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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 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
Artesia General Hospital

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
5801 Tennyson Parkway

City or town, state or country, and ZIP + 4
Plano, TX 75024

D Employer identification number
74-2851819

E Telephone number
(214)893-2481

G Gross receipts $ 44,474,048

F Name and address of principal officer
KENNETH W RANDALL
5801 Tennyson Parkway Ste 550
Plano, TX 75024

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 artesiageneral com

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

L Year of formation 2000

M State of legal domicile NM

Part I Summary

1 Briefly describe the organization's mission or most significant activities
To provide healthcare to the families of Artesia and surrounding communities while continually improving quality of patient care and utilizing resources effectively and efficiently

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**	9
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	8
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	283
6	Total number of volunteers (estimate if necessary)	**6**	0
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**	

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	400	56,908
	9 Program service revenue (Part VIII, line 2g)	37,185,217	44,320,318
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	28,344	26,270
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	90,431	70,552
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	37,304,392	44,474,048
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	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)	12,285,694	17,703,186
	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)	18,300,659	22,584,585
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	30,586,353	40,287,771
	19 Revenue less expenses Subtract line 18 from line 12	6,718,039	4,186,277

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	24,201,215	28,912,938
	21 Total liabilities (Part X, line 26)	2,508,424	3,033,869
	22 Net assets or fund balances Subtract line 21 from line 20	21,692,791	25,879,069

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 — 2013-05-13 Date

▶ Kenneth W Randall CEO
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 ▶ ERNST & YOUNG US LLP
55 IVAN ALLEN BLVD SUITE 1000
ATLANTA, GA 30308

EIN ▶

Phone no ▶ (404) 874-8300

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

SEE SCHEDULE O

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 $ 31,757,151 including grants of $) (Revenue $ 44,367,097)

ARTESIA GENERAL HOSPITAL IS A SOLE COMMUNITY HEALTH PROVIDER THAT SERVES THE COMMUNITY REGARDLESS OF ANY INDIVIDUAL'S RACE, CREED, NATIONALITY, OR ABILITY TO PAY FOR SERVICES INCLUDING ROUTINE INPATIENT, INPATIENT ANCILLARY, AND OUTPATIENT CARE IN SUPPORT OF THE HOSPITAL'S HEALTHCARE MISSION DURING THE REPORTING YEAR ENDED JUNE 30, 2012, WERE 978 ADMISSIONS, 5,830 PATIENT DAYS, 10,922 ER VISITS, 269 INPATIENT SURGERIES AND 892 OUTPATIENT SURGERIES

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** ▶ $ 31,757,151

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *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		No
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		No
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**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? *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**		No
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**	192		
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**		No
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**	283		
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	9		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	8		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .		3	Yes	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	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		No
b	Other officers or key employees of the organization	15b		No
	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 ▶ NM

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you 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 ▶

Carl Hollingsworth
702 N 13TH ST
Artesia, NM 88210
(575) 748-3333

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			
(1) Patricia Hopkins Chairman	2 0	X						0	0	0
(2) Margo Pace Vice Chairman	2 0	X						0	0	0
(3) Jose Reyes Secretary	2 0	X						0	0	0
(4) Jorge Abalos MD Board member/Physician	2 0	X						580,146	0	4,523
(5) Gary Sims Board member	2 0	X						0	0	0
(6) Rick Sullivan Board member	2 0	X						0	0	0
(7) Kenneth W Clayton Board member	2 0	X						0	0	0
(8) Jiliana Burgess Board member	2 0	X						0	0	0
(9) James Lash DO Board member/Physician	2 0	X						800,004	0	0
(10) Wilson Weber Board Member	1 0	X						0	709,641	115,002
(11) Joe Salgado MD Board Member/Phy(Until 1/12)	2 0	X						98,510		
(12) PHIL BURCH DIRECTOR	2 0	X						0	0	0
(13) Johnny Knorr Director	2 0	X						0	0	0
(14) Kenneth Randall President/CEO	40 0			X				0	303,064	60,714
(15) David Butler Assistant Secretary	1 0			X				0	425,560	30,482
(16) Shahar Anoushfar DO	40 0					X		839,574	0	9,800
(17) Edwin McGroarty MD	40 0					X		463,740	0	0

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 (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			
(18) Robert Lauer MD	40 0					X		400,001	0	9,800
(19) Richard Dexter MD	40 0					X		317,065	0	9,800
(20) Joseph Mareno DPM	40 0					X		211,045	0	0

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	3,710,085	1,438,265	240,121

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**		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	**4**	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	**5**		No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization 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
MARK LUCE MD 8623 E PIMA ST TUCSON, AZ 85715	ED PHYSICIAN	420,870
SERGIO RYBKA MD 1031 N THOMAS STREET CARLSBAD, NM 88220	PHYSICIAN SURG SVCS	256,400
Carolyn Opfer CRNA 236 Rainbow Dr 13630 LIVINGSTON, TX 77399	ANESTHESIA SERVICES	252,204
Nitin Nanda MD Inc 5016 Chesebro Rd Suite 200 AGOURA HILLS, CA 91301	GERIATRIC SERVICES	239,257
BETTY LOVE CRNA PO BOX 389 PONCA CITY, OK 74602	ANESTHESIA SERVICES	189,078

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 ▶ 5

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	54,588			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	2,320			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		56,908			
Program Service Revenue			Business Code				
	2a	Net patient revenue	622110	38,281,930	38,281,930		
	b	Tax subsidy revenue	900099	5,907,747	5,907,747		
	c	Rental income or (loss)	531120	130,641	130,641		
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		44,320,318			
	3	Investment income (including dividends, interest and other similar amounts)		26,270			26,270
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
			(i) Real	(ii) Personal			
	6a	Gross rents					
	b	Less rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss)					
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory					
	b	Less cost or other basis and sales expenses					
	c	Gain or (loss)					
	d	Net gain or (loss)		0			
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 a					
	b	Less direct expenses b					
	c	Net income or (loss) from fundraising events		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	Cafeteria sales-employees	900099	23,773			23,773
	b	APD/JAIL CONTRACT	900099	18,793	18,793		
	c	Meals on wheels	900099	15,003	15,003		
	d	All other revenue		12,983	12,983		
	e	**Total.** Add lines 11a–11d		70,552			
	12	**Total revenue.** See Instructions		44,474,048	44,367,097		50,043

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	0			
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees				
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	15,011,771	12,212,132	2,799,639	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	315,725	277,130	38,595	
9	Other employee benefits	1,441,438	1,224,474	216,964	
10	Payroll taxes	934,252	860,805	73,447	
11	Fees for services (non-employees)				
a	Management	2,815,062	1,034,889	1,780,173	
b	Legal	380,362		380,362	
c	Accounting	82,625		82,625	
d	Lobbying	3,657	3,657		
e	Professional fundraising *See Part IV, line 17* . .	0			
f	Investment management fees	0			
g	Other	5,237,214	5,237,214		
12	Advertising and promotion	95,054	92,243	2,811	
13	Office expenses	2,130,508	1,350,682	779,826	
14	Information technology	2,200,202	1,279,416	920,786	
15	Royalties . .	0			
16	Occupancy	468,108	421,297	46,811	
17	Travel	150,921	28,132	122,789	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	83,097	37,736	45,361	
20	Interest	0			
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	674,480	472,135	202,345	
23	Insurance	429,597	322,282	107,315	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	Bad debt expense	6,745,974	6,745,974		
b	Management fee	800,836		800,836	
c	ALL OTHER EXPENSES	286,888	156,953	129,935	
d					
e					
f	All other expenses				
25	**Total functional expenses.** Add lines 1 through 24f	40,287,771	31,757,151	8,530,620	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		11,790,896	1	12,908,134
	2	Savings and temporary cash investments		1,552,384	2	2,131,946
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		5,244,344	4	4,910,873
	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		526,896	8	842,081
	9	Prepaid expenses and deferred charges		584,656	9	1,203,662
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 9,529,118			
	b	Less accumulated depreciation	10b 3,451,709	4,059,631	10c	6,077,409
	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		442,408	15	838,833
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		24,201,215	16	28,912,938
Liabilities	17	Accounts payable and accrued expenses		2,476,341	17	3,033,869
	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		32,083	25	0
	26	**Total liabilities.** Add lines 17 through 25		2,508,424	26	3,033,869
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		21,684,025	27	25,870,303
	28	Temporarily restricted net assets		8,766	28	8,766
	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		21,692,791	33	25,879,069
	34	Total liabilities and net assets/fund balances		24,201,215	34	28,912,938

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	44,474,048
2	Total expenses (must equal Part IX, column (A), line 25)	2	40,287,771
3	Revenue less expenses Subtract line 2 from line 1	3	4,186,277
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	21,692,791
5	Other changes in net assets or fund balances (explain in Schedule O)	5	1
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	25,879,069

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
Artesia General Hospital

Employer identification number
74-2851819

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	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support?
Total									

Part II **Support Schedule for Organizations Described in 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 C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ **Complete if the organization is described below.**

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

If the organization answered "Yes," to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, line 35c (Proxy Tax), then

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

Name of the organization	Employer identification number
Artesia General Hospital	74-2851819

