, 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
Publication of Annual Community Benefit Report	Sch H Part I Line 6a	Paulding Medical Center, Inc is an affiliate of Wellstar Health System, Inc which on an annual basis issues a community benefit report This report is subsequently distributed in and around the five county service area of the health system

Identifier	ReturnReference	Explanation
Cost to Charge Ratio	Sch H Part I Line 7	For purposes of the IRS Form 990 Schedule H, Wellstar Health System and Affiliates (including Paulding Hospital) have estimated the current year cost to charge ratio for each hospital as it is reported in the annual community benefit report and as it will be reported in the state's Annual Hospital Financial Survey

Identifier	ReturnReference	Explanation
Footnote on Bad Debt and Rationale for Community Benefit	Schedule H Part III Line 4	The following footnote is detailed in the Wellstar Health System, Inc and Affiliates Combined Financial Statements related to bad debt or uncollectible accounts "During 2011, Wellstar adopted the provisions of FASB Accounting Standards Update (2011-07), Healthcare Entities (Topic 954) ASU 2011-07 requires the reclassification of the provision for uncollectible accounts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) " " Wellstar recognizes patient service revenue associated with services provided to patients with third-party payor coverage on the basis of contractual rates for the services rendered For uninsured patients that do not qualify for community financial aid, Wellstar recognizes revenue on the basis of its discounted rates for services provided On the basis of historical experience, a significant portion of Wellstar's uninsured patients are unable or unwilling to pay for the services provided Thus, Wellstar records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided " Subsequent to the end of the reporting period a propensity to pay review of patient accounts often results in prior year bad debt accounts which are deemed eligible for the organization's financial assistance policy Those bad debt accounts are reclassified as charity and thus our rationale for including as community benefit

Identifier	ReturnReference	Explanation
Medicare Shortfalls	Sch H Part III Line 8	Paulding Hospital is a provider of inpatient and outpatient services to Medicare program beneficiaries at determined rates Without the participation in the Medicare program these patients may not have had convenient access to those services The Medicare shortfall on line 7 represents the uncompensated difference between the expected reimbursement and the Medicare charges for those services stated at cost We determine a cost to charge ratio for Medicare patients as part of the annual filing of the Medicare cost report

Identifier	ReturnReference	Explanation
Collection Practices	Sch H Part III Sec C Line 9b	The policy written for collection practices that applies to all Wellstar Health System entities incorporates guidelines for personnel in the admissions and patient access areas to be trained in identifying patients that might qualify for financial assistance It is also the policy of all Wellstar facilities to have at least one employee or contractor available at all times, especially in the hospitals with emergency rooms, who can provide assistance with the paperwork necessary to help patients who would qualify for governmental and other assistance programs

Identifier	ReturnReference	Explanation
Hospital Description	Schedule H Part V	Wellstar Paulding Hospital is a general acute care hospital providing a full range of services It is licensed to operate 83 beds by the State of Georgia but is staffed to operate 34 beds The hospital is located on 50-acre campus in Dallas, Georgia in a complex of commercial buildings containing approximately 230,000 square feet The original hospital was built in 1958 and since that time has seen at least five major structural additons and renovations A new state of the art replacement hospital is planned to open in 2014

Identifier	ReturnReference	Explanation
Needs Assessment	Schedule H Part VI Line 2	Wellstar Health System (and affiliates) is a key stakeholder in MAPP, Mobilizing for Action through Planning and Partnerships MAPP, developed by the National Association of County and City Health Officials (NACCHO) in collaboration with the CDC, provides a structured guidance on creating and implementing a community-wide strategic planning process focused on improving the health and safety of our population Through MAPP, a broad collection of community partners and residents come together to identify and prioritize health and safety issues and to identify resources for addressing them The process results in an actionable community health improvement plan (CHIP) for measurable improvements in the community's health and quality of life as well as a scorecard for implementation and evaluation The resulting community plan does not focus on one agency or community health challenge, rather, MAPP provides a long-term strategy that addresses the multiple factors that affect health in the community Community involvement throughout the creation and the implementation of a health improvement plan results in creative solutions to community health problems with an improved focus on priorities, reduced duplication of services, increased collaboration on projects and activities, and increased capacity to garner additional resources Moreover, continous community involvement leads to community ownershiop of the process Community ownership, in turn, increases the credibility and sustainability of the health improvement efforts

Identifier	ReturnReference	Explanation
Patient Education of Eligibility for Assistance	Schedule H Part VI Line 3	Paulding Hospital provides its patients with hospital personnel or contracted personnel who are trained in all aspects of governmental programs, payments plans, charity discounts, and other financial assistance offered to assist them in their hospital bills If the patient is eligible for federal or state assistance programs, a staff member is knowledgeable in the steps necessary to qualify those individuals If a patient is indigent or charity eligible they will be offered assistance through the hospital's charity and indigent care policy including the state's indigent care trust fund If the patient has no other insurance and fails to qualify for indigent care assistance, the financial counselor can then offer the patient an opportunity to accept a payment plan with discounted payment options based on their ability to pay immediately or over time All patient are afforded these opportunities

Identifier	ReturnReference	Explanation
Community Information	Schedule H Part VI Line 4	Paulding Hospital is one of five hospitals that are affiliated with the parent corporation, Wellstar Health System The primary service area of the system is located in the Northwest Georgia area and receives the majority of its patients from one of five counties (Cherokee, Cobb, Douglas, Bartow and Paulding) Generally about 85% to 90% of the patient volume comes from this service area although other health systems have a presence in the area as well Demographically the region is one of the fastest growing in the state as well as the country and the expansion of the services for the patient population reflects a desire to offer healthcare "closer to home" since Wellstar is considered a part of a larger metropolitan Atlanta market Economically the region is strong in per capita income but given recent trends a rise in the uninsured and indigent population has occured

Identifier	ReturnReference	Explanation
Affiliated Health Care System Roles	Schedule H Part VI Line 7	As stated in the Wellstar Health System, Inc and Affiliates audited financial statments for the period ended June 30, 2012, Paulding Hospital (an affiliate of Wellstar Health System, Inc) operates as a charitable organization consistent with the requirements of Internal Revenue Code Sect 501 (c) (3) and the "community benefit standard" of IRS Ruling 69-545 In this regard the governing body of the organization and/or ist parent is composed of prominent citizens in the community, medical staff privileges in the hospital are available to all qualifed physicians in the area consistent with the size and nature of the facility, the hospital operates a full-time emergency room open to all regardless of ability to pay, and the hospital provides care to the needy members of the community consistent with its charity care policy The hospital's excess funds are genrally applied to expansion and replacement of existing facilities and equipment, amortization of indebtedness, improvement fo patient care, community benefit activities, and charity care Paulding Hospital committed approximately $4 8 million in capital expenditures for the year to meet those needs

Identifier	ReturnReference	Explanation
Publication of Financial Assistance Policy	Sch H Part V Line 13g	In addition to the posting of the financial assistance policy in various locations throughout the hospital, the patient financial servies and patient access service departments provide a brochure which includes frequently asked questions about the terms and conditions associated with the policy

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
PAULDING MEDICAL CENTER INC

Employer identification number
58-2095884

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☑ First-class or charter travel ☑ Housing allowance or residence for personal use ☑ Travel for companions ☐ Payments for business use of personal residence ☑ Tax idemnification and gross-up payments ☑ Health or social club dues or initiation fees ☑ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**		No
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 ☑ Compensation committee ☑ Written employment contract ☑ Independent compensation consultant ☑ Compensation survey or study ☐ Form 990 of other organizations ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**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**		
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use 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
SEVERANCE BENEFITS	SCHEDULE J	Pursuant to their respective employment agreements, the following groups of officers are entitled to severance payments based on their base salary and wages at that time in the event of certain identified circumstances The officers with a severance payment period of 24 months as per their contractual agreement are David Anderson Reynold J Jennings The officers with a severance payment period of 18 months as per their respective agreements are Joseph Brywczynski A James Budzinski Donald Campbell MD Barbara Corey Marcia Delk MD Michael Graue T Mark Haney Bruce Harrison Robert Jansen MD Christopher Kane Kenneth Kunze MD Lou Little Richard Lopes MD Kimberly Menefee Jonathan B Morris MD Craig Owens Leo E Reichert Ron Strachan Anthony M Trupiano Mary L Wesley Robin Wilson The officers with a severance payment period of 12 months as per their agreement Valery Akopov Barbara Ballard Bruce Dean Carol Edwards Darold Etheridge Lee Evins Robert Hamilton Elizabeth Hoffmann Beth Kost Ellen Langford Robert Mandler Carol Maxwell Deborah Roegge DeVita C Brett Scullen James Swartz Mary L Tavernaro Adam Thompson Chester Zborowski During the calendar year, the following individuals received a payout in the amounts listed in accordance with their severance agreements as set forth above Bruce Harrison-$21,897 Gregory L Simone-$248,936 Bonnie Wilson-$244,138
Non-Fixed Payments to Officers	Form 990 Schedule J Line 7	Wellstar has instituted an annual incentive plan for key leaders in the company (however a variation of the incentive plan is now available to all team members) On an annual basis performance measures are proposed by management and recommended and approved by the Compensation Committee of the Board The plan is designed to retain and reward leaders with incentives that keep them competitive with the market and comparable health systems The criteria used to measure the performance consists of weighted factors in the areas of financial performance, customer service, employee engagement and quality indicators Upon successful acheivement in various targeted levels for each factor an overall performance measurement is developed for each individual Based on that measurement a performance payout is recommended and approved by the Board of Trustees after the annual financial audit is completed
Other Compensation	Form 990, Schedule J, Part 1B & 2	While Wellstar Health System and its affiliates do not have a written policy regarding payment or reimbursement of the items listed in Part 1 Line 1a, the organization follows IRS guidelines in the payment of any of these items to individuals listed in Form 990 Part VII Section A These items are added as taxable wages on the individual's Form W-2 as appropriate
Compensation Exceptions	Schedule J Part III	On Schedule J of IRS Form 990 the following individuals were employed by Wellstar Health System, Inc as officers during the fiscal year reporting period but had no salary and benefits reported during the calendar year for which this schedule applies Valery Akopov and Chester Zborowski

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 58-2095884
Name: PAULDING MEDICAL CENTER INC

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				
Thomas E Gearhard MD	(i)	0	0	0	0	0	0	0
	(ii)	249,303	184,230	7,854	23,371	7,222	471,980	0
Jeffery Tharp MD	(i)	0	0	0	0	0	0	0
	(ii)	308,337	89,305	110,900	26,140	5,277	539,959	0
A James Budzinski	(i)	0	0	0	0	0	0	0
	(ii)	464,491	454,394	13,736	43,675	4,778	981,074	0
Avril Beckford MD	(i)	0	0	0	0	0	0	0
	(ii)	261,712	49,363	87,767	21,377	0	420,219	0
Reynold J Jennings	(i)	0	0	0	0	0	0	0
	(ii)	339,346	0	9,339	14,385	0	363,070	0
Gregory L Simone MD	(i)	0	0	0	0	0	0	0
	(ii)	248,936	0	0	10,168	3,724	262,828	0
Bonnie Wilson	(i)	0	0	0	0	0	0	0
	(ii)	244,138	0	0	10,168	3,595	257,901	0
David W Anderson	(i)	0	0	0	0	0	0	0
	(ii)	388,078	100,027	15,495	25,522	3,553	532,675	0
Donald Campbell MD	(i)	0	0	0	0	0	0	0
	(ii)	314,601	64,127	220,711	29,646	3,894	632,979	0
Barbara B Corey	(i)	0	0	0	0	0	0	0
	(ii)	276,741	58,195	10,800	19,361	3,500	368,597	0
Bruce Dean	(i)	0	0	0	0	0	0	0
	(ii)	201,641	72,017	9,095	16,148	6,172	305,073	0
Marcia Delk MD	(i)	0	0	0	0	0	0	0
	(ii)	337,360	71,529	11,748	22,572	10,259	453,468	0
Clarence H Evins	(i)	0	0	0	0	0	0	0
	(ii)	191,938	29,473	28,782	14,197	4,155	268,545	0
T Mark Haney	(i)	262,289	55,848	13,718	18,810	5,355	356,020	0
	(ii)	0	0	0	0	0	0	0
Christopher M Kane	(i)	0	0	0	0	0	0	0
	(ii)	318,290	66,617	11,200	21,485	5,722	423,314	0
Kenneth Kunze MD	(i)	0	0	0	0	0	0	0
	(ii)	569,002	118,114	11,850	33,824	1,767	734,557	0
Lou Little	(i)	0	0	0	0	0	0	0
	(ii)	224,975	50,944	10,800	16,978	7,630	311,327	0
Kimberly Menefee	(i)	0	0	0	0	0	0	0
	(ii)	258,803	54,544	12,035	18,482	3,861	347,725	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				
Ronald Strachan	(i)	0	0	0	0	0	0	0
	(ii)	287,145	49,464	155,749	22,279	2,228	516,865	0
John Law	(i)	149,972	6,460	0	6,399	0	162,831	0
	(ii)	0	0	0	0	0	0	0
Andrea M Parson	(i)	128,770	9,840	0	8,467	6,972	154,049	0
	(ii)	0	0	0	0	0	0	0
Carol O'Connell	(i)	124,873	14,377	1,200	8,407	3,702	152,559	0
	(ii)	0	0	0	0	0	0	0
Vicky Lynn Hogue	(i)	160,761	19,571	8,700	11,266	3,630	203,928	0
	(ii)	0	0	0	0	0	0	0
Bolan Dreher	(i)	137,900	350	0	8,232	5,284	151,766	0
	(ii)	0	0	0	0	0	0	0
ROBERT MANDLER	(i)	0	0	0	0	0	0	0
	(ii)	206,312	31,122	29,545	14,907	3,861	285,747	0
MICHAEL GRAUE	(i)	0	0	0	0	0	0	0
	(ii)	527,427	138,784	14,036	33,360	9,911	723,518	0
JONATHAN MORRIS	(i)	0	0	0	0	0	0	0
	(ii)	267,997	136,358	12,039	22,332	5,491	444,217	0
ELLEN LANGFORD	(i)	0	0	0	0	0	0	0
	(ii)	186,452	80,169	8,700	11,975	2,680	289,976	0
Anthony M Trupiano	(i)	0	0	0	0	0	0	0
	(ii)	237,972	36,641	9,460	16,516	0	300,589	0
Robin Wilson MD	(i)	0	0	0	0	0	0	0
	(ii)	290,890	205,797	10,100	21,394	10,722	538,903	0
Joseph L Brywczynski	(i)	0	0	0	0	0	0	0
	(ii)	249,445	51,540	10,800	17,759	1,853	331,397	0
Elizabeth A Hoffmann	(i)	0	0	0	0	0	0	0
	(ii)	194,472	30,603	8,700	9,763	1,767	245,305	0
Richard T Lopes MD	(i)	0	0	0	0	0	0	0
	(ii)	563,490	98,330	95,995	35,223	1,715	794,753	0
James M Swartz	(i)	0	0	0	0	0	0	0
	(ii)	180,180	28,991	8,700	9,268	5,669	232,808	0
Mary L Wesley	(i)	0	0	0	0	0	0	0
	(ii)	295,174	151,203	11,340	18,920	2,911	479,548	0
Barbara G Ballard	(i)	0	0	0	0	0	0	0
	(ii)	218,870	31,523	8,720	14,225	8,472	281,810	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				
Carol S Edwards	(i)	0	0	0	0	0	0	0
	(ii)	260,780	29,770	35,043	18,289	1,857	345,739	0
Robert D Jansen MD	(i)	0	0	0	0	0	0	0
	(ii)	346,951	98,895	63,278	21,176	5,491	535,791	0
Beth Kost	(i)	0	0	0	0	0	0	0
	(ii)	225,630	35,433	8,700	15,958	1,767	287,488	0
Brett Scullen	(i)	0	0	0	0	0	0	0
	(ii)	159,623	20,304	8,700	7,837	216	196,680	0
Adam C Thompson	(i)	0	0	0	0	0	0	0
	(ii)	152,126	24,158	9,300	7,783	2,752	196,119	0
Leo E Reichert	(i)	0	0	0	0	0	0	0
	(ii)	438,716	168,080	16,557	28,317	7,782	659,452	0
Deborah DeVita Roegge	(i)	0	0	0	0	0	0	0
	(ii)	119,681	0	50,688	7,048	493	177,910	0
Mary L Tavernaro	(i)	0	0	0	0	0	0	0
	(ii)	191,015	27,108	6,392	13,871	1,681	240,067	0

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶See separate instructions.

OMB No 1545-0047
2011
Open to Public Inspection

Name of the organization
PAULDING MEDICAL CENTER INC

Employer identification number
58-2095884

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
Total . . . . ▶ $										

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
See Additional Data Table					

Part V **Supplemental Information**

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

Identifier	Return Reference	Explanation
Business Transactions with Interested Parties	Form 990 Schedule L Part IV	All transactions listed in Schedule L Part IV are for interested parties or in this case family members of either trustees or officers of Kennestone Hospital, Inc or its related organizations The transactions all represent payment of services as employees of Wellstar Health System

Additional Data

Software ID:
Software Version:
EIN: 58-2095884
Name: PAULDING MEDICAL CENTER INC

Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(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**
PAMELA ETHERIDGE	WIFE OF OFFICER	55,003	WELLSTAR EMPLOYEE		No
GREG FORTGANG	SON-IN-LAW OF BD MEMBER	92,895	WELLSTAR EMPLOYEE		No
GEORGE FLEMING	BROTHER OF OFFICER	60,969	WELLSTAR EMPLOYEE		No
JESSICA HANEY	DAUGHTER OF OFFICER	54,545	WELLSTAR EMPLOYEE		No
MATTHEW MADDOX	SON OF BOARD MEMBER	39,776	WELLSTAR EMPLOYEE		No
BONNIE MILLER	WIFE OF BOARD MEMBER	31,510	WELLSTAR EMPLOYEE		No
GREG SEPARK	SON OF BOARD MEMBER	59,724	WELLSTAR EMPLOYEE		No
GREG KOST	BROTHER-IN-LAW OF OFFICER	25,034	WELLSTAR EMPLOYEE		No

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
PAULDING MEDICAL CENTER INC

Employer identification number
58-2095884

Identifier	Return Reference	Explanation
Tax Compliance 990T Explanation	Part V Line 3a & b UBIT	Paulding Medical Center, Inc had no unrelated business income for the reporting period but is filing a 990-T to supplement discovery of that income in future periods

Identifier	Return Reference	Explanation
Conflict of Interest Policy	Part VI Policies Line 12a, b & c	Our Conflict of Interest Policy requires all covered persons to annually review the policy and complete, sign and return the conflicts of interest survey and attestation to the Compliance Office The policy requires an on-going disclosure obligation in the event a conflict arises during the year The following is our process to regularly and consistently monitor and enforce the policy Compliance identifies all covered persons who must complete the Survey and Attestation Compliance verifies that the survey and attestation is distributed to these persons Compliance verifies that these persons return a fully completed and signed survey and attestation Compliance reviews each completed and signed survey to identify all conflicts listed in the document All conflicts, potential conflicts and incidences of non-compliance are referred to the Chief Compliance Officer The CCO takes appropriate action to completely resolve all identified conflicts and incidences of non-compliance

Identifier	Return Reference	Explanation
Process for Determining Executive Compensation	Part VI Section B Policies Line 15A & B	Wellstar engages the Hay Group to work with the governing board to review and recommend executive compensation The executive compensation process at Wellstar is overseen by a committee of independent trustees, which follows a board-approved executive compensation philosophy The committee consists of three board members and the CEO acting in an ex-officio capacity In committtee discussions about the compensation for the Chief Executive Officer, the CEO will recuse himself from that process but is a non-voting committee member for discussions on all other officers The executive compensation philosophy empowers the committee to oversee the executive compensation process and administer the executive compensation program on behalf of the full board of trustee of Wellstar, provided, however, the full Board of Trustees evaluates and approves the compensation of the Chief Executive Officer The philosophy requires annual disclosure of the committee's actions and decisions to the full board, which it has done The committee is guided by the board-approved philosophy Overall, the philosophy is intended to reward for organizational and individual performance When performance is at a predetermined targeted level, the compensation is intended to be at or around the median of compensation paid to similar positions at similar organizations (the "market") Wellstar's executive compensation philosophy defines the market as being comprised of comparable not-for-profit health care delivery systems, i e , not-for-profit organizations similar in complexity and scale to Wellstar To assist the committee in fulfilling its duties, the committee engaged the Hay Group to provide market compensation data to compare to the Wellstar positions whose compensation the committee oversees The committee uses this data to provide context when making decisions in administering the compensation program Accurate minutes of the committee's discussion and decisions are recorded during each committee meeting, and reviewed and approved at the following committee meeting

Identifier	Return Reference	Explanation
Consolidated Financial Statements	Form 990 Part IV Line 12 & Part XI Line 2b	Paulding Medical Center, Inc is audited on an annual basis by an outside auditing firm, KPMG, and as part of that audit a consolidated financial statement is issued for all of WellStar Health System, Inc and its Affiliates "The independent auditors report includes the accounts of Wellstar and its controlled affiliates, Kennestone Hospital, Inc , Cobb Hospital, Inc , Douglas Hospital, Inc , Paulding Medical Center, Inc , Wellstar Foundation, Inc CHS Foundation, Inc , Community Assurance Company, Ltd , various Wellstar owned physician practices, a hospice facility, a nursing facility, home health business, and entities for infusion therapy and durable medical equipment All significant intercompany accounts and transactions have been eliminated in combination The Board of Trustees of Wellstar has the authority to approve appointments of the members of the board of trustees of all affiliate corporations "