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

1 Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV

2 Political expenditures ▶ $

3 Volunteer hours

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ $

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

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

A Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ **Yes** ☐ **No**

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		3,353
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV			
j	Total lines 1c through 1i			3,353
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
MEMBERSHIP DUES TO AHA	SCHEDULE C, PART II-B	ARTESIA GENERAL HOSPITAL PAID $13,729 00 TO AHA IN 2011 THE PORTION OF AHA DUES THAT WERE USED FOR LOBBYING PURPOSES WAS 24 42% TOTAL DUES PAID FOR LOBBYING ACTIVITES WERE (13,729 00 X 2442) = $3,353

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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
Artesia General Hospital

Employer identification number
74-2851819

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		404,000		404,000
b Buildings		2,043,843		2,043,843
c Leasehold improvements		246,643	6,516	240,127
d Equipment		5,182,515	3,445,194	1,737,321
e Other		1,652,118		1,652,118
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				6,077,409

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	
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	

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

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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
Artesia General Hospital

Employer identification number
74-2851819

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 ☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %	3a	Yes	
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 ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other _____ %	3b	Yes	
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		No
6b	If "Yes," did the organization make it available to the public?	6b		
	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)			1,113,918	883,681	230,237	0 690 %
b Medicaid (from Worksheet 3, column a)			5,314,834	1,776,221	3,538,613	10 550 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			2,143,352	156,893	1,966,459	5 860 %
d **Total** Charity Care and Means-Tested Government Programs			8,572,104	2,816,795	5,735,309	17 100 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			64,500		64,500	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			64,500		64,500	0 190 %
k **Total.** Add lines 7d and 7j			8,636,604	2,816,795	5,799,809	17 290 %

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			250,000			0 750 %
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 **Total**			250,000			0 750 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense	2	6,745,974		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	4,251,891		
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	10,729,404		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	13,834,637		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-3,105,233		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	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	Artesia General Hospital 702 N 13th St Artesia, NM 88210	X	X					X		

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: Artesia General 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 200 %			
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 550 %			
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

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? **1**

	Name and address	Type of Facility (Describe)
1	Memorial Family Practice RHC 702 North 13th Street Artesia, NM 88210	Rural Health Clinic
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
SUPPLEMENTAL INFORMATION	SCHEDULE H, VI, QUESTIONS 1 THROUGH 7	PART I, LINE 6A A COMMUNITY BENEFIT SURVEY WAS NOT COMPLETED IN THE YEAR FOR THE REPORT P ART I, LINE 7, COLUMN (F) THIS LINE INVOLVES MEDICAID AND MEDICAID MANAGED CARE BOTH OF WH ICH ARE REIMBURSED AT THE MEDICAID RATE IT ALSO INCLUDES COUNTY INDIGENT CARE THAT IS REI MBURSED AT 50% FOR PEOPLE THAT QUALIFY BASED ON GUIDELINES ESTABLISHED IN THE HOSPITAL IND IGENT AND CHARITY POLICY THE ORGANIZATION INCLUDES THE ESTIMATED PART OF THE ESTIMATED BA D DEBT THAT WOULD QUALIFY FOR INDIGENT/CHARITY IF THE CORRECT PAPER WORK WAS FILLED OUT T HE ORGANIZATION RECOGNIZED THAT A PORTION OF THE UNINSURED OR UNDERINSURED PATIENT POPULAT ION MAY NOT ENGAGE IN THE TRADITIONAL FINANCIAL ASSISTANCE APPLICATION PROCESS THEREFORE, THE ORGANIZATION ALSO USED AN AUTOMATED PREDICTIVE SCORING TOOL TO IDENTIFY AND QUALIFY P ATIENTS FOR FINANCIAL ASSISTANCE FOR ACCOUNTS THAT WERE INITIALLY CLASSIFIED AS BAD DEBT COLLECTION ACTIONS WERE NOT PURSUED ON THESE ACCOUNTS ONCE THEY ARE RECLASSIFIED BECAUSE R ECLASSIFIED ACCOUNTS WERE GRANTED 100 PERCENT FINANCIAL ASSISTANCE (FREE CARE) AFTER THE RECLASSIFICATION THERE WAS NO REMAINING AMOUNT OF BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENT S ELIGIBLE UNDER OUR FINANCIAL ASSISTANCE POLICY PART II, LINE 1 THE HOSPITAL PROVIDED "L UNCH AND LEARN" ACTIVITIES AT SEVERAL AREA BUSINESSES AND EDUCATIONAL CONTENT PART III, L INE 4 THE HOSPITAL REPORTS PATIENT ACCOUNTS RECEIVABLE FOR SERVICES RENDERED AT NET REALIZ ABLE AMOUNTS FROM GOVERNMENT PAYERS, MANAGED CARE PLANS, PATIENTS AND OTHERS AMOUNTS DUE FROM PATIENTS INCLUDE BOTH AMOUNTS DUE FROM FULLY UNINSURED PATIENTS AND CO-PAYMENTS AND D EDUCTIBLES FOR WHICH INSURED PATIENTS ARE RESPONSIBLE AS A SERVICE TO THE PATIENT THE HOS PITAL BILLS THIRD-PARTY PAYERS DIRECTLY AND BILLS THE PATIENT WHEN THE PATIENT'S LIABILITY IS DETERMINED PATIENT ACCOUNTS RECEIVABLE ARE DUE IN FULL WHEN BILLED THE HOSPITAL PROV IDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR ESTIMATED LOSSES RESULTING FROM PAYERS' INABIL ITY TO MAKE PAYMENTS ON ACCOUNTS THE HOSPITAL ESTIMATES ITS ALLOWANCE FOR DOUBTFUL ACCOUN TS BASED UPON A REVIEW OF OUTSTANDING RECEIVABLES, HISTORICAL COLLECTION INFORMATION AND E XISTING ECONOMIC CONDITIONS ACCOUNTS ARE CONSIDERED DELINQUENT, AND SUBSEQUENTLY WRITTEN OFF AS BAD DEBTS, BASED ON INDIVIDUAL CREDIT EVALUATION AND SPECIFIC CIRCUMSTANCES OF THE ACCOUNT, ESTIMATES ITS ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED UPON A REVIEW OF OUTSTANDING RECEIVABLES PART III, LINE 8 THE ENTIRE SHORTFALL OF $3,107,205 SHOULD BE COMMUNITY BENEF IT THE HOSPITAL/COMMUNITY HAS TO MAKE UP THIS DIFFERENCE TO CONTINUE TO TREAT MEDICARE PA TIENTS THAT PRESENT FOR TREATMENT PART III, LINE 9B IF A PATIENT QUALIFIES FOR CHARITY OR INDIGENT HELP, THE HOSPITAL PERSONNEL REMOVE THE PATIENT FROM THE COLLECTION PROCESS SCH EDULE H, PART V, SECTION C MEMORIAL FAMILY PRACTICE RHC IS A MEDICARE QUALIFIED RURAL HEAL TH CLINIC SERVING PRIMARY HEALTHCARE NEEDS IN THE COMMUNITY SCHEDULE H, PART VI, QUESTION 2 NEEDS ASSESSMENT NEEDS ASSESSMENT WAS NOT COMPLETED DURING THIS PERIOD SCHEDULE H, PAR T VI, QUESTION 3 PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE EDUCATION IS AVAILABLE ON OUR WEBSITE, THROUGH DIRECT MAILINGS, PATIENT REGISTRATION AND OTHER STAFF IN THE HOSPITA L AT LEAST ONE EMPLOYEE IS ASSIGNED THE DUTY OF CHECKING WITH ALL PATIENTS POSSIBLE DURIN G THEIR STAY IN THE HOSPITAL CASE MANAGERS WILL ALSO BE INVOLVED SCHEDULE H, PART VI, QU ESTION 4 COMMUNITY INFORMATION ARTESIA GENERAL HOSPITAL IS A NOT-FOR-PROFIT, COMMUNITY HOS PITAL LOCATED AT 702 N 13TH STREET IN ARTESIA, NEW MEXICO THE HOSPITAL HAS SERVICED ARTE SIA AND SURROUNDING COMMMUNITIES SINCE 1939 AFTER A SUCCESSSION OF ORGANIZATIONS MANAGING THE HOSPITAL, LOCAL CITIZENS VOTED IN THE 1970S TO ESTABLISH A SPECIAL HOSPITAL DISTRICT, AND IN 1978 THE ARTESIA SPECIAL DISTRICT ASSUMED RESPONSIBILITY OF THE HOSPITAL FROM THE CITY A NEW HOSPITAL, LICENSED FOR 34 BEDS, WAS COMPLETED IN OCTOBER OF 1981, AND THAT FAC ILITY SERVED THE COMMUNITY WELL FOR MOR THAN 20 YEARS HOWEVER, AS THE NUMBER OF SERVICES OFFERED HAD INCREASED, ADDITIONAL SPACE WAS NEEDED FOR THE HOSPITAL IN 2006, A 67,000 SQU ARE FOOT NEW FACILITY WAS COMPLETED AS AN ADDITION TO THE EXISTING HOSPITAL IN 2007 THE O RIGINAL FACILITY WAS REMODELED TO HOUSE THE ADDITION OF A 15 BED SENIOR CARE UNIT AND EXPA NDED SUPPORT SERVICES, A MEDICAL CLINIC AND ADMINISTRATIVE OFFICES COMMUNITY HOSPITAL COR PORTATION HAS LEASED THE HOSPITAL FROM THE ASHD SINCE 1999 THE ENTIRE POPULATION OF EDDY COUNTY IS CLASSIFIED AS MEDICALLLY UNDERSERVED AND HAS A SHORTAGE OF PERSONAL HEALTH SERVI CES SCHEDULE H, PART VI, QUESTION 5 PROMOTION OF COMMUNITY HEALTH AGH RECRUITED AN UROLOG IST AND AN ENT PHYSICIAN THE RHC (MEMORIAL FAMILY PRACTICE) EXPANDED HOURS CONTINUED THIS YEAR AND IS ALLOWING NURSE PRACTITIONERS AND PHYSICIAN ASSSISTANTS TO BE MORE AVAILABLE T O OUR COMMUNITY BEING A TEAM MEMBER OF AGH AND OUR COMMUNITY ALLOWS US TO PARTICIPATE IN MANY ACTIVITIES 1 AGH RAISES MONEY AND PARTICIPA

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION	SCHEDULE H, VI, QUESTIONS 1 THROUGH 7	TES IN THE ANNUAL RELAY FOR LIFE WALK THAT RAISES MONEY FOR THE AMERICAN CANCER SOCIETY AN D RAISES COMMUNITY AWARENESS 2 EACH SUMMER AGH PROVIDES SPACE, FOOD AND VOLUNTEERS AND N URSING STAFF FOR A FREE BACK-TO-SCHOOL PHYSICAL EVENT FOR ARTESIA AND LAKE ARTHUR 3 EACH OCTOBER AGH OFFERS DISCOUNTED MAMMOGRAM SCREENINGS AS PART OF BREAST CANCER AWARENESS MON TH 4 AGH PREPARES AND DONATES A PORTION OF THE COST OF THE MEALS FOR THE AREA MEALS ON W HEELS PROGRAM 5 AGH STAFF, PARTICULARLY THE GEROPSYCH PROGRAM CENTERS, LOCAL CHURCHES, T HE ROTARY CLUB AND OTHER COMMMUNITY ORGANIZATIONS, ORGANIZES AND PRESENTS FREE EDUCATIONAL SEMINARS FOR THE AREA RETIREMENT 6 AGH HOSTS AN ANNUAL HEALTH FAIR AND QUARTERLY HEALTH SCREENINGS FOR RESIDENTS OF THE SURROUNDING AREAS SCREENINGS INCLUDE BLOOD PRESSURE, CHOL ESTEROL AND GLUCOSE 7 AGH SPONSORS MONTHLY HEALTH RELATED EDUCATION TOPICS VIA RADIO AND TELEVISION TOPICS TO INCLUDE ASTHMA, SUICIDE PREVENTION, WOMEN'S HEALTH SCREENINGS AND S MOKING CESSATION AS WELL AS OTHER HEALTH AWARENESS MONTH A DIFFICULTY THAT IS FACED IN OU R COMMUNITY IS THE RECRUITMENT OF HEALTHCARE PROFESSIONALS WE ARE ADDRESSING THIS NEED BY OFFERING ONE-YEAR RESIDENCY PROGRAMS FOR UNM GRADUATE NURSING STUDENTS TO TRAIN THEM FOR WORKING IN A RURAL HEALTH CARE PRACTICE THE STUDENTS ARE ALLOWED THE OPPORTUNITY TO ROTAT E THROUGH THE ER AND CLINICAL TRAINING FOR RADIOLOGY STUDENTS AGH LEADERSHIP SERVES ON TH E BOARD OF THE CARLSBAD COMMUNITY FOUNDATION AGH ALSO REMAINS FOCUSED ON PHYSICIAN RECRUI TMENT WE PROVIDE THE MONIES NECESSARY FOR THEIR PRACTICE, AND CONTINUALLY ACCESS THE NEED S OF THE COMMUNITY FOR THE APPROPRIATE PHYSICIAN PRACTICE USE OF SURPLUS FUNDS WILL CONTI NUE TO BE USED FOR RE-INVESTING IN CURRENT PHYSICIAN SERVICES AND RECRUITMENT OF NEW PHYSI CIANS TO ADDRESS THE LONG-TERM NEEDS FOR OUR COMMUNITY PLANS ARE CURRENTLY UNDERWAY TO EX PAND THE ER AND MEMORIAL FAMILY PRACTICE WAITING AREAS, UPGRADE THE MOB FACILITY, UPGRADE AND ENLARGE THE LABORATORY AND ADD AN ADDITIONAL OPERATING SUITE AGH WILL ALSO BEGIN IMPL EMENTATION OF AN ELECTRONIC MEDICAL RECORDS SYSTEM (EMR), A PICTURE ARCHIVING AND COMMUNIC ATIONS SYSTEM (PACS) AND A PHARMACEUTICAL DISPENSING SYSTEM IN ADDITION TO THESE CAPITAL EXPENDITURES, AGH IS POSITIONING ITSELF TO CONTINUE TO SURVIVE THE REIMBURSEMENTS CUTS BY MEDICARE, MEDICAID AND OTHER PROVIDERS OUR GOVERNING BOARD IS COMPRISED BY 9 COMMUNITY ME MBERS, AND 1 CHC REPRESENTATIVE THE COMMUNITY MEMBERS ARE APPOINTED FOR A 3 YEAR TERM TH E BOARD SERVES AS AN OPERATIONAL OVERSIGHT FOR THE HOSPITAL WHICH INCLUDES BUT IS NOT LIMI TED TO QUALITY REVIEW AND MEDICAL STAFF CREDENTIALING THE MEDICAL STAFF OF AGH IS AN "OPE N" MEDICAL STAFF AND ALL PROVIDERS WITH APPROPRIATE CREDENTIALS ARE ENCOURAGED TO APPLY FO R STAFF PRIVILEGES CURRENTLY, OUR MOST CURRENT COMMUNITY BENEFIT REPORT IS AVAILABLE UPON REQUEST AND THAT IS NOTED ON OUR WEB SITE

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	990 SCHEDULE H, PART VI	NM,

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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
Artesia General Hospital

Employer identification number
74-2851819

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply ☐ Compensation committee ☐ Written employment contract ☐ Independent compensation consultant ☐ Compensation survey or study ☐ Form 990 of other organizations ☐ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**	Yes	
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
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				
(1) Jorge Abalos MD	(i)	580,146	0	0	4,523	0	584,669	0
	(ii)	0	0	0	0	0	0	0
(2) James Lash DO	(i)	800,004	0	0	0	0	800,004	0
	(ii)	0	0	0	0	0	0	0
(3) Kenneth Randall	(i)	0	0	0	0	0	0	0
	(ii)	242,447	56,095	4,522	49,023	11,691	363,778	0
(4) Shariar Anoushfar	(i)	839,574	0	0	9,800	0	849,374	0
	(ii)	0	0	0	0	0	0	0
(5) Edwin McGroarty	(i)	463,740	0	0	0	0	463,740	0
	(ii)	0	0	0	0	0	0	0
(6) Robert Lauer	(i)	400,001	0	0	0	9,800	409,801	0
	(ii)	0	0	0	0	0	0	0
(7) Richard Dexter	(i)	317,065	0	0	9,800	0	326,865	0
	(ii)	0	0	0	0	0	0	0
(8) Joseph Mareno	(i)	211,045	0	0	0	0	211,045	0
	(ii)	0	0	0	0	0	0	0
(9) Wilson Weber	(i)	0	0	0	0	0	0	0
	(ii)	415,342	223,642	70,657	99,418	15,584	824,643	38,400
(10) David Butler	(i)	0	0	0	0	0	0	0
	(ii)	261,492	111,285	52,783	14,798	15,684	456,042	38,204

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
Supplemental Compensation Information		THE ORGANIZATION EXECUTIVES ARE EMPLOYED BY THE PARENT ORGANIZATION, VHA SOUTHWEST COMMUNITY HEALTH CORPORATION (CHC), AND THEREFORE FOLLOW THE COMPENSATION POLICY OF CHC CHC ENGAGED SULLIVAN COTTER TO CONDUCT A COMPETITIVE MARKET ANALYSIS OF THE COMPENSATION OF CHC'S TOP MANAGEMENT OFFICIALS, OFFICERS, DIRECTORS AND KEY EMPLOYEES SULLIVAN COTTER GATHERED DATA RELATED TO ON JOB DESCRIPTIONS, SCOPE OF RESPONSIBILITY, AND CURRENT INCUMBENTS' COMPENSATION SULLIVAN COTTER RECOMMENDED APPROPRIATE COMPARISON DATA AND UTILIZED SURVEY DATA FROM FOUR MAJOR EXECUTIVE COMPENSATION SURVEY PROVIDERS TO PROVIDE MARKET DATA AND EXECUTIVE COMPENSATION RECOMMENDATIONS THAT MEET CHC'S COMPENSATION PHILOSOPHY SULLIVAN COTTER'S RECOMMENDATIONS WERE PRESENTED TO THE CHC COMPENSATION COMMITTEE OF THE BOARD FOR REVIEW AND APPROVAL CHC ALSO CONDUCTS PERIODIC REVIEWS OF COMPENSATION TO DETERMINE WHETHER COMPENSATION ARRANGEMENTS AND BENEFITS ARE REASONABLE, BASED ON COMPETENT SURVEY INFORMATION, AND THE RESULT OF ARM'S LENGTH BARGAINING SCHEDULE J, PART I, LINE 4B NONQUALIFIED RETIREMENT PLAN PARTICIPATION WAS PAID TO WILSON WEBER - $140,268 DAVID BUTLER - $57,804 SCHEDULE J, PART I, LINE 6A AS REPORTED IN SCHEDULE J, PART II AND FORM 990, PART VII, BONUSES WERE PAID TO THE INDIVIDUALS LISTED BELOW AS PART OF A DISCRETIONARY INCENTIVE COMPENSATION PROGRAM A PORTION OF THE DISCRETIONARY INCENTIVE COMPENSATION PROGRAM WAS IN PART BASED ON THE CONSOLIDATED EARNINGS BEFORE INTEREST, DEPRECIATION AND AMORTIZATION (EBIDA) OF ARTESIA GENERAL HOSPITAL KENNETH RANDALL $ 56,095