Identifier	Return Reference	Explanation
Tax-Exempt Bonds Allocation	Form 990 Part IV Line 24a & Part X	For purposes of the Form 990 reporting, Wellstar Health System, Inc EIN 58-1649541 will list all tax-exempt bonds issued since January 1, 2003 on Schedule K as it typically allocates the proceeds of the bonds to members of the Obligated Group (including the hospitals and physician group) Paulding Medical Center, Inc will report this tax exempt bond liability on Part X, Line 25 Other Liabilities Paulding Medical Center, Inc has also restated its beginning balance sheet with respect to tax exempt bond liabilities as the amounts allocated to tax exempt bond liabilities are now included on Line 25

Identifier	Return Reference	Explanation
Compensation Reported on Form 990	Form 990 Part X Lines 5-10 & Schedule J, J-1 & J-2	All compensation amounts reported on Form 990 Part IX Lines 5-10 and Schedules J, J-I & J-2 represent compensation provided to individuals that provide services to Paulding Medical Center, Inc Likewise the number of employees reported on Part V Line 2a represent the number of individuals providing services to the organization All Federal Employment Tax responsibilities for those individuals are handled by Wellstar Health System, Inc (EIN 58-1649541)

Identifier	Return Reference	Explanation
Organizational Structure	Form 990 Part VI Section A Lines 6, 7a & 7b	As per the articles of incorporation, the sole member of the organization is Wellstar Health System, Inc , a GA nonprofit corporation As sole member, Wellstar Health System holds certain powers of election an approval in connection with the governing body of the organization These powers are presented in detail in the governing documents which the company makes available to the public upon request

Identifier	Return Reference	Explanation
Form 990 Copy to Board of Directors	Form 990 Part VI Line 11A	Internal staff prepare the organization's Form 990 Before filing the return with the Internal Revenue Service an external accounting firm, PricewaterhouseCoopers, reviews and sign-offs on the completed return of each organization The current year Form 990 is then reviewed by the Finance Committee along with a question and answer session A motion is then made by the Finance committee to approve the returns and present to the full board copies of the forms in an electronic (pdf format) version as well as a hard copy The organization's CFO or designee subsequently signs the return for either manual or electronic filing by the appropriate due date

Identifier	Return Reference	Explanation
Officers Hours Worked	Form 990 General Statement & Schedule J	The officers devote their time to all of the organizations with Wellstar Health System that are listed in Schedule R, Part II As such, the total hours worked by the officers across all of the organizations exceeds 40 hours per week

Identifier	Return Reference	Explanation
Current Officers/Directors Relationships	FORM 990 PART VI, SECTION A LINE 2	For a portion of the tax year two officers and directors for WellStar Health System, Inc --EIN 58-1649541 are related to each other through family Lou Little, Sr VP Post Acute Services and Administrator of Windy Hill Hospital is the brother-in-law of Gregory Simone, former President and CEO for the system

Identifier	Return Reference	Explanation
Disclosure of Financial Documents	FORM 990 PART VI SECTION C Line 19	The organization and its subsidiaries are subject to the Open Records Law in the State of Georgia Therefore, by law, citizens are permitted to inspect and copy its governing documents, policies and financial statements as may be requested from time to time Additionally, the organization's Form 990 is made readily available on the Guidestar website Periodically, the organization publishes its financial performance in the local newspaper for citizens to review, and it also publishes a community benefit report once a year for distribution to the public

Identifier	Return Reference	Explanation
SCHEDULE L PART IV TRANSACTIONS WITH INTERESTED PARTIES		Several transactions with interested parties of Paulding Medical Center Inc all fall below the $100,000 threshold in business transactions

Identifier	Return Reference	Explanation
Changes In Net Assets	Form 990 Part XI Line 5	For the reporting period Paulding Medical Center, Inc had a change in net assets of ($98,690,515) related to transfers to affiliates as part of the allocation of income statement and balance sheet transactions over the year

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Randall Bentley TITLE Board Member- Chairman HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Robert N Cross MD TITLE Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME.T E. Durham TITLE.Board Member HOURS 5

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Thomas E Gearhard, MD TITLE Board Member HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME David Hafner, MD TITLE Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Charles J Jones TITLE Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Connie Kirk TITLE Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Janie Maddox TITLE Board Member -Vice Chair HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME:Gary A Miller TITLE:Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Steven W Oweida, MD TITLE Board Member, Chair HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Tom Phillips TITLE Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME.Walter G Robinson TITLE.Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Otis Brumby, III TITLE Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME:W Allen Separk TITLE:Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME.T Fitz Johnson TITLE Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Jeffery Tharp MD TITLE Board Member HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Charles "Pete" Wood TITLE Board Member HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Avril Beckford, MD TITLE Board Member HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME A James Budzinski TITLE Exec VP and CFO HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Reynold J Jennings TITLE President & CEO HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME David W Anderson TITLE Exec VP HR/OL/CCO HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Donald Campbell, MD TITLE Sr VP Physician Education HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Barbara B Corey TITLE Sr VP Managed Care HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME:Bruce Dean TITLE:VP Real Estate/Dep Gen Counsel HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Marcia Delk, MD TITLE Sr VP Medical Affairs & CQO HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Clarence H Evins TITLE VP Revenue Cycle Mgmt HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME T Mark Haney TITLE Sr VP & Hospital President HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Christopher M Kane TITLE Sr VP Strategic Planning HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Kenneth Kunze, MD TITLE Sr VP and Chief Med Officer HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Lou Little TITLE Sr VP Post Acute & Hosp Admin HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Kimberly Menefee TITLE Sr VP Public Affairs & Gov Rel HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME:Ronald Strachan TITLE:Sr VP & CIO HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Vicky Lynn Hogue TITLE VP/CNO Patient Care Services HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME ROBERT MANDLER TITLE VP Diagnostic Outreach HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME MICHAEL GRAUE TITLE EXEC VP COO HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME JONATHAN MORRIS TITLE Sr VP & CIO HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME ELLEN LANGFORD TITLE VP & COO PHY GRP HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Anthony M Trupiano TITLE Sr VP Supply Chain HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Robin Wilson, MD TITLE Sr VP Performance Innovation HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Joseph L Brywcznski TITLE Sr VP Health Parks Admin HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Elizabeth A Hoffmann TITLE VP Budget & Analysis HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Richard T Lopes, MD TITLE Sr VP & Pres Wellstar Phy Grp HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME James M Swartz TITLE VP Accounting HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Mary L Wesley TITLE Sr VP Nursing Services & CNE HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Barbara G Ballard TITLE VP Homecare and Hospice HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Carol S Edwards TITLE VP Cardiac Services HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Robert D Jansen, MD TITLE VP Medical Affairs HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Beth Kost TITLE VP Compliance/Ch Privacy Offr HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Brett Scullen TITLE VP Pulmonology Operations HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Adam C Thompson TITLE VP Surgery HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Leo E Reichert TITLE Exec VP and General Counsel HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Deborah DeVita Roegge TITLE VP Women's and Newborn Srvcs HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Mary L Tavernaro TITLE VP Human Resources Operations HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Carol B Maxwell TITLE VP HR-Talent Acquistion HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Chester Zborowski TITLE VP Health Park Operations HOURS 50

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Valery Akopov TITLE VP Chief Hospitalists Services HOURS 50

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
PAULDING MEDICAL CENTER INC

Employer identification number
58-2095884

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) CHS Foundation 805 Sandy Plains Road Marietta, GA 30066 58-1649540	Foundation	GA	501 (c) (3)	11 Type 2	NA	Yes	
(2) Cobb Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-0968382	Healthcare	GA	501 (c) (3)	3	NA	Yes	
(3) Douglas Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-2026750	Healthcare	GA	501 (c) (3)	3	NA	Yes	
(4) Kennestone Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-2032904	Healthcare	GA	501 (c) (3)	3	NA	Yes	
(5) Wellstar Foundation 805 Sandy Plains Road Marietta, GA 30066 58-1627413	Foundation	GA	501 (c) (3)	11 Type 2	NA	Yes	
(6) Wellstar Health System 805 Sandy Plains Road Marietta, GA 30066 58-1649541	Healthcare	GA	501 (c) (3)	11 Type 2	NA		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) Cobb Hospital Parking Company LLC 805 Sandy Plains Road Marietta, GA 300666340 75-2999669	Parking	GA	NA	Investment	75,069	783,098		No			No	
(2) Kennestone East Parking Deck LLC 805 Sandy Plains Road Marietta, GA 300666340 20-0537100	Parking	GA	NA	Investment	-48,320	2,644,650		No			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) Community Assurance Co 3rd Fl Barclays House Shedden Rd George Town, Grand Cayman, BWI CJ 58-1649541	Insurance	CJ	WHS Inc	C		59,852,977	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.)

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III or IV			
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	**1a**		**No**
b Gift, grant, or capital contribution to related organization(s)	**1b**		**No**
c Gift, grant, or capital contribution from related organization(s)	**1c**		**No**
d Loans or loan guarantees to or for related organization(s)	**1d**		**No**
e Loans or loan guarantees by related organization(s)	**1e**		**No**
f Sale of assets to related organization(s)	**1f**		**No**
g Purchase of assets from related organization(s)	**1g**		**No**
h Exchange of assets with related organization(s)	**1h**		**No**
i Lease of facilities, equipment, or other assets to related organization(s)	**1i**		**No**
j Lease of facilities, equipment, or other assets from related organization(s)	**1j**		**No**
k Performance of services or membership or fundraising solicitations for related organization(s)	**1k**		**No**
l Performance of services or membership or fundraising solicitations by related organization(s)	**1l**		**No**
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	**1m**		**No**
n Sharing of paid employees with related organization(s)	**1n**		**No**
o Reimbursement paid to related organization(s) for expenses	**1o**		**No**
p Reimbursement paid by related organization(s) for expenses	**1p**		**No**
q Other transfer of cash or property to related organization(s)	**1q**		**No**
r Other transfer of cash or property from related organization(s)	**1r**		**No**

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

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

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

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

(a) Name, address, and EIN of entity	**(b)** Primary activity	**(c)** Legal domicile (state or foreign country)	**(d)** Predominant income(related, unrelated, excluded from tax under sections 512-514)	**(e)** Are all partners section 501(c)(3) organizations?		**(f)** Share of total income	**(g)** Share of end-of-year assets	**(h)** Disproprtionate 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**		**Yes**	**No**	