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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
Artesia General Hospital

Employer identification number
74-2851819

Identifier	Return Reference	Explanation
ORGANIZATION'S MISSION STATEMENT	FORM 990, PART III, LINE 1	ARTESIA GENERAL HOSPITAL (AGH) IS LOCATED IN ARTESIA, NEW MEXICO OUR MISSION IS TO PROVIDE HEALTHCARE TO THE FAMILIES OF ARTESIA AND SURROUNDING COMMUNITIES WHILE CONTINUALLY IMPROVING QUALITY OF PATIENT CARE AND UTILIZING RESOURCES EFFECTIVELY AND EFFICIENTLY WE PROVIDE GENERAL ACUTE CARE, MEDICAL AND SURGICAL SERVICES, INCLUDING OUTPATIENT AND EMERGENCY ROOM SERVICES

Identifier	Return Reference	Explanation
DESCRIPTION OF MANAGEMENT ARRANGEMENT	FORM 990, PART VI, QUESTION 3	VHA SOUTHWEST COMMUNITY HEALTH CORPORATION D/B/A COMMUNITY HOSPITAL CORPORATION (CHC) PROVIDES CERTAIN FINANCIAL, TECHNICAL AND MANAGERIAL SUPPORT SERVICES TO THE HOSPITAL

Identifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF MEMBERS OR STOCKHOLDERS	FORM 990, PART VI, QUESTION 6	VHA SOUTHWEST COMMUNITY HEALTH CORPORATION, A TEXAS NON-PROFIT CORPORATION, IS THE SOLE MEMBER OF ARTESIA GENERAL HOSPITAL

Identifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF PERSONS AND THE NATURE OF THEIR RIGHTS	FORM 990, PART VI, QUESTION 7A	VHA SOUTHWEST COMMUNITY HOSPITAL CORPORATION (''CHC'') AS THE SOLE MEMBER OF ARTESIA GENERAL HOSPITAL (''AGH'') ELECTS THE MEMBERS OF THE BOARD OF DIRECTORS OF AGH AND IS EMPOWERED WITH THE ABILITY TO REMOVE DIRECTORS, WITH OR WITHOUT CAUSE.

Identifier	Return Reference	Explanation
DESCR CLASSES OF PERSONS, DECISIONS REQUIRING APPR & TYPE OF VOTING RIGHTS	FORM 990, PART VI, QUESTION 7B	BYLAWS REQUIRE THE APPROVAL OF VHA SOUTHWEST COMMUNITY HEALTH CORPORATION AS ARTICULATED IN THE BYLAWS THE AFFAIRS OF THE CORPORATION SHALL BE GOVERNED BY THE BOARD OF DIRECTORS IN ACCORDANCE WITH THESE BYLAWS, THE NEW MEXICO NON-PROFIT CORPORATION ACT (THE "ACT") AND THE CORPORATION'S ARTICLES OF INCORPORATION, AS AMENDED FROM TIME TO TIME, PROVIDED THAT THE APPROVAL OF THE MEMBERS OF THE CORPORATION SHALL BE NECESSARY FOR EACH OF THE FOLLOWING MATTERS (A) THE ESTABLISHMENT OF OR ANY CHANGE IN THE ACTIVITIES, PHILOSOPHY, MISSION OR PURPOSE OF THE CORPORATION AS SET BY THE MEMBERS (B) ANY AMENDMENTS OR REVISIONS TO THE ARTICLES OF INCORPORATION OR BYLAWS OF THE CORPORATION (C) ANY AMENDMENTS OR REVISIONS OF THE ARTICLES OF INCORPORATION OR BYLAWS OF ANY SUBSIDIARY CORPORATION OF THE CORPORATION (D) THE CREATION OF, OR INVESTMENT IN, ANY SUBSIDIARY ENTITY, PARTNERSHIP OR VENTURE (E) ANY AMENDMENT, REVISION OR TERMINATION OF THE PARTNERSHIP AGREEMENT OF ANY PARTNERSHIP OR REGULATIONS OF ANY LIMITED LIABILITY COMPANY, TO WHICH THE CORPORATION IS A PARTY (F) THE ANNUAL OPERATING AND CAPITAL BUDGETS OF THE CORPORATION (G) ALL MATERIAL EXPENDITURE DEVIATIONS ($25,000 IN ANY SINGLE OR SERIES OF TRANSACTIONS) FROM THE ANNUAL OPERATING BUDGET (H) ALL EXPENDITURE DEVIATIONS FROM THE ANNUAL CAPITAL BUDGET (I) THE PURCHASE OR ACQUISITION OF ANY REAL PERSONAL OR MIXED PROPERTY BY THE CORPORATION IN EXCESS OF $25,000 THAT IS NOT PROVIDED FOR IN THE CORPORATION'S ANNUAL OPERATING OR CAPITAL BUDGETS (J) THE SALE, MORTGAGE, ENCUMBRANCE, TRANSFER, LEASE, GIFT, OR OTHER DISPOSITION OF ANY REAL PROPERTY OF THE CORPORATION (K) ANY SALE, GIFT, EXCHANGE, LEASE, MORTGAGE OR OTHER TRANSFER OR ENCUMBRANCE (COLLECTIVELY, "TRANSFER") OF THE PERSONAL PROPERTY OF THE CORPORATION (TANGIBLE OR INTANGIBLE) IF THE SUM OF SUCH TRANSFER AND THE SUM OF ALL PRIOR TRANSFERS, PER FISCAL YEAR, EXCEED $50,000 (L) ANY DEBT OR FINANCING ARRANGEMENT OF THE CORPORATION, EXCEPT USUAL AND CUSTOMARY TRADE DEBTS WHICH IS INCURRED IN THE ORDINARY COURSE OF BUSINESS OF THE CORPORATION (M) SETTLEMENT OF ANY CLAIMS OR LITIGATION INVOLVING THE CORPORATION (N) THE MERGER, DISSOLUTION, OR CONSOLIDATION OF THE CORPORATION OR SUBSIDIARY CORPORATION (O) THE EXECUTION, REVISION, AMENDMENT, EXTENSION, NON-RENEWAL OR TERMINATION OF ANY MANAGEMENT, EMPLOYMENT, LEASE, OR SERVICE CONTRACT, WITH AN ANNUAL COMPENSATION IN EXCESS OF $30,000 OR AN AGGREGATE COMPENSATION IN EXCESS OF $50,000 (P) ANY DEBTS, LOANS, GUARANTIES, OR GRANTS NOT INCLUDED AND APPROVED AS PART OF THE CORPORATION'S ANNUAL OPERATING AND CAPITAL BUDGETS (Q) THE ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS OR THE REMOVAL OF SAID BOARD MEMBER, WHETHER WITH OUR WITHOUT CAUSE (R) THE ENGAGEMENT OF OR REMOVAL OF THE HOSPITAL ADMINISTRATOR (S) THE APPROVAL OF THE EMPLOYEE POLICIES AND BENEFITS PROGRAMS OF THE CORPORATION (T) THE APPROVAL OF MAJOR DEVELOPMENT CAMPAIGNS AND FUND-RAISING (U) THE APPROVAL OF THE FINANCE MANAGEMENT SYSTEM FOR THE CORPORATION

Identifier	Return Reference	Explanation
MAILING ADDRESS OF PERSONS TO BE CONTACTED AT A DIFFERENT ADDRESS	FORM 990, PART VI, QUESTION 9	ALL CURRENT OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES MAY BE REACHED AT ARTESIA GENERAL HOSPITAL 702 NORTH 13TH STREET ARTESIA, NEW MEXICO 88210

Identifier	Return Reference	Explanation
DESCRIBE THE PROCESS USED BY MANAGEMENT &/OR GOVERNING BODY TO REVIEW 990	FORM 990, PART VI, QUESTION 11A	THE DETAILED REVIEW OF THE FORM 990 IS CONDUCTED BY THE SECRETARY/ TREASURER FOLLOWING THE PREPARATION AND REVIEW OF THE RETURN BY THE ORGANIZATION'S PAID PREPARER A FINAL COPY OF THE FORM 990 WAS PRESENTED TO THE ORGANIZATION'S BOARD MEMBERS AT AN ANNUAL BOARD MEETING PRIOR TO FILING

Identifier	Return Reference	Explanation
DESCRIPTION OF PROCESS TO MONITOR TRANSACTIONS FOR CONFLICTS OF INTEREST	FORM 990, PART VI, QUESTION 12C	THE ORGANIZATION FOLLOWS THE CONFLICT OF INTEREST DISCLOSURE PROCESS ADMINISTERED BY ITS PARENT, VHA SOUTHWEST COMMUNITY HEALTH CORPORATION (CHC), AND AS FORMALLY ADOPTED BY ARTESIA GENERAL HOSPITAL'S BOARD, WHICH REQUIRES ALL OFFICERS, DIRECTORS, KEY EMPLOYEES, HIGHLY COMPENSATED EMPLOYEES AND OTHER MANAGEMENT OFFICIALS ("COVERED PERSONS") TO DISCLOSE POTENTIAL CONFLICTS PURSUANT TO THE POLICY, A DISCLOSURE STATEMENT IS CIRCULATED ANNUALLY TO COVERED PERSONS IN WHICH THE INDIVIDUAL MUST DISCLOSE TRANSACTIONS THAT MAY RESULT IN A CONFLICT COVERED PERSONS ARE ALSO ENCOURAGED TO NOTIFY THE BOARD, APPROPRIATE MANAGEMENT PERSONNEL, CHIEF COMPLIANCE OFFICER, GENERAL COUNSEL, OR THE AUDIT AND COMPLIANCE COMMITTEE OF THE GOVERNING BODY AS NECESSARY WHEN NECESSARY, THE BOARD CHAIR OR APPROPRIATE BOARD COMMITTEE MAY APPOINT A DISINTERESTED PERSON(S) OR COMMITTEE TO INVESTIGATE THE POTENTIAL CONFLICT OF INTEREST AND RECOMMEND ALTERNATIVES TO THE APPLICABLE TRANSACTION OR ARRANGEMENT OR OTHERWISE DETERMINE IF THE CONFLICT CAN BE RESOLVED IF A MORE ADVANTAGEOUS TRANSACTION OR ARRANGEMENT IS NOT REASONABLY POSSIBLY UNDER THE CIRCUMSTANCES NOT PRODUCING A CONFLICT OF INTEREST, THE GOVERNING BOARD OR COMMITTEE SHALL DETERMINE BY A MAJORITY VOTE OF THE DISINTERESTED DIRECTORS WHETHER THE TRANSACTION OR ARRANGEMENT IS IN THE BEST INTEREST OF THE ORGANIZATION, FOR ITS OWN BENEFIT, AND WHETHER IT IS REASONABLE. THE GOVERNING BOARD OR COMMITTEE MAKES THE DECISION AS TO WHETHER TO ENTER INTO THE TRANSACTION OR ARRANGEMENT ANY MEMBER OF THE BOARD OPERATING UNDER A CONFLICT IS NOT PERMITTED TO BE PRESENT OR OTHERWISE PARTICIPATE IN THE VOTE ON ANY MATTER TO WHICH THE CONFLICT RELATES IF THE GOVERNING BOARD OR COMMITTEE OF THE ORGANIZATION HAS REASONABLE CAUSE TO BELIEVE THAT A COVERED PERSON HAS FAILED TO DISCLOSE AN ACTUAL OR POSSIBLE CONFLICT OF INTEREST AND AFTER INVESTIGATION THE BOARD OR COMMITTEE DETERMINES THAT THE COVERED PERSON FAILED TO DISCLOSE A CONFLICT OF INTEREST, THE ORGANIZATION TAKES APPROPRIATE DISCIPLINARY OR CORRECTIVE ACTION, WHICH MAY INCLUDE, TERMINATION OF THE INDIVIDUAL'S MEMBERSHIP, EMPLOYMENT, OR CONTRACT

Identifier	Return Reference	Explanation
OFFICES & POSITIONS FOR WHICH PROCESS WAS USED, & YEAR PROCESS WAS BEGUN	FORM 990, PART VI, QUESTIONS 15A & 15B	THE ORGANIZATION EXECUTIVES ARE EMPLOYED BY THE PARENT ORGANIZATION, VHA SOUTHWEST COMMUNITY HEALTH CORPORATION (CHC), AND THEREFORE FOLLOW THE COMPENSATION POLICY OF CHC AS ADOPTED BY ARTESIA GENERAL HOSPITAL'S BOARD CHC ENGAGED SULLIVAN COTTER TO CONDUCT A COMPETITIVE MARKET ANALYSIS OF THE COMPENSATION OF CHC'S TOP MANAGEMENT OFFICIALS, OFFICERS, DIRECTORS AND KEY EMPLOYEES SULLIVAN COTTER GATHERED DATA RELATED TO ON JOB DESCRIPTIONS, SCOPE OF RESPONSIBILITY, AND CURRENT INCUMBENTS' COMPENSATION SULLIVAN COTTER RECOMMENDED APPROPRIATE COMPARISON DATA AND UTILIZED SURVEY DATA FROM FOUR MAJOR EXECUTIVE COMPENSATION SURVEY PROVIDERS TO PROVIDE MARKET DATA AND EXECUTIVE COMPENSATION RECOMMENDATIONS THAT MEET CHC'S COMPENSATION PHILOSOPHY SULLIVAN COTTER'S RECOMMENDATIONS WERE PRESENTED TO THE CHC COMPENSATION COMMITTEE OF THE BOARD FOR REVIEW AND APPROVAL CHC ALSO CONDUCTS PERIODIC REVIEWS OF COMPENSATION TO DETERMINE WHETHER COMPENSATION ARRANGEMENTS AND BENEFITS ARE REASONABLE, BASED ON COMPETENT SURVEY INFORMATION, AND THE RESULT OF ARM'S LENGTH BARGAINING THIS PROCESS IS PERFORMED EACH YEAR PRIOR TO THE ANNUAL EMPLOYEE EVALUATION PROCESS, WHICH ENDS ON JULY 1ST OF EACH YEAR

Identifier	Return Reference	Explanation
AVAIL OF GOV DOCS, CONFLICT OF INTEREST POLICY, & FIN STMTS TO GEN PUBLIC	FORM 990, PART VI, QUESTION 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY AVAILABLE AT ITS BUSINESS OFFICE UPON REQUEST

Identifier	Return Reference	Explanation
AVERAGE RELATED HOURS DISCLOSURE	FORM 990, PART VII, SECTION A, COLUMN B	ESTIMATED HOURS WORKED BY OFFICERS, DIRECTORS, TRUSTEES, KEY EMPLOYEES, AND HIGHEST COMPENSATED EMPLOYEES AT RELATED ENTITIES DAVID BUTLER BAPTIST HOSPITALS OF SE TEXAS - 1 HOUR PER WEEK CHC COMMUNITY CARE - 1 HOUR PER WEEK VHASW COMMUNITY HEALTH CORPORATION - 34 HOURS PER WEEK YOAKUM COMMUNITY HOSPITAL - 1 HOUR PER WEEK COMMUNITY HOSPITAL CONSULTING, INC - 1 HOUR PER WEEK SOUTHWEST COMMUNITY HOSPITAL - 0 01 HOURS PER WEEK CONTINUE CARE HOSPITAL OF TYLER - 1 HOUR PER WEEK WILSON WEBER BAPTIST HOSPITALS OF SE TEXAS - 1 HOUR PER WEEK SOUTHWEST COMMUNITY HOSPITAL - 0 01 HOUR PER WEEK VHASW COMMUNITY HEALTH CORPORATION - 33 HOURS PER WEEK COMMUNITY HOSPITAL CONSULTING, INC - 6 HOURS PER WEEK ST MARK'S MEDICAL CENTER - 1 HOUR PER WEEK YOAKUM COMMUNITY HOSPITAL - 1 HOUR PER WEEK

Identifier	Return Reference	Explanation
OVERSIGHT OR SELECTION PROCESS	FORM 990, PART XI, LINE 2C	THE AUDIT COMMITTEE OF VHA SOUTHWEST COMMUNITY HEALTH CORPORATION, WHICH IS THE PARENT ORGANIZATION OF ARTESIA GENERAL HOSPITAL, IS RESPONSIBLE FOR OVERSEEING THE EXTERNAL AUDIT OF THE CONSOLIDATED FINANCIALS

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Artesia General Hospital

Employer identification number
74-2851819

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
See Additional Data Table							

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

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

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 Health Assurance SPC LTD Cayman Islands GRAND CAYMAN POB 69GT CJ	Captive Insurance	CJ	NA	C CORP			
(2) Community Hospital Consulting Inc 5801 Tennyson Parkway Ste 550 Plano, TX 75024 20-4710183	Mgmt Consulting	TX	CHC	C Corp			

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

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

			Yes	No
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	Yes	
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	Yes	
o	Reimbursement paid to related organization(s) for expenses	1o	Yes	
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) VHASW COMMUNITY HEALTH CORPORATION	O	3,911,403	FMV
(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	

Schedule R (Form 990) 2011

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: 74-2851819
Name: Artesia General Hospital