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data Return to Form

Software ID:
Software Version:
EIN: 58-2095884
Name: PAULDING MEDICAL CENTER INC

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	g Section 512 (b)(13) controlled organization	
CHS Foundation 805 Sandy Plains Road Marietta, GA 30066 58-1649540	Foundation	GA	501 (c) (3)	11 Type 2	NA	Yes	
Cobb Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-0968382	Healthcare	GA	501 (c) (3)	3	NA	Yes	
Douglas Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-2026750	Healthcare	GA	501 (c) (3)	3	NA	Yes	
Kennestone Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-2032904	Healthcare	GA	501 (c) (3)	3	NA	Yes	
Wellstar Foundation 805 Sandy Plains Road Marietta, GA 30066 58-1627413	Foundation	GA	501 (c) (3)	11 Type 2	NA	Yes	
Wellstar Health System 805 Sandy Plains Road Marietta, GA 30066 58-1649541	Healthcare	GA	501 (c) (3)	11 Type 2	NA		No

Additional Data

Software ID:
Software Version:
EIN: 58-2095884
Name: PAULDING MEDICAL CENTER INC

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			
Randall Bentley Board Member- Chairman	1 0	X						0	16,769	0
Robert N Cross MD Board Member	1 0	X						0	4,272	0
TE Durham Board Member	1 0	X						0	36,443	1,430
Thomas E Gearhard MD Board Member	1 0	X						0	441,387	30,593
David Hafner MD Board Member	1 0	X						0	17,769	0
Charles J Jones Board Member	1 0	X						0	12,580	0
Connie Kirk Board Member	1 0	X						0	4,675	0
Janie Maddox Board Member -Vice Chair	1 0	X						0	15,634	0
Gary A Miller Board Member	1 0	X						0	1,742	0
Steven W Oweida MD Board Member, Chair	1 0	X						0	16,946	0
Tom Phillips Board Member	1 0	X						0	6,165	0
Walter G Robinson Board Member	1 0	X						0	3,954	0
Otis Brumby III Board Member	1 0	X						0	2,374	0
W Allen Separk Board Member	1 0	X						0	8,095	0
T Fitz Johnson Board Member	1 0	X						0	3,730	0
Jeffery Tharp MD Board Member	1 0	X						0	508,542	31,417
Charles Pete Wood Board Member	1 0	X						0	13,025	0
Avril Beckford MD Board Member	1 0	X						0	398,842	21,377
A James Budzinski Exec VP and CFO	2 0			X				0	932,621	48,453
Reynold J Jennings President & CEO	2 0			X				0	348,685	14,385
David W Anderson Exec VP HR/OL/CCO	2 0			X				0	503,600	29,075
Donald Campbell MD Sr VP Physician Education	2 0			X				0	599,439	33,540
Barbara B Corey Sr VP Managed Care	2 0			X				0	345,736	22,861
Bruce Dean VP Real Estate/Dep Gen Counsel	2 0			X				0	282,753	22,320
Marcia Delk MD Sr VP Medical Affairs & CQO	2 0			X				0	420,637	32,831

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) Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
Clarence H Evins VP Revenue Cycle Mgmt	2 0			X				0	250,193	18,352
T Mark Haney Sr VP & Hospital President	50 0			X				331,855	0	24,165
Christopher M Kane Sr VP Strategic Planning	2 0			X				0	396,107	27,207
Kenneth Kunze MD Sr VP and Chief Med Officer	2 0			X				0	698,966	35,591
Lou Little Sr VP Post Acute & Hosp Admin	2 0			X				0	286,719	24,608
Kimberly Menefee Sr VP Public Affairs & Gov Rel	2 0			X				0	325,382	22,343
Ronald Strachan Sr VP & CIO	2 0			X				0	492,358	24,507
Vicky Lynn Hogue VP/CNO Patient Care Services	50 0			X				189,032	0	14,896
ROBERT MANDLER VP Diagnostic Outreach	2 0			X				0	266,979	18,768
MICHAEL GRAUE EXEC VP COO	2 0			X				0	680,247	43,271
JONATHAN MORRIS Sr VP & CIO	2 0			X				0	416,394	27,823
ELLEN LANGFORD VP & COO PHY GRP	2 0			X				0	275,321	14,655
Anthony M Trupiano Sr VP Supply Chain	2 0			X				0	284,073	16,516
Robin Wilson MD Sr VP Performance Innovation	2 0			X				0	506,787	32,116
Joseph L Brywcznski Sr VP Health Parks Admin	2 0			X				0	311,785	19,612
Elizabeth A Hoffmann VP Budget & Analysis	2 0			X				0	233,775	11,530
Richard T Lopes MD Sr VP & Pres Wellstar Phy Grp	2 0			X				0	757,815	36,938
James M Swartz VP Accounting	2 0			X				0	217,871	14,937
Mary L Wesley Sr VP Nursing Services & CNE	2 0			X				0	457,717	21,831
Barbara G Ballard VP Homecare and Hospice	2 0			X				0	259,113	22,697
Carol S Edwards VP Cardiac Services	2 0			X				0	325,593	20,146
Robert D Jansen MD VP Medical Affairs	2 0			X				0	509,124	26,667
Beth Kost VP Compliance/Ch Privacy Offr	2 0			X				0	269,763	17,725
Brett Scullen VP Pulmonology Operations	2 0			X				0	188,627	8,053
Adam C Thompson VP Surgery	2 0			X				0	185,584	10,535

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			
Leo E Reichert Exec VP and General Counsel	2 0			X				0	623,353	36,099
Deborah DeVita Roegge VP Women's and Newborn Srvcs	2 0			X				0	170,369	7,541
Mary L Tavernaro VP Human Resources Operations	2 0			X				0	224,515	15,552
Carol B Maxwell VP HR-Talent Acquistion	2 0			X				0	86,518	4,350
Chester Zborowski VP Health Park Operations	2 0			X				0	0	0
Valery Akopov VP Chief Hospitalists Services	2 0			X				0	0	0
John Law Asst VP Operations	50 0					X		156,432	0	6,399
Andrea M Parson Dir Pharmacy	50 0					X		138,610	0	15,439
Carol O'Connell Asst VP Support Svcs & LTC	50 0					X		140,450	0	12,109
Bolan Dreher Pharmacist	50 0					X		138,250	0	13,516
Debra Brown RN Charge Nurse	50 0					X		125,030	0	9,817
Gregory L Simone MD President and CEO							X	0	248,936	13,892
Bonnie Wilson Exec VP and General Counsel							X	0	244,138	13,763

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Board of Trustees
WellStar Health System, Inc

We have audited the accompanying combined balance sheets of WellStar Health System, Inc and affiliates (WellStar) as of June 30, 2012 and 2011, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended These combined financial statements are the responsibility of WellStar's management Our responsibility is to express an opinion on these combined financial statements based on our audits

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of WellStar Health System, Inc and affiliates as of June 30, 2012 and 2011, and the results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with U S generally accepted accounting principles

As discussed in note 1*(n)*, WellStar adopted the provisions of FASB Accounting Standards Update 2011-07, *Healthcare Entities (Topic 954)* during 2011 As discussed in note 1*(k)*, WellStar has adopted the provisions of FASB Accounting Standards Codification 958, *Not-for-Profit Entities*, as it relates to subsequent accounting for goodwill and other intangible assets acquired in an acquisition, during 2011

KPMG LLP

October 4, 2012

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Balance Sheets

June 30, 2012 and 2011

Assets		**2012**	**2011**
		(In thousands)	
Current assets			
Cash and cash equivalents	$	47,716	21,981
Patient accounts receivable, less allowance for uncollectible accounts of approximately $193.6 million and $187.6 million at June 30, 2012 and 2011, respectively		225,522	215,196
Assets limited as to use – required for current liabilities		10,081	5,294
Other current assets		51,209	45,164
Total current assets		334,528	287,635
Assets limited as to use		837,538	733,346
Property and equipment, net		747,288	607,541
Other assets		67,558	62,919
Total assets	$	1,986,912	1,691,441
Liabilities and Net Assets			
Current liabilities			
Accounts payable	$	77,939	61,524
Accrued salaries, wages, and benefits		42,816	41,149
Other accrued expenses		28,612	23,230
Current installments of long-term debt and capital lease obligations		8,539	7,857
Total current liabilities		157,906	133,760
Long-term debt and capital lease obligations, excluding current installments		507,266	341,685
Self-insurance reserves		65,815	64,933
Accrued pension liability		225,000	102,380
Other long-term liabilities		42,448	23,700
Total liabilities		998,435	666,458
Net assets			
Unrestricted		980,505	1,013,739
Temporarily restricted		4,177	7,544
Permanently restricted		3,795	3,700
Total net assets		988,477	1,024,983
Commitments and contingencies			
Total liabilities and net assets	$	1,986,912	1,691,441

See accompanying notes to combined financial statements.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Operations

Years ended June 30, 2012 and 2011

		2012	2011
		(In thousands)	
Unrestricted revenue, gains, and other support			
Patient service revenue, net of contractual allowances and discounts	$	1,611,365	1,571,455
Provision for uncollectible accounts		(184,674)	(232,138)
Net patient service revenue		1,426,691	1,339,317
Other revenue		36,355	27,217
Total unrestricted revenue, gains, and other support		1,463,046	1,366,534
Expenses			
Salaries and employee benefits		828,590	791,722
Supplies and other expenses		442,878	389,969
Depreciation and amortization		79,792	70,597
Interest		14,317	15,404
Total expenses		1,365,577	1,267,692
Operating income, before loss from unusual winter storm		97,469	98,842
Loss from unusual winter storm		—	(3,342)
Operating income		97,469	95,500
Nonoperating gains (losses)			
Investment income, net		3,824	79,908
Change in fair value of interest rate swap		(12,828)	3,291
(Loss) gain on disposal of property and equipment		(910)	47
Loss on extinguishment of long-term debt		(1,555)	—
Unrestricted revenue, gains, and other support in excess of expenses and losses		86,000	178,746
Accrued pension liability adjustments		(122,637)	58,562
Assets released from restriction used for the purchase of property and equipment		4,443	415
Other		(1,040)	(2,183)
(Decrease) increase in unrestricted net assets	$	(33,234)	235,540

See accompanying notes to combined financial statements

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Changes in Net Assets

Years ended June 30, 2012 and 2011

		2012	2011
		(In thousands)	
Permanently restricted net assets			
Contributions	$	78	24
Inflation adjustment to corpus as required by donor		20	10
Fair value adjustment		(3)	(27)
Increase in permanently restricted net assets		95	7
Temporarily restricted net assets			
Contributions		2,465	2,711
Net assets released from restrictions		(5,303)	(723)
Net investment income		(226)	566
Fair value adjustment		(303)	(34)
(Decrease) increase in temporarily restricted net assets		(3,367)	2,520
(Decrease) increase in unrestricted net assets		(33,234)	235,540
(Decrease) increase in net assets		(36,506)	238,067
Net assets, beginning of year		1,024,983	786,916
Net assets, end of year	$	988,477	1,024,983

See accompanying notes to combined financial statements

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Cash Flows

Years ended June 30, 2012 and 2011

		2012	2011
		(In thousands)	
Cash flows from operating activities:			
(Decrease) increase in net assets	$	(36,506)	238,067
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		79,792	70,597
Amortization of bond discount, premium, and issue costs		677	541
Loss (gain) on sale of property and equipment		910	(47)
Net unrealized loss (gain) on trading investments		14,925	(38,911)
Change in fair value of interest rate swap		12,828	(3,291)
Loss on extinguishment of long-term debt		1,555	—
Restricted contributions and related investment income		(100)	(34)
Changes in operating assets and liabilities:			
Patient accounts receivable		(10,326)	(40,822)
Other current assets		(6,045)	(3,553)
Other assets		3,896	7,658
Accounts payable, accrued salaries, wages and benefits, and other accrued expenses		14,477	(14,509)
Self-insurance reserves		882	(4,170)
Accrued pension liability		122,620	(59,052)
Other long-term liabilities		5,920	4,976
Net cash provided by operating activities		205,505	157,450
Cash flows from investing activities:			
Purchases of property and equipment		(207,286)	(89,209)
Net increase in assets limited as to use		(123,904)	(85,546)
Distributions from partnerships		392	209
Proceeds from sale of property and equipment		61	20
Healthcare business acquisitions		(13,894)	(1,855)
Net cash used in investing activities		(344,631)	(176,381)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		226,708	—
Principal repayments of long-term debt and capital lease obligations		(11,212)	(4,306)
Refunding of long-term debt		(50,555)	—
Payment of bond issuance costs		(180)	(34)
Restricted contributions and related investment income		100	34
Net cash provided by (used in) financing activities		164,861	(4,306)
Net increase (decrease) in cash and cash equivalents		25,735	(23,237)
Cash and cash equivalents, beginning of year		21,981	45,218
Cash and cash equivalents, end of year	$	47,716	21,981

See accompanying notes to combined financial statements.