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	
BAPTIST HOSPITALS OF SE TEXAS POST OFFICE BOX 1591 BEAUMONT, TX 77704 74-1303720	HOSPITAL	TX	501(C)(3)	3	SW CH INC		No
BAPTIST PHYSICIAN NETWORK 3080 COLLEGE STREET BEAUMONT, TX 77701 76-0453250	PRIMARY CARE	TX	501(C)(3)	3	BP HSP SETX		No
LAIRD MEMORIAL HOSPITAL 5801 TENNYSON PKWY STE 550 PLANO, TX 75024 02-0643367	HOSPITAL	TX	501(C)(3)	3	CHC		No
SOUTHWEST COMMUNITY HOSPITAL INC 5801 TENNYSON PKWY STE 550 PLANO, TX 75024 75-2725353	HOSPITAL	TX	501(C)(3)	3	CHC		No
YOAKUM COMMUNITY HOSPITAL 1200 CARL RAMERT DRIVE YOAKUM, TX 77995 74-2323822	HOSPITAL	TX	501(C)(3)	3	CHC		No
CONTINUECARE HOSPITAL OF TYLER 800 E DAWSON STREET TYLER, TX 75701 20-0991990	HOSPITAL	TX	501(C)(3)	3	CHC CM CARE		No
CONTINUECARE HOSPITAL OF SE TEXAS 5801 TENNYSON PKWY STE 550 PLANO, TX 75024 20-1150480	HOSPITAL	TX	501(C)(3)	3	CHC CM CARE		No
ST MARKS MEDICAL CENTER ONE ST MARKS PLACE LA GRANGE, TX 78945 74-3019849	HOSPITAL	TX	501(C)(3)	3	CHC		No
CHC COMMUNITY CARE LLC 5801 TENNYSON PKWY STE 550 PLANO, TX 75024 37-1485773	SUPPORT ORG	TX	501(C)(3)	11C	CHC		No
VHASW COMMUNITY HEALTH CORPORATION 5801 TENNYSON PKWY STE 550 PLANO, TX 75024 75-2638469	SUPPORT ORG	TX	501(C)(3)	11C	NA		No

VHA Southwest Community Health Corporation and Subsidiaries

Accountants' Report and Consolidated Financial Statements

June 30, 2012 and 2011

BKD LLP
CPAs & Advisors

VHA Southwest Community Health Corporation and Subsidiaries

June 30, 2012 and 2011

Contents

BKD LLP
CPAs & Advisors

14241 Dallas Parkway, Suite 1100
Dallas, TX 75254-2961
972 702 8262 Fax 972 702 0673 www bkd com

Independent Accountants' Report

Audit Committee
VHA Southwest Community Health
Corporation and Subsidiaries
Plano, Texas

We have audited the accompanying consolidated balance sheets of VHA Southwest Community Health Corporation and Subsidiaries (CHC) as of June 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended These financial statements are the responsibility of CHC's management Our responsibility is to express an opinion on these 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of VHA Southwest Community Health Corporation and Subsidiaries as of June 30, 2012 and 2011, and the results of their operations, the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

BKD, LLP

December 13, 2012

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VHA Southwest Community Health Corporation and Subsidiaries

Consolidated Balance Sheets

June 30, 2012 and 2011

(In Thousands)

Assets

	2012	2011
Current Assets		
Cash and cash equivalents	$ 50,633	55,698
Short-term investments	1,261	2,335
Assets limited as to use, current	2,220	2,546
Patient accounts receivable, net of allowance, 2012 – $22,546, 2011 – $45,620	38,703	36,668
Estimated amounts due from third-party payers	443	5,042
Supplies	7,679	7,375
Assets held for sale	705	705
Prepaid expenses and other	10,186	7,263
Excess insurance coverage receivable, current	643	-
Total current assets	112,473	117,632
Assets Limited As To Use		
Held by trustee, self-insurance	14,239	12,651
Held by trustee, under bond indenture agreements	20,221	19,350
Externally restricted by donors	172	144
	34,632	32,145
Less amount required to meet current obligations	2,220	2,546
	32,412	29,599
Investments	3,912	3,157
Property and Equipment, At Cost		
Land and land improvements	9,542	9,674
Buildings and leasehold improvements	244,410	244,096
Equipment	146,352	134,847
Construction in progress	5,830	3,147
	406,134	391,764
Less accumulated depreciation	226,853	210,751
	179,281	181,013
Other Assets		
Goodwill and other intangible assets	2,292	2,342
Deferred financing costs	4,689	4,943
Other assets	2,019	2,781
Excess insurance coverage receivable	3,270	-
	12,270	10,066
Total assets	$ 340,348	$ 341,467

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

	2012	2011
Current Liabilities		
Current maturities of long-term debt	$ 8,646	$ 7,644
Accounts payable	16,970	12,782
Accrued expenses	25,122	22,589
Amounts due under UPL programs	2,329	11,800
Professional and general liability claims, current	2,288	1,971
Total current liabilities	55,355	56,786
Professional and General Liability Claims	12,041	9,808
Long-term Debt	163,664	170,772
Other Long-term Liabilities	1,339	2,396
Total liabilities	232,399	239,762
Net Assets		
CHC	106,884	100,736
Noncontrolling interest	801	728
Total unrestricted net assets	107,685	101,464
Temporarily restricted	264	241
Total net assets	107,949	101,705
Total liabilities and net assets	$ 340,348	$ 341,467

VHA Southwest Community Health Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

Years Ended June 30, 2012 and 2011

(In Thousands)

	2012	2011
Unrestricted Revenues, Gains and Other Support		
Net patient service revenue	$ 351,160	$ 363,344
Ad valorem tax revenue	5,908	4,647
Federal Emergency Management Agency recovery	-	712
Other	13,879	9,042
Total unrestricted revenues, gains and other support	370,947	377,745
Expenses and Losses		
Salaries and wages	137,824	129,574
Employee benefits	28,588	26,851
Purchased services and professional fees	52,701	49,409
Supplies, rent and other costs	86,025	77,058
Depreciation and amortization	17,934	16,229
Interest	9,145	8,872
Provision for uncollectible accounts	32,738	60,160
Loss on disposal of assets	103	-
Total expenses and losses	365,058	368,153
Operating Income	5,889	9,592
Other Income (Expense)		
Contributions received	180	193
Investment return	895	983
Loss on early retirement of debt	-	(5,872)
Contribution of net assets of St. Mark's Medical Center	-	9,515
Other	1,877	2,089
Total other income (expense)	2,952	6,908
Excess of Revenues Over Expenses	$ 8,841	$ 16,500

VHA Southwest Community Health Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (Continued)

Years Ended June 30, 2012 and 2011

(In Thousands)

	2012	2011
Unrestricted Net Assets		
Excess of revenues over expenses	$ 8,841	$ 16,500
Gain from discontinued operations (including gain on disposal of $5,269 in 2011)	-	4,926
Contributions and grants for acquisition of property and equipment	776	1,792
Investment return, change in unrealized gains and losses on other than trading securities	16	(11)
Net assets released from restriction	10	168
Distributions to members	(3,419)	(1,818)
Distributions to noncontrolling interest	-	(90)
Other	(3)	289
Increase in unrestricted net assets	6,221	21,756
Temporarily Restricted Net Assets		
Contributions received	49	103
Net assets released from restriction	(26)	(168)
Increase (decrease) in temporarily restricted net assets	23	(65)
Change in Net Assets	6,244	21,691
Net Assets, Beginning of Year	101,705	80,014
Net Assets, End of Year	$ 107,949	$ 101,705

VHA Southwest Community Health Corporation and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended June 30, 2012 and 2011

(In Thousands)

	2012	2011
Operating Activities		
Change in net assets	$ 6,244	$ 21,691
Change in net assets attributable to noncontrolling interest	(74)	371
Change in net assets attributable to CHC	6,170	22,062
Items not requiring (providing) cash		
(Gain) loss on disposal of assets	103	(5,269)
Depreciation and amortization	17,934	16,229
Change in asset retirement obligation	-	94
Loss on early retirement of debt	-	5,872
Distributions to members	3,419	1,818
Contributions and grants for acquisition of property and equipment	(776)	(1,792)
Proceeds from restricted contributions	(49)	(103)
Accrued professional and general liability claims	(1,363)	(5,954)
Contribution of net assets of St. Mark's Medical Center	-	(9,515)
Net unrealized loss (gain) on investments	(16)	11
Changes in		
Patient accounts receivable, net	(2,035)	(3,361)
Estimated amounts due from and to third-party payers	2,969	1,564
Accounts payable and accrued expenses	4,652	3,094
Payable to UPL participants	(7,841)	10,170
Noncontrolling interest	74	(281)
Other assets and liabilities	(2,289)	(5,721)
Net cash provided by operating activities from continuing operations	20,952	28,918
Net cash provided by operating activities from discontinued operations	-	129
Net cash provided by operating activities	20,952	29,047

VHA Southwest Community Health Corporation and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2012 and 2011

(In Thousands)

	2012	2011
Investing Activities		
Purchase of investments	$ (7,632)	$ (23,290)
Sales and maturities of investments	5,480	32,087
Purchase of property and equipment	(14,497)	(13,726)
Proceeds from sale of property and equipment	32	-
Net change in amounts due to affiliate	(82)	-
Cash acquired with St. Mark's Medical Center acquisition	-	764
Cash disposed with discontinued operations	-	(13,890)
Net cash used in investing activities from continuing operations	(16,699)	(18,055)
Net cash used in investing activities from discontinued operations	-	(108)
Net cash used in activities	(16,699)	(18,163)
Financing Activities		
Distributions to members	(3,419)	(1,818)
Proceeds from contributions and grants for acquisition of property and equipment	776	1,792
Proceeds from issuance of long-term debt	1,048	91,373
Payment of deferred financing costs	-	(1,207)
Distributions to noncontrolling interest	-	(90)
Proceeds from restricted contributions	49	103
Principal payments on long-term debt and capital lease obligations	(7,772)	(109,002)
Net cash used in financing activities from continuing operations	(9,318)	(18,849)
Net cash used in financing activities from discontinued operations	-	(111)
Net cash used in financing activities	(9,318)	(18,960)
Decrease in Cash and Cash Equivalents	(5,065)	(8,076)
Cash and Cash Equivalents, Beginning of Year	55,698	63,774
Cash and Cash Equivalents, End of Year	$ 50,633	$ 55,698
Supplemental Cash Flows Information		
Interest paid, net of amounts capitalized	$ 9,020	$ 10,864
Capital lease obligations incurred for property and equipment	$ 541	$ 3,991
Property and equipment included in accounts payable	$ 144	$ 248

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

VHA Southwest Community Health Corporation and Subsidiaries (CHC) is a Texas non-profit corporation organized to acquire, lease, manage and operate health care facilities. Current facilities owned or operated by CHC are in Texas and New Mexico. CHC's mission is to preserve community-based health care by assisting communities to cope with the changing dynamics in the health care industry. CHC primarily earns revenues by providing inpatient, outpatient and emergency services in its hospitals. CHC also earns revenue from the provision of management and consulting services to health care entities.