(1) Summary of Significant Accounting Policies

WellStar Health System, Inc. (WellStar) is a multidimensional integrated healthcare organization, headquartered in Marietta, Georgia, which provides inpatient, outpatient, physician care, and emergency services for residents of northwest Georgia. The significant accounting policies used by WellStar in preparing and presenting its combined financial statements follow.

(a) *Organization and Business*

The combined financial statements include the accounts of WellStar and its controlled affiliates, including Kennestone Hospital, Inc., Cobb Hospital, Inc., Douglas Hospital, Inc., Paulding Medical Center, Inc., WellStar Foundation, Inc. (WellStar Foundation), CHS Foundation, Inc., Community Assurance Company, Ltd. (CAC), WellStar Health Ventures, LLC d/b/a WellStar OrthoSport, an outpatient rehab service, and WellStar Medical Group, LLC a multi-specialty group of WellStar owned physician practices.

All significant intercompany accounts and transactions have been eliminated in combination.

The Board of Trustees (the Board) of WellStar has the authority to approve appointments of the members of the boards of trustees of all affiliates. The Board includes at least one representative from each of the affiliates.

(b) *Use of Estimates*

The preparation of 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, revenue, 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, self-insurance reserves, estimated third-party payor settlements, and the actuarially determined benefit liability related to WellStar's pension plan. In particular, 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 associated with these programs will change by a material amount in the near term.

(c) *Cash Equivalents*

WellStar considers investments in highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

(d) *Investments and Investment Income*

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the combined balance sheets. Fair value is measured in accordance with relevant accounting literature and discussed in note 16 to the combined financial statements.

Investment income items (including unrealized gains and losses, realized gains and losses on investments, interest, and dividends) are included in unrestricted revenue, gains, and other support in excess of expenses and losses in the combined statements of operations, unless restricted by the donor or law

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

Assets limited as to use primarily include assets set aside by the Board for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under indenture agreements, assets held under self-insurance funding arrangements and donor restricted assets Amounts required to meet related current liabilities of WellStar are classified as current assets in the accompanying combined balance sheets

(f) ***Costs of Borrowing***

Bond issuance costs and bond discounts and premiums are amortized over the terms of the related bond issues

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets Capitalized interest specifically related to tax-exempt borrowings is recorded net of income earned on related trusteed assets

(g) ***Property and Equipment***

Property and equipment are stated at cost Provisions for depreciation are computed using the straight-line method based on the estimated useful lives of the assets Equipment under capital lease obligations is amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the equipment Such amortization is included in depreciation and amortization in the combined financial statements

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from unrestricted revenue, gains, and other support in excess of expenses and losses 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 into service Contributions restricted to the purchase of property and equipment or other restricted purposes which restrictions are met within the same year as received are reported as increases in unrestricted net assets in the accompanying combined financial statements

(h) ***Inventories***

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

(i) ***Other Assets***

Other assets include, among other things, investments in joint ventures and costs in excess of the fair value of the net tangible assets of certain acquired businesses (goodwill) Goodwill and intangible

(Continued)

assets with indefinite lives are annually assessed for impairment. Investments in partnerships are accounted for using the equity method.

(j) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment and purchased intangibles, 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.

(k) Goodwill

WellStar applies the provisions of FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, as it relates to subsequent accounting for goodwill and other intangible assets acquired in an acquisition.

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is reviewed for impairment at least annually. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and WellStar must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using the market approach. If the fair value of the reporting unit exceeds its carrying value following step one, step two does not need to be performed.

WellStar performs its annual impairment review of goodwill each July 1, and when a triggering event occurs between annual impairment tests.

During 2012, WellStar did not identify any material reporting unit at risk of failing step one of the goodwill impairment test. The fair value of all reporting units is substantially in excess of their carrying value and therefore no impairment loss was recorded in fiscal 2012.

(l) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by WellStar is restricted by donors for a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by WellStar in perpetuity.

FASB ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds

WellStar has historically and to-date received a limited amount of donor-restricted endowment funds The Board has interpreted Georgia's State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary Income from WellStar's donor-restricted endowment funds is generally restricted to specific donor-directed purposes, and is therefore accounted for within temporarily restricted net assets until expended in accordance with the donor's wishes WellStar oversees individual donor-restricted endowment funds to ensure that the fair value of the original gift is preserved

WellStar invests donor-restricted endowment funds within the framework of WellStar's overall investment management program

(m) Unrestricted Revenue, Gains, and Other Support in Excess of Expenses and Losses

The combined statements of operations include unrestricted revenue, gains, and other support in excess of expenses and losses Changes in unrestricted net assets which are excluded from unrestricted revenue, gains, and other support in excess of expenses and losses include assets released from restriction used for the purchase of property and equipment and the recognition of pension and post retirement liability adjustments arising during the current period

(n) Net Patient Service Revenue

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 due to future audits, reviews, and investigations Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations

During 2011, WellStar adopted the provisions of FASB Accounting Standards Update (ASU) 2011-07, *Healthcare Entities (Topic 954)* ASU 2011-07 requires the reclassification of the provision for uncollectible accounts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) ASU 2011-07 also requires enhanced disclosure about healthcare entities' policies for recognizing revenue and assessing uncollectible accounts, and disclosures of patient service revenue and qualitative and quantitative information about changes in the allowance for uncollectible accounts

(o) Charity Care

WellStar provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than its established rates Because WellStar does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue

During 2012, WellStar 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* to require 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 services provided should also be disclosed.

(p) Income Taxes

WellStar and all but one of its affiliates have been recognized as exempt from Federal income tax under Internal Revenue Code Section 501(a) as organizations described in Section 501(c)(3) and, therefore, related income is generally not subject to Federal or state income taxes. CAC is a controlled foreign corporation not subject to Federal tax.

WellStar applies FASB ASC 740, *Income Taxes*, which addresses accounting for uncertainties in income tax positions. It also provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined. There is no impact on WellStar's combined financial statements as a result of the application of ASC 740.

(q) Contributions

Unconditional promises to give cash and other assets to WellStar are reported at estimated fair value at the date the promise is received. Conditional promises to give are recognized when the conditions are substantially met while indications of intentions to give are not recorded. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use or timing of 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 as net assets released from restrictions.

(r) Derivative Instruments and Hedging Activities

At the effective date of any hedge accounting election, WellStar designates the associated derivative as either (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge) or (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). WellStar formally assesses, both at inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, WellStar discontinues hedge accounting prospectively. To the extent that hedge ineffectiveness is associated with these changes in fair value, it is recognized in unrestricted revenue, gains, and other support in excess of expenses and losses. WellStar monitors the effectiveness of interest rate swaps designated as hedges on a quarterly basis.

Should hedge accounting be discontinued because it is determined that the derivative no longer qualifies as an effective cash flow hedge, WellStar continues to carry the derivative on the combined balance sheet at its fair value with subsequent changes in fair value included in unrestricted revenue, gains, and other support in excess of expenses and losses. Gains and losses that were accumulated in unrestricted net assets are amortized on a straight-line basis over the remaining life of the derivative in the determination of unrestricted revenue, gains, and other support in excess of expenses and losses

WellStar does not currently apply hedge accounting to its derivative instrument

(s) Asset Retirement Obligations

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

(t) Retirement Benefits

WellStar applies the recognition, measurement, and disclosure provisions of FASB ASC 715, *Compensation – Retirement Benefits* ASC 715 requires that WellStar recognize the unfunded status of its defined benefit pension plan and post retirement plan on its combined balance sheet, measure plan assets and benefit obligations as of fiscal year-end and apply the applicable disclosure requirements ASC 715 also provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan

(u) Recently Adopted Accounting Standards

During 2012, WellStar adopted the provisions of the FASB ASU 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries* in August 2010 ASU 2010-24 amends ASC Subtopic 954-450, *Health Care Entities – Contingencies*, to clarify that a health care entity should not net insurance recoveries against a related liability and that the claim liability should be determined without consideration of insurance recoveries The ASU is effective for WellStar's fiscal year 2012 and did not have a significant financial reporting impact

(v) Subsequent Events

WellStar has evaluated subsequent events through October 4, 2012, the date the combined financial statements were issued

(w) Reclassifications

Certain reclassifications have been made to the 2011 combined financial statements to conform to the current year presentation

(2) Assets Limited as to Use

The composition of assets limited as to use follows

		2012	2011
		(In thousands)	
By the Board for capital improvements and other system needs			
Cash and cash equivalents	$	22,849	44,718
Asset backed securities		37,213	41,079
Mortgage backed securities		120,381	134,492
Obligations of the U S government and its agencies		64,760	13,746
Corporate debt securities-domestic		156,761	155,101
Corporate debt securities-international		18,938	14,843
Corporate equity securities-domestic		199,765	218,165
Corporate equity securities-international		53,260	37,578
Mutual funds		6,239	4,322
		680,166	664,044
Under self-insurance funding arrangements			
Cash and cash equivalents		3,544	3,489
Asset backed securities		—	1,569
Mortgage backed securities		13,365	11,938
Obligations of the U S government and its agencies		20,335	15,911
Corporate debt securities-domestic		18,999	21,323
Foreign investments		3,610	3,828
		59,853	58,058
By donor stipulation			
Cash and cash equivalents		3,273	5,573
Foreign investments		689	912
Corporate debt securities-domestic		1,385	520
Corporate equity securities-domestic		2,124	3,026
Other		501	1,213
		7,972	11,244
Under bond indenture agreements – held by trustee			
Cash and cash equivalents		99,628	5,294
		847,619	738,640
Less amounts classified as current assets		10,081	5,294
	$	837,538	733,346