All dollar amounts within these footnotes are rounded to the nearest thousand.

Principles of Consolidation

The accompanying consolidated financial statements of CHC include the accounts of CHC and its wholly owned or wholly controlled subsidiaries. All material intercompany transactions have been eliminated in consolidation. Entities included in the continuing operations of the accompanying consolidated financial statements are as follows:

Entity	Description	Tax Status	Location
Southwest Community Hospital (SCH)	Management company	Tax-exempt	Plano, Texas
Baptist Hospitals of Southeast Texas (BHSET)	620-bed acute care hospital (2 campuses)	Tax-exempt	Beaumont and Orange, Texas
Artesia General Hospital (AGH)	49-bed leased acute care hospital	Tax-exempt	Artesia, New Mexico
St. Mark's Medical Center (SMMC) [1]	44-bed acute care hospital	Tax-exempt	La Grange, Texas
Yoakum Community Hospital (YCH)	25-bed leased critical access hospital	Tax-exempt	Yoakum, Texas
Community LTACH, LLC	Holding company	LLC[2]	Plano, Texas
CHC Community Care, LLC (CCC)	Management company	LLC[2]	Plano, Texas
ContinueCARE Hospital of Tyler (CCHT)	51-bed long-term acute care hospital	Tax-exempt	Tyler, Texas
Community Health Assurance, SPC, Ltd. (CHA)	Captive insurance company	Tax-exempt	Cayman Islands
Community Hospital Consulting (Consulting)	Hospital management and consulting	Taxable	Plano, Texas

[1] Operations acquired in 2011.
[2] The LLCs do not pay taxes due to their income being passed through to their tax-exempt owners.

BHSET

BHSET operates two hospitals Baptist Beaumont Hospital is licensed as a 508-bed acute care hospital and is located in Beaumont, Texas Baptist Orange Hospital is licensed for 112 acute care beds and is located in Orange, Texas BHSET also operates Baptist Physicians' Network (BPN), which earns revenues by providing physician services to patients in the hospitals' service areas

BHSET is the majority owner of Baptist/USP Surgery Centers, L L C (USP) BHSET owns 50 10% of USP, with the remaining interest owned by an unrelated entity USP owns 50 67% of Baptist Surgical Affiliates, Ltd (BSA), a freestanding ambulatory surgical center located in Beaumont, Texas BSA primarily earns revenue through the provision of outpatient surgical services By virtue of its majority ownership, the accompanying consolidated financial statements of USP include the financial statements of BSA BSA is also managed by USP under an agreement that expires in 2013

BHSET, SCH and Memorial Hermann Hospital System (MHHS) entered into an agreement on October 1, 2000, that transferred BHSET's corporate membership from MHHS to SCH MHHS exchanged amounts due under two revolving credit notes for Class B membership rights in BHSET The sole corporate member of SCH is CHC

Under MHHS's Class B member rights, MHHS has the right to appoint one individual to serve on the Board of Directors of SCH Under the terms of the Class B Membership Agreement (the Membership Agreement), BHSET will pay MHHS a return of its prior contributions up to $20,976 Any amounts repaid to MHHS would be limited to funds in excess of that necessary for BHSET to maintain a minimum of 150% of maximum annual debt service coverage, a current ratio of 1 5 to 1 and 21 days cash on hand, measured as of the last day of the fiscal year and the last day of the six-month period thereafter, before any payments under the Membership Agreement are payable No amounts were paid in 2012 or 2011

SCH and BHSET executed a 25-year management agreement with SCH appointing CHC to provide certain financial, technical and managerial support services to BHSET On July 1, 2010, SCH and BHSET modified the management agreement changing the initial term to five years with the option to renew annually

CCHT

CCHT is a long-term acute care hospital incorporated in 2004 and located in Tyler, Texas CCHT was developed in conjunction with Trinity Mother Frances Health System (TMFHS), which operates an integrated health care system in Tyler, Texas

TMFHS is a Class B Member of CCC Under its Class B member agreement, cash distributions from CCHT will be paid 80% to TMFHS and 20% to CHC

SMMC

SMMC is a not-for-profit organization whose mission and principal activities are to provide health care services to the residents of Fayette and Lee Counties in Texas SMMC was organized in 2002 to plan and obtain financing to construct and operate a new hospital facility in La Grange, Texas This financing was completed in 2004 and construction of the new hospital was completed during July 2005 SMMC began hospital operations on July 11, 2005, and has been earning revenues from the provision of inpatient, outpatient and emergency care services to residents in its geographic area since that time CHC acquired SMMC during 2011 as discussed in *Note 17*

Use of Estimates

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

Change in Accounting Principle

Effective July 1, 2011, CHC adopted the provisions of Accounting Standards Update (ASU) 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries* This ASU eliminates the practice of netting claim liabilities with expected related insurance recoveries for balance sheet presentation Claim liabilities are to be determined without regard for recoveries and presented gross Expected recoveries are presented separately CHC recorded approximately $643 additional current and $3,270 of additional noncurrent estimated self-insurance costs In addition, CHC recorded approximately $643 of current and $3,270 of noncurrent excess insurance coverage receivables, which are included in the accompanying consolidated balance sheets as of June 30, 2012 There was no material impact to CHC's changes in net assets or cash flows for the year ended June 30, 2012, as a result of the adoption of this guidance

Noncontrolling Interest

Noncontrolling interest represents the 49 9% of interest in USP that BHSET does not own, as well as the portion of BSA not owned by USP Losses attributable to the noncontrolling interest will be allocated to the noncontrolling interest even if the carrying amount of the noncontrolling interest is reduced below zero

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Changes in consolidated unrestricted net assets attributable to the controlling financial interest of CHC and the noncontrolling interest are shown below

	Total	Controlling Interest	Noncontrolling Interest
Balance, July 1, 2010	$ 79,708	$ 78,609	$ 1,099
Excess (deficiency) of revenues over expenses	16,500	16,781	(281)
Gain from discontinued operations (including gain on disposal of $5,269)	4,926	4,926	-
Contributions and grants for acquisition of property and equipment	1,792	1,792	-
Investment return, change in unrealized gains and losses on other than trading securities	(11)	(11)	-
Net assets released from restriction	168	168	-
Distributions to members and other	(1,818)	(1,818)	-
Distributions to noncontrolling interest	(90)	-	(90)
Other	289	289	-
Increase (decrease) in unrestricted net assets	21,756	22,127	(371)
Balance, June 30, 2011	101,464	100,736	728
Excess of revenues over expenses	8,841	8,767	74
Contributions and grants for acquisition of property and equipment	776	776	-
Investment return, change in unrealized gains and losses on other than trading securities	16	16	-
Net assets released from restriction	10	10	-
Distributions to members	(3,419)	(3,419)	-
Other	(3)	(2)	(1)
Increase in unrestricted net assets	6,221	6,148	73
Balance, June 30, 2012	$ 107,685	$ 106,884	$ 801

All changes in temporarily restricted net assets are attributable solely to the controlling interest

Cash Equivalents

CHC considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents At June 30, 2012 and 2011, cash equivalents consisted primarily of money market accounts with brokers

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to $250 At June 30, 2012, CHC's cash accounts exceeded federally insured limits by approximately $1,979

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value The investment in equity investee is reported on the equity method of accounting Investments in insurance annuities are valued at the amount that can be received at the balance sheet date, which is the cash surrender value adjusted for other amounts that are probable at settlement CHC estimates the fair value of investments that do not have a readily determinable fair value and meet certain other criteria using the net asset value of the investments as a practical expedient Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value CHC also holds a guaranteed investment contract that is carried at cost

Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments Investment return that is initially restricted by donor stipulation, and for which the restriction will be satisfied in the same year, is included in unrestricted net assets Other investment return is reflected in the accompanying consolidated statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions

Assets Limited As To Use

Assets limited as to use include (1) assets held by trustees under bond indenture agreements, (2) assets externally restricted by donors and (3) assets held by trustees under a self-insurance trust arrangement Amounts required to meet current liabilities are included in current assets