The composition of net investment income follows

		2012	2011
		(In thousands)	
Net investment income included in nonoperating gains			
Net realized gains on sales of investments	$	4,436	28,011
Interest and dividend income		14,313	12,986
Net unrealized (loss) gain on trading investments		(14,925)	38,911
		3,824	79,908
Temporarily and permanently restricted net investment (loss) income		(206)	576
	$	3,618	80,484

(3) Other Current Assets

The composition of other current assets follows

		2012	2011
		(In thousands)	
Inventories	$	28,865	24,771
Prepaid expenses and other current assets		15,097	12,141
Other receivables		7,247	8,252
	$	51,209	45,164

(4) Property and Equipment

A summary of property and equipment follows

		2012	2011
		(In thousands)	
Land and land improvements	$	108,673	91,937
Buildings and fixtures		632,947	591,503
Equipment		775,063	697,545
		1,516,683	1,380,985
Less accumulated depreciation and amortization		877,460	810,909
		639,223	570,076
Construction in progress		108,065	37,465
	$	747,288	607,541

Construction in progress at June 30, 2012 is principally comprised of costs incurred to complete expansion and renovation projects at various affiliates' facilities. The estimated remaining cost to complete projects in progress through April 2014 is approximately $202.1 million at June 30, 2012. WellStar's present capital improvements program provides for planned capital expenditures during fiscal years 2013 through 2017 as follows: 2013—$303.5 million, 2014—$171.4 million, 2015—$133.9 million, 2016—$131.2 million, 2017—$88.1 million.

WellStar entered into a software contract subsequent to June 30, 2012 to acquire and implement a new clinical information system and is financing the acquisition over four years totaling approximately $18.0 million.

(5) Other Assets

The composition of other assets follows:

		2012	2011
		(In thousands)	
Goodwill and other intangible assets	$	40,249	31,000
Other long-term receivables		14,243	19,172
Investments in partnerships		5,225	5,378
Bond issuance costs		5,242	5,564
Prepaid expenses, long term		2,599	1,805
	$	67,558	62,919

Other long-term receivables largely consist of a portfolio of patient accounts in process of qualifying for Medicaid eligibility. These receivables are carried at net realizable value based on WellStar's historical experience with such accounts.

(6) Long-Term Debt and Capital Lease Obligations

		2012	2011
		(In thousands)	
Hospital authority revenue and refunding certificates issued in January 1999 Interest rates range from 4 7% to 5 0% per annum, interest payments due semiannually on April 1 and October 1, principal payments due annually on April 1 through 2026, refunded during 2012	$	—	50,840
Hospital authority revenue anticipation certificates issued in September 2001 Interest rate is 5 0% per annum, interest payments due semiannually on April 1 and October 1, principal payments due annually October 1, 2002 through 2016, repaid during 2012		—	3,130
Hospital authority revenue anticipation refunding and improvement certificates issued in April 2003 Interest rates range from 3 0% to 5 25% per annum, interest payments due semiannually on April 1 and October 1, principal payments due annually April 1, 2004 through 2032		118,080	120,460
Hospital authority revenue anticipation certificates issued in April 2004 Variable weekly interest rates, interest payments due monthly, principal payments due annually April 1, 2032 through 2034		25,000	25,000
Hospital authority revenue anticipation improvement certificates issued in October 2005 Variable weekly interest rates, interest payments due weekly, principal payments due annually April 1, 2037 through 2040		60,000	60,000
Hospital authority revenue anticipation improvement certificates issued in October 2005 Interest rates range from 4 0% to 6 25% per annum, interest payments due semiannually on April 1 and October 1 Principal payments due annually April 1, 2012 through 2037		57,200	60,000

(Continued)

	2012	2011
	(In thousands)	
Hospital authority revenue anticipation certificates issued in April 2006 Variable weekly interest rates, interest payments due monthly, principal payments due annually April 1, 2034 through 2036	25,000	25,000
Hospital authority revenue anticipation refunding and improvement certificates issued in November 2011 Interest rates range from 3 0% to 5 25% per annum, interest payments due semiannually on April 1 and October 1, principal payments due annually April 1, 2012 through 2041	123,060	—
Hospital authority revenue anticipation improvement certificates issued in June 2012 Interest rates range from 3 0% to 5 0% per annum, interest payments due semiannually on April 1 and October 1 Principal payments due annually April 1, 2017 through 2042	31,250	—
Hospital authority revenue anticipation improvement certificates issued in June 2012 Variable weekly interest rates, interest payments due monthly, principal payments due April 1, 2041 through 2043	68,750	—
	508,340	344,430
Add unamortized premium	7,004	2,248
Less unamortized discount	(1,575)	(985)
Total hospital revenue certificates	513,769	345,693
Various other notes payable and capital lease obligations, with interest rates ranging from 5 00% to 7 92% Interest and principal payments due monthly or annually, maturing through June 2015	2,036	3,849
Total long-term debt and capital lease obligations	515,805	349,542
Less current installments	8,539	7,857
	$ 507,266	341,685

WellStar exercised its option to call the outstanding Series 2001 Certificates on October 1, 2011 and extinguished such amounts on October 7, 2011

On November 1, 2011, WellStar issued Revenue Anticipation Refunding and Improvement Certificates, Series 2011, in the original principal amount of $123 8 million to finance the costs of certain capital improvements, to refund all of the outstanding Series 1999 Certificates and to pay for certain costs of issuance In accordance with relevant accounting literature, WellStar recognized a $1 6 million loss on extinguishment resulting from the write-off of associated unamortized bond issuance costs, premiums and discounts related to the Series 1999 Certificates refunded, which is included in unrestricted revenue, gains, and other support in excess of expenses and losses in the accompanying 2012 combined statement of operations.

On June 28, 2012, WellStar issued Revenue Anticipation Certificates Series 2012A and Series 2012B in the original principal amount of $31.25 million and $68.75 million, respectively, to finance a portion of the costs of the planning, design, acquisition, construction, installation, and equipping of a 112-bed replacement acute care hospital in Paulding County. The Series 2012A Certificates bear interest at fixed rates and are supported by an intergovernmental contract with Paulding County, Georgia. The Series 2012B Certificates bear interest at a variable rate and are secured by a direct-pay letter of credit facility expiring June 2017. Interest rates are set weekly by the remarketing agent based upon prevailing rates for the contract period related to the remarketed tranche. In the event a market for variable rate instruments is not sustained, the letter of credit agreements require the bank to purchase the certificates.

The Series 2005A Certificates in the original principal amount of $60.0 million bear interest at a fixed rate and are supported by bond insurance. The Series 2005B Certificates in the original principal amount of $60.0 million bear interest at a variable rate and are supported by stand-by bond purchase agreements, bond insurance, and a direct-pay letter of credit facility expiring August 2015. Interest rates are set weekly by the remarketing agent based upon prevailing rates for the contract period related to the remarketed tranche. In the event a market for variable rate instruments is not sustained, the letter of credit agreements require the bank to purchase the certificates.

The 2004 and 2006 revenue certificates bear interest at variable rates and are secured by direct-pay letters of credit expiring August 2014. Interest rates are set weekly by the remarketing agent based upon prevailing rates for the contract period related to the remarketed tranche. In the event a market for variable rate instruments is not sustained, the letter of credit agreements require the bank to purchase the certificates.

The average annual interest rate on WellStar's variable rate obligations approximated 0.19% and 0.26% for the years ended June 30, 2012 and 2011, respectively.

Certain trusteed assets described in note 2 and the future net revenue of WellStar are pledged as security for payment of the various series of hospital revenue certificates outlined above. Substantially all of WellStar's long-term debt agreements subject WellStar to certain debt covenants typical of such obligations.

WellStar contemplates (but has not consummated) the issuance of approximately $106.3 million in Series 2012 revenue anticipation refunding certificates in the fourth calendar quarter of 2012. The proceeds from the issuance, if consummated, will be used to advance refund all of the outstanding Series 2003 certificates with maturities after April 1, 2013.

WellStar maintains a $21.0 million revolving line of credit with a bank for routine working capital needs. The facility is secured by deposits with the bank and expires February 15, 2013. WellStar anticipates renewal of this facility at expiration under substantially the same terms and conditions as the existing facility. There were no amounts outstanding under this facility at June 30, 2012 or 2011.

WellStar paid interest of approximately $14.3 million and $15.4 million in 2012 and 2011, respectively. Interest capitalized on capital projects was approximately $3.2 million and $695 thousand in 2012 and 2011, respectively.

Future maturities of long-term debt and capital lease obligations follow (in thousands):

2013	$	8,539
2014		7,728
2015		7,614
2016		7,920
2017		8,975
Thereafter		469,600
		510,376
Add unamortized premium		7,004
Less unamortized discounts		(1,575)
	$	515,805

(7) Derivative Instruments

WellStar synthetically converted $60.0 million (the notional amount) of the 2005 Certificates (see note 6) from variable rate debt to fixed rate debt through an interest rate swap agreement with a counterparty. In general, the swap obligates WellStar to pay interest at a fixed rate of 3.45% and receive interest at 67% of LIBOR. The notional amount amortizes in the same fashion, and the swap matures at the same date, as the related 2005 Certificates.

WellStar's credit risk involves the possible default of the counterparty. Collateral may be required in the future based on WellStar's credit rating, the insurer's credit rating, or market valuations of the swaps. At June 30, 2012 and through the date of these combined financial statements, no such collateral was required.

The swap's fair value, if positive, is included in other assets in the accompanying combined balance sheets If negative, the swap's fair value is included in other long-term liabilities in the accompanying combined balance sheets The following is a summary of the derivative outstanding at June 30, 2012 and 2011 (dollar amounts in thousands)

2012

Notional amount	Maturity date	Average variable rate received	Fixed rate paid	Increase in interest expense	Swap fair value
$60,000	April 2040	0 16%	3 45%	$2,112	(20,395)

2011

Notional amount	Maturity date	Average variable rate received	Fixed rate paid	Increase in interest expense	Swap fair value
$60,000	April 2040	0 17%	3 45%	$1,863	(7,567)

(8) Net Patient Service Revenue and Patient Accounts Receivable

Certain affiliates of WellStar have agreements with governmental and other third-party payors that provide for reimbursement to such affiliates at amounts different from established rates Contractual adjustments under third-party reimbursement programs represent the difference between billings at established rates for services and amounts reimbursed by third-party payors A summary of the basis of reimbursement with major third-party payors follows

- *Medicare* – Inpatient and outpatient services rendered to Medicare program beneficiaries are generally paid at prospectively determined rates These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors Additionally, payments for certain other reimbursable items are made at tentative rates, with final settlements determined after submission of annual cost reports and audits by the Medicare fiscal intermediary The cost reports of all WellStar affiliates have been audited and substantially settled for all fiscal years through June 30, 2007 Net revenue from the Medicare program accounted for approximately 34% and 36% of WellStar's net patient service revenue for the years ended June 30, 2012 and 2011, respectively

- *Medicaid* – Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge Outpatient services are generally paid based upon cost reimbursement methodologies WellStar's Medicaid cost reports have been final settled through June 30, 2007 for all WellStar affiliates, except for one affiliate hospital that is final settled through June 30, 2006 Net revenue from the Medicaid program accounted for approximately 14% and 12% of WellStar's net patient service revenue for the years ended June 30, 2012 and 2011, respectively

During 2012 and 2011, net patient service revenue increased by approximately $142 thousand and $2 7 million, respectively, due to changes in estimates for open Medicare and Medicaid cost reports and removal of allowances previously estimated that are no longer necessary as a result of final settlements WellStar has incorporated the most current and relevant data received from Medicare and Medicaid in the preparation of associated estimates at both June 30, 2012 and 2011. During fiscal 2012 WellStar and its affiliate hospitals entered into a settlement agreement with the Department of Health and Human Services related to its calculation of the Rural Floor Budget Neutrality Adjustment and recognized receipt of the settlement payment, net of fees, totaling $8.8 million in patient service revenue, net of contractual allowances and discounts in the accompanying combined financial statements.

WellStar's affiliate hospitals participate in the Georgia Medicare Upper Payment Limit (UPL) program for providers participating in the State Medicaid program. WellStar's net reimbursement benefit associated with the program, totaling approximately $4.5 million and $3.7 million in fiscal years 2012 and 2011, respectively, is recognized as a reduction in related contractual adjustments in the accompanying combined statements of operations. There can be no assurance that WellStar will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

WellStar's affiliate hospitals participate in the Georgia Indigent Care Trust Fund (ICTF). Under the provisions of the ICTF, Medicaid disproportionate share hospitals (DSH) may contribute funds to be used by the State in the Medicaid Program that are supplemented by Federal funds (combination dollars). The combination dollars are returned to DSH as additional Medicaid inpatient reimbursement. WellStar's net reimbursement benefit associated with the program, totaling approximately $11.0 million and $9.5 million in fiscal years 2012 and 2011, respectively, is recognized as additional Medicaid reimbursement and, therefore, is reflected as a reduction in associated contractual adjustments in the accompanying combined statements of operations.

The State's determination related to WellStar's participation in the fiscal year 2013 plan is currently in process, and the terms of the fiscal year 2013 plan have not been finalized. Accordingly, contributions to the State plan during 2013 and related amounts to be potentially received from Medicaid during 2013 have not been established. There can be no assurance that WellStar will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

Certain affiliates of WellStar have also entered into other reimbursement arrangements providing for payment methodologies, which include prospectively determined rates per discharge, capitated payment arrangements, discounts from established charges, and prospectively determined per diem rates.

The composition of net patient service revenue follows:

		2012	2011
		(In thousands)	
Gross patient service revenue, net of charity care charges foregone	$	4,556,632	4,187,422
Less provisions for contractual and other adjustments		2,945,267	2,615,967
Less provision for uncollectible accounts		184,674	232,138
Net patient service revenue	$	1,426,691	1,339,317

WellStar recognizes patient service revenue associated with services provided to patients with third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for community financial aid, WellStar recognizes revenue on the basis of its discounted rates for services provided. On the basis of historical experience, a significant portion of WellStar's uninsured patients are unable or unwilling to pay for the services provided. Thus, WellStar records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources, is as follows:

		2012	2011
		(In thousands)	
Third party payors	$	1,502,154	1,359,952
Self pay		109,211	211,503
Total	$	1,611,365	1,571,455

(9) Community Benefits and Uncompensated Care

WellStar maintains records to identify and monitor the level of charity care it provides through its affiliates. These records include the costs and amount of charges foregone for services and supplies furnished under its Community Financial Aid Policy. WellStar owns and operates two indigent clinics located on the campuses of two of its hospitals. In addition, WellStar provides free lab and medical imaging services for a local community clinic as well as funding for nurse practitioner services for a disadvantaged population within the community.

WellStar also participates in certain governmental insurance programs, including Medicare and Medicaid. Under these programs, WellStar provides care to patients at payment rates, which are determined by the Federal and state governments, regardless of WellStar's actual charges. In some cases, these programs pay WellStar at amounts, which are less than its cost of providing services.

Following is the cost to provide care to those patients qualifying for Community Financial Aid along with the unreimbursed cost of providing care to Medicare and Medicaid beneficiaries and other patients. These costs are determined using a cost to charge ratio.

		2012	2011
		(In thousands)	
Cost of providing charity care	$	99,452	68,868
Unreimbursed cost of providing care to Medicaid beneficiaries		29,106	23,483
Unreimbursed cost of providing care to Medicare beneficiaries		51,340	44,704
Unreimbursed cost of providing care to other patients		45,077	61,574
Cost of other community programs		6,260	3,965
	$	231,235	202,594

During 2010, the State of Georgia adopted into law the Provider Payment Agreement Act The Act provides that each hospital shall be assessed a provider payment in the amount of 1 45% of net patient service revenue of the hospital based on the annual financial survey filed with the State of Georgia Department of Community Health and such payments be recognized as a community benefit In fiscal 2012 and 2011, WellStar affiliate hospitals made $14 5 million and $14 0 million, respectively, in provider payments and recognized such payments as a reduction in net patient service revenue in the accompanying combined financial statements

WellStar offers many wellness and educational services at little or no cost to the community Health fairs are held throughout the year at convenient locations, providing various health screenings, such as mammograms, bone density, blood pressure, and cholesterol checks A large number of educational programs are offered for all ages These programs include bicycle safety, car seat safety, defensive driving, CPR, and first-aid classes Flu shots are available to the community during flu season and health screenings, medical supplies, and immunizations are provided to children through local health departments and health fairs The costs of these services are included in unrestricted revenue, gains, and other support in excess of expenses and losses in the accompanying combined statements of operations

(10) Employee Benefit Plans

(a) Pension Plan

WellStar sponsors a defined benefit pension plan covering all employees who have attained the age of 21 and completed one year of service as defined in the Plan WellStar contributes an amount sufficient to fund the Plan as determined by consulting actuaries

The changes in the projected benefit obligation as of June 30, 2012 and 2011 follow

		2012	2011
		(In thousands)	
Projected benefit obligation, beginning of year	$	503,491	466,511
Service cost		25,810	25,278
Interest cost		29,392	26,306
Actuarial (gain) loss		100,420	(4,160)
Benefits paid		(12,604)	(10,444)
Projected benefit obligation, end of year	$	646,509	503,491

The accumulated benefit obligation at June 30, 2012 and 2011 is $571 8 million and $431 7 million, respectively

The changes in the fair value of plan assets, funded status of the plan, and the status of amounts recognized in WellStar's combined balance sheets as of June 30, 2012 and 2011 follow

		2012	2011
		(In thousands)	
Fair value of plan assets, beginning of year	$	401,111	305,079
Actual return on plan assets		5,002	67,976
Employer contributions		28,000	38,500
Benefits paid		(12,604)	(10,444)
Fair value of assets, end of year	$	421,509	401,111
Accrued pension liability – funded status	$	(225,000)	(102,380)

The components of net periodic pension cost for 2012 and 2011 follow

		2012	2011
		(In thousands)	
Service cost	$	25,810	25,278
Interest cost		29,392	26,306
Expected return on plan assets		(32,784)	(25,952)
Amortization of prior service cost		2	206
Amortization of net loss		5,564	12,172
	$	27,984	38,010

The amounts accumulated in unrestricted net assets in the combined balance sheets follow

		2012	2011
		(In thousands)	
Prior service cost	$	—	2
Actuarial loss		218,053	95,414
	$	218,053	95,416

The WellStar is expected to amortize $18.3 million of net loss from unrestricted net assets into net periodic pension cost during fiscal 2013

(Continued)

Weighted average assumptions used to determine benefit obligations in the accompanying combined balance sheets at June 30

	2012	2011
Discount rate	4 87%	5 91%
Rate of compensation increase	3 30	3 50

Weighted average assumptions used to determine net periodic pension cost for years ended June 30

	2012	2011
Discount rate	5 91%	5 70%
Expected return on plan assets	8 00	8 00
Rate of compensation increase	3 50	3 50

Plan Assets

The Plan's investment objectives are to protect long-term asset value by applying prudent, low-risk, high-quality investment disciplines and to enhance the values by maximizing investment returns through active security management within the framework of the Plan's investment policy Asset allocation strategies and investment management structure are designed to meet the Plan's investment objectives

WellStar's pension plan target and weighted average asset allocations follow

	Target allocation	Plan assets at June 30 2012	Plan assets at June 30 2011
Plan assets			
Cash and cash equivalents	0%	4%	4%
Equity securities	50	52	51
Debt securities	40	39	39
International debt and equity securities	10	5	6
	100%	100%	100%

The expected long-term rate of return assumption is based on the targeted asset allocation and the average return to be earned over the period of payment of the expected benefits included in the benefit obligation In developing the expected returns, consideration is given to actual returns earned on the components of pension plan assets, projection of returns, current economic conditions, and historical rates of return, volatilities, and interactions of asset classifications

In accordance with FASB ASC 820, *Fair Value Measurements*, WellStar has categorized its pension assets, based on the priority of inputs used in related valuation techniques, into a three-level fair value hierarchy as described in note 16

Cash Flows

WellStar expects to contribute approximately $47.0 million to the Plan in fiscal 2013.

Expected Future Benefit Payments

Benefit payments are expected to be paid as follows (in thousands):

2013	$	13,457
2014		14,942
2015		16,636
2016		18,844
2017		21,136
2018 – 2021		152,912

Other Items

WellStar uses the straight-line method to amortize prior service cost.

(b) Other Benefits

WellStar also has a 403(b) defined contribution benefit plan, which covers substantially all employees. Eligible employees may contribute up to 20% of compensation in any one year, subject to a regulatory limit. WellStar makes matching contributions equal to 50% of employees' contributions, not to exceed 4% of total compensation. Employees vest in WellStar contributions on a "cliff" basis after three years of service. WellStar contributed approximately $6.9 million and $6.8 million to the plan during the years ended June 30, 2012 and 2011, respectively.

WellStar also sponsors an unfunded postretirement medical plan covering members' of the Board of Trustees and their dependents upon retirement from completion of 12 years of Board service. The unfunded status of the plan at June 30, 2012 and 2011 is $10.3 million and $7.3 million, respectively and is included in other long term liabilities in the accompanying combined balance sheets. The plan is measured as of June 30 using a discount rate of 4.87% and 5.91% at June 30, 2012 and 2011, respectively. The assumed healthcare trend rate is 9.5% initially decreasing to an ultimate rate of 5.0%.

(11) Business and Credit Concentrations

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

The mix of net receivables from patients and third-party payors follows:

	2012	2011
Managed care	39%	37%
Medicare	29	27
Medicaid	17	24
Patients	11	8
Other third-party payors	4	4
	100%	100%

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, WellStar analyzes its past history and identifies trends for each of its major payor sources of revenue along with current economic factors to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Management routinely reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, WellStar analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for uncollectible accounts, if necessary. For receivables associated with self-pay patients, WellStar records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts. WellStar did not change its community financial aid policy (which is inclusive of both charity care and discounts for qualifying patients) during fiscal 2012. WellStar does not maintain a material allowance for uncollectible accounts from third party payors nor did it have material write-offs from third party payors during 2012 and 2011.

(12) Self-Insurance Programs

WellStar has established a wholly owned captive insurance company, CAC, for the purpose of self-insuring first-dollar coverage related to general liability, professional liability, and workers' compensation risks on claims made basis. WellStar funds CAC in amounts as determined by consulting actuaries. General and professional liability risks are self-insured at an underlying annual coverage layer totaling $4.0 million and $7.0 million per individual loss, respectively, and $35.0 million for aggregate claims. Workers' compensation coverage is self-insured for individual claims up to $500 thousand.

CAC also provides first-dollar coverage for Directors and Officers, property, and automobile policies. WellStar is also self-insured through other arrangements for employee group health insurance, generally up to $1.0 million of lifetime coverage per employee.

Losses for all self-insured coverages are managed through the Risk Management and Claims Committee process. Identified and incurred but not reported losses are accrued based on estimates that incorporate WellStar's past experience, as well as other considerations such as the nature of each claim or incident, relevant trend factors, and advice from consulting actuaries. The identified and estimated incurred but not reported losses included in the accompanying combined balance sheets at both June 30, 2012 and 2011 have been discounted at 2.5%.

WellStar also maintains substantial excess liability coverage for amounts in excess of the above-described limits through the provisions of certain claims-made insurance policies. To the extent that any claims-made coverage is not renewed or replaced with equivalent insurance, claims based on occurrences during the term of such coverage, but reported subsequently, would be uninsured. Management believes, based on incidents identified through WellStar's incident reporting system and other reporting procedures, that any such claims would not have a material effect on WellStar's operations or financial position. In any event, management anticipates that the claims-made coverages currently in place will be renewed or replaced with equivalent insurance as the terms of these coverages expire.

(13) Asset Retirement Obligations

Asset retirement obligations arise primarily from contractual commitments to remove asbestos in WellStar facilities at the time of major renovation or demolition and removal of underground fuel tanks.

The following table presents the activity for WellStar's asset retirement obligations and additional cost basis of related assets for the years ended June 30, 2012 and 2011:

		2012	2011
		(In thousands)	
Balance at beginning of year	$	3,162	2,922
New obligations		331	83
Accretion expense		71	157
Balance at the end of year (included in other long-term liabilities)	$	3,564	3,162

		2012	2011
		(In thousands)	
Additional cost basis	$	1,731	1,399
Accumulated depreciation		(983)	(944)
Balance at the end of year (included in property and equipment)	$	748	455

(14) Leases

WellStar leases certain property, buildings, and equipment under cancelable and noncancelable operating leases expiring through June 30, 2030. Future minimum rental payments required under noncancelable leases having an initial or remaining term of more than one year follow (in thousands):

Fiscal year:		
2013	$	15,579
2014		13,096
2015		11,399
2016		9,404
2017		8,244
Thereafter		61,611
	$	119,333

Rental expense was approximately $20.0 million and $16.2 million for fiscal years 2012 and 2011, respectively.

(15) Functional Expenses

WellStar provides healthcare services to individuals generally residing within its geographic location. Expenses related to providing these services are characterized functionally as follows:

		2012	2011
		(In thousands)	
Healthcare services	$	1,030,411	914,666
General and administrative		335,166	353,026
	$	1,365,577	1,267,692

(16) Fair Value of Financial Instruments

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

When available, WellStar generally uses quoted market prices to determine fair value, and classifies such items as Level 1. WellStar's Level 2 securities are bonds and other debt securities whose fair values are determined by independent vendors. The vendors compile prices from various sources and may apply matrix pricing for similar bonds or loans where no price is observable in an actively traded market. If available, the vendor may also use quoted prices for recent trading activity of assets with similar characteristics to the bond being valued. WellStar does not consider any of its investment holdings to be Level 3 securities.

The fair value hierarchy of assets limited as to use at June 30 follows

		2012		
		Level 1	Level 2	Total
			(In thousands)	
By the Board for capital improvements and other system needs				
Cash and cash equivalents	$	22,849	—	22,849
Asset backed securities		—	37,213	37,213
Mortgage backed securities		—	120,381	120,381
Obligations of the U S government and its agencies		64,760	—	64,760
Corporate debt securities-domestic		—	156,761	156,761
Corporate debt securities-international		—	18,938	18,938
Corporate equity securities-domestic		199,765	—	199,765
Corporate equity securities-international		53,260	—	53,260
Mutual funds		6,239	—	6,239
		346,873	333,293	680,166
Under self-insurance funding arrangement				
Cash and cash equivalents		3,544	—	3,544
Mortgage backed securities		—	13,365	13,365
Obligations of the U S government and its agencies		20,335	—	20,335
Corporate debt securities-domestic		—	18,999	18,999
Foreign investments		—	3,610	3,610
		23,879	35,974	59,853
By donor stipulation				
Cash and cash equivalents		3,273	—	3,273
Foreign investments		—	689	689
Corporate debt securities-domestic		—	1,385	1,385
Corporate equity securities-domestic		2,124	—	2,124
Other		—	501	501
		5,397	2,575	7,972
Under bond indenture agreements – held by trustee				
Cash and cash equivalents		99,628	—	99,628
	$	475,777	371,842	847,619

(Continued)

	2011		
	Level 1	Level 2	Total
		(In thousands)	
By the Board for capital improvements and other system needs			
Cash and cash equivalents	$ 44,718	—	44,718
Asset backed securities	—	41,079	41,079
Mortgage backed securities	—	134,492	134,492
Obligations of the U.S. government and its agencies	13,746	—	13,746
Corporate debt securities-domestic	—	155,101	155,101
Corporate debt securities-international	—	14,843	14,843
Corporate equity securities-domestic	218,165	—	218,165
Corporate equity securities-international	37,578	—	37,578
Mutual funds	4,322	—	4,322
	318,529	345,515	664,044
Under self-insurance funding arrangement			
Cash and cash equivalents	3,489	—	3,489
Asset backed securities	—	1,569	1,569
Mortgage backed securities	—	11,938	11,938
Obligations of the U.S. government and its agencies	1,059	14,852	15,911
Corporate debt securities-domestic	—	21,323	21,323
Foreign investments	—	3,828	3,828
	4,548	53,510	58,058
By donor stipulation			
Cash and cash equivalents	5,573	—	5,573
Foreign investments	—	912	912
Corporate debt securities-domestic	—	520	520
Corporate equity securities-domestic	3,026	—	3,026
Other	—	1,213	1,213
	8,599	2,645	11,244
Under bond indenture agreements – held by trustee			
Cash and cash equivalents	5,294	—	5,294
	$ 336,970	401,670	738,640

The carrying amounts of all applicable asset and liability financial instruments reported in the combined balance sheets (except various debt and derivative instruments) approximate their estimated fair values, in all material respects, at June 30, 2012 and 2011. Fair value of a financial instrument is defined as the amount which would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date.

The fair values of WellStar's various debt instruments have been estimated using Level 2 inputs, such as interest rates currently available to WellStar for borrowings having similar character, collateral, and duration The aggregate fair value of such instruments approximates $534 6 million and $349 0 million at June 30, 2012 and 2011, respectively No adjustment for such fair value measurements is reflected or required in the accompanying combined balance sheets

WellStar has categorized its derivative instrument into the three-level fair value hierarchy The interest rate swap entered into by WellStar is executed over the counter and valued using the net present value of the cash flow streams as no quoted market prices exist for such instruments The System also employs an independent third party to perform a mark-to-market valuation assessment on the swap to assess the reasonableness of the valuation otherwise received by WellStar The derivative instrument entered into above is classified by WellStar as Level 2 within the fair value hierarchy

The fair value hierarchy of pension plan assets at June 30, 2012 follows

		2012		
		Level 1	Level 2	Total
			(In thousands)	
Cash and cash equivalents	$	18,743	—	18,743
Mortgage and other asset-backed securities		—	36,194	36,194
Obligations of the U S government and its agencies		55,089	282	55,371
Corporate debt securities-domestic		—	69,662	69,662
Corporate debt securities-international		—	1,921	1,921
Corporate equity securities-domestic		220,124	—	220,124
Corporate equity securities-international		19,494	—	19,494
	$	313,450	108,059	421,509

	2011		
	Level 1	Level 2	Total
		(In thousands)	
Cash and cash equivalents	$ 16,312	—	16,312
Mortgage and other asset-backed securities	—	39,391	39,391
Obligations of the U S government and its agencies	42,011	291	42,302
Corporate debt securities-domestic	—	73,167	73,167
Corporate debt securities-international	—	2,336	2,336
Corporate equity securities-domestic	206,060	—	206,060
Corporate equity securities-international	21,543	—	21,543
	$ 285,926	115,185	401,111

(17) Endowment

WellStar Foundation has two separate endowments The Hodges Fund and the Tranquility Angel Fund The Hodges Fund is comprised of one investment account established for providing nursing scholarships Related investment income is temporarily restricted until scholarships are appropriated for expenditure by the WellStar Foundation Board The related donor documents also call for an annual CPI adjustment to the corpus balance each year The Tranquility Angel Fund consists of two separate investment accounts established for providing support to Hospice care patients and supporting functions Related investment income is classified as temporarily restricted net assets until such amounts are appropriated for expenditure in accordance with the donor's intent

Endowment net assets and classification of related unappropriated income at June 30, 2012 and 2011 follow (in thousands)

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted net assets	$ —	491	3,795	4,286

	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted net assets	$ —	716	3,700	4,416

The change in endowment net assets and related income classifications for the year ended June 30, 2012 and 2011 follows (in thousands)

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Beginning of year	$ —	716	3,700	4,416
Contributions	—	—	78	78
Other	—	(37)	(3)	(40)
Investment return				
Interest and dividend income	—	91	—	91
Net appreciation (depreciation)	—	(279)	20	(259)
	—	(188)	20	(168)
End of year	$ —	491	3,795	4,286

	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Beginning of year	$ (64)	181	3,693	3,810
Contributions	—	—	24	24
Other	—	(43)	(27)	(70)
Investment return				
Interest and dividend income	—	94	—	94
Net appreciation (depreciation)	64	484	10	558
	64	578	10	652
End of year	$ —	716	3,700	4,416