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date

Patient Accounts Receivable

CHC reports patient accounts receivable for services rendered at net realizable amounts from government payers, managed care plans, patients and others Amounts due from patients include both amounts due from uninsured patients and copayments and deductibles for which insured patients are responsible As a service to the patient, CHC bills third-party payers directly and bills the patient when the patient's liability is determined Patient accounts receivable are due in full when billed CHC provides an allowance for doubtful accounts for estimated losses resulting from payers' inability to make payments on accounts CHC estimates its allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions Accounts are considered delinquent and subsequently written off based on individual credit evaluation and specific circumstances of the account

Ad Valorem Taxes

While CHC is not able to levy property taxes, it does receive pass-through tax revenues from its relationships with the hospital district at AGH Property tax revenues are recognized in the period for which they are assessed

Supplies

CHC states supply inventories at the lower of cost, determined using the first-in, first-out method or market

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives Routine maintenance and repairs are charged to expense as incurred Expenditures that increase capacities or extend useful lives are capitalized

The estimated useful lives for each major depreciable classification of property and equipment are as follows

Buildings and leasehold improvements	5 – 40 years
Equipment	3 – 10 years

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor Monetary gifts that must be used to acquire property and equipment are reported as restricted support The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service

Long-lived Asset Impairment

CHC evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value Indicators of potential impairment are typically beyond the control of management If the estimated cash flows become less favorable than those projected by management, additional impairments may be required

No asset impairment was recognized during the years ended June 30, 2012 and 2011

Assets Held for Sale

Assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use At June 30, 2012 and 2011, CHC has classified as assets held for sale certain real estate that will be sold to a third-party

Goodwill

Goodwill represents the excess aggregate purchase price, including assumed liabilities, over the fair value of the net tangible and specifically identifiable intangible assets acquired in a business combination Goodwill is tested annually for impairment If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value Subsequent increases in goodwill value are not recognized in the accompanying consolidated financial statements

No goodwill impairment was recognized during the years ended June 30, 2012 and 2011

Physician Guarantees

In an effort to recruit new physicians to its service areas, CHC has entered into various agreements with physicians guaranteeing certain levels of income for the first 12 – 24 months that the physician operates in the service area. These agreements typically require that the physician operate in the service area for up to three years after the guarantee period. In the event that CHC has made payments to the physician under these income guarantee agreements and the physician does not fulfill his or her obligation to practice in the service area for the term specified in the agreement, CHC can demand that the physician return all or a portion of the payments made under the agreement. As of June 30, 2012, the maximum potential future payments that CHC could be required to make under existing agreements is approximately $913.

Amounts advanced to physicians net of accumulated amortization and allowances for uncollectibility were $3,040 and $2,008 at June 30, 2012 and 2011, respectively, and are included in other assets on the accompanying consolidated balance sheets. Included in accrued expenses at June 30, 2012 and 2011, is a liability of approximately $483 and $450, respectively, for estimated amounts expected to be made over the guarantee period.

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by CHC has been limited by donors to a specific time period or purpose.

Net Patient Service Revenue

CHC's hospital facilities have agreements with third-party payers, including government programs and managed care plans, that provide for payments at amounts different from their established rates. Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

During 2012, BHSET modified their policy for discounting patient charges from 35% at time of billing to an average Medicare payment rate, which was approximately 78% as of June 30, 2012. While this change in policy did not impact the overall change in net assets, it did reduce net patient service revenue and the provision for uncollectible accounts by more than $39,000 for the year ended June 30, 2012.

Charity Care

CHC's hospital facilities provide care without charge or at amounts less than their established rates to patients meeting certain criteria under their charity care policies Because CHC's hospital facilities do not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received Gifts received with donor stipulations are reported as either temporarily or permanently restricted support When a donor restriction expires (*i e*, when a time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor

Estimated Self-insurance Costs

An annual estimated provision is recorded for the self-insured portion of professional liability and medical malpractice claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported

CHC maintains self-insured employee health care and workers' compensation plans covering substantially all full-time employees Contributions are made to the administrator of the plans as employee health care and workers' compensation claims are paid while expenses are accrued as incurred

Losses from asserted and unasserted claims are based on estimates that incorporate each entity's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors

Income Taxes

CHC and substantially all affiliates have been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law However, the entities are subject to federal income tax on any unrelated business taxable income There was no material unrelated business income tax due in 2012 and 2011

CHC and its affiliates file tax returns in the U S federal jurisdiction With a few exceptions, those entities are no longer subject to U S federal examinations for years prior to 2009

Excess of Revenues Over Expenses

The accompanying consolidated statements of operations and changes in net assets include excess of revenues over expenses Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include discontinued operations, unrealized gains and losses on other than trading securities, permanent transfers to and from affiliates for other than goods and services and contributions and grants of long-lived assets (including assets acquired using contributions and grants which, by donor or other restrictions, were to be used for the purpose of acquiring or reimbursement for such assets)

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR) Payments under the Medicare program are generally made for up to four years based on a statutory formula Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services Payments under both programs are contingent on the Hospitals' continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period The final amount for any payment year is determined based upon an audit by the administrative contractor Events could occur that would cause the final amounts to differ materially from the initial payments under the program

CHC recognizes revenue under the grant accounting model using the cliff recognition approach Under this approach, revenue is recognized once CHC is reasonably assured of meeting meaningful use status

In 2012, CHC completed the first-year requirements under the Medicaid program and has recorded revenue of approximately $2,907, which is included as a component of other operating revenue in the accompanying consolidated statements of operations and changes in net assets

Recent Accounting Pronouncements

In July 2011, the FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts and the Allowance for Doubtful Accounts for Certain Health Care Entities* The major changes associated with this ASU will be to reclassify the provision for uncollectible accounts related to patient service revenue to a deduction from patient service revenue and to provide enhanced disclosure around CHC's policy related to uncollectible accounts The standard will first be effective for CHC for the year ending June 30, 2013 The adoption of this ASU is not expected to have a material impact on CHC's consolidated changes in net assets

Reclassifications

Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the 2012 consolidated financial statement presentation These reclassifications had no effect on the change in net assets

Note 2: Net Patient Service Revenue

CHC's hospital facilities have agreements with third-party payers, including government programs and managed care plans that provide for payments at amounts different from their established rates Payment arrangements for government programs include

- **Medicare** – Inpatient short and long-term acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors Inpatient skilled nursing and psychiatric services are paid at prospectively determined per diem rates that are based on the patients' acuity Critical access hospital services and defined medical education costs are paid based on a cost reimbursement methodology CHC is reimbursed for certain services at tentative rates, with final settlement determined after submission of annual cost reports by the hospitals and audits thereof by the Medicare administrative contractor

- **Medicaid** – Inpatient services are paid based on a prospective payment system Outpatient services are reimbursed under a mixture of a fee schedule and cost reimbursement methodology CHC is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by CHC and audits thereof by the Medicaid administrative contractor

Approximately 56% and 53% of net patient service revenue is from participation in the Medicare and Medicaid programs for the years ended June 30, 2012 and 2011, respectively Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change

Settlements under reimbursement agreements with Medicare and Medicaid programs are estimated and recorded in the period the related services are rendered and are adjusted in future periods as adjustments become known or as the service years are no longer subject to audit, review or investigation Annual cost reports required under the Medicare and Medicaid programs are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due under the reimbursement programs These audits often require several years to reach their final determination of amounts earned under the programs As a result, it is reasonably possible that recorded estimates will change materially in the near term There were no material changes in estimates related to cost report settlements in 2012 or 2011

CHC hospitals have also entered into payment agreements with certain managed care plans, including commercial insurance carriers, health maintenance organizations and preferred provider organizations The basis for payment to the hospitals under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates

Disproportionate Share and Upper Payment Limit Programs

Several of the CHC hospitals participate in the state of Texas' Medicaid disproportionate share (Dispro) hospital program and the private hospital upper payment limit (UPL) programs The UPL payments are contingent on the county or hospital district making an Inter-Governmental Transfer (IGT) to the state Medicaid program

During 2012 and 2011, $10,723 and $15,044, respectively, were included in net patient service revenue from participation in these programs Both the UPL and Dispro programs are subject to review by state and federal regulators and they may not continue in their current form in future years

UPL payments received by CHC that must be remitted to other program participants, including certain IGT providers, are shown as amounts due under UPL programs on the accompanying consolidated balance sheets

On December 12, 2011, the United States Department of Health & Human Services approved a new Medicaid Section 1115(a) demonstration entitled *Texas Health Transformation and Quality Improvement Program* This demonstration will expand existing Medicaid managed care programs and establish two funding pools that will assist providers with uncompensated care costs and promote health system transformation Although CHC is unable to determine the impact of the managed care expansion on future Medicaid reimbursement or its impact on Medicaid UPL payments, depending on the actual structure of the managed care expansion, this change could have a material impact on CHC's Medicaid UPL payments

Note 3: Concentration of Credit Risk

CHC's hospital facilities grant credit without collateral to their patients, most of whom are residents living near the hospital facilities and are insured under third-party payer agreements The mix of net receivables from patients and third-party payers at June 30, 2012 and 2011, is as follows

	2012	2011
Medicare	33%	34%
Medicaid	8%	7%
Other third-party payers	8%	6%
Managed care (HMO/PPO)	33%	34%
Patients	18%	19%
	100%	100%

Note 4: Investments and Investment Return

Assets Limited As To Use

Assets limited as to use at June 30 include the following (in thousands)

	2012	2011
Held by trustee, self-insurance		
Cash	$ 1,387	$ 1,710
Bond fund	8,495	-
U S Treasury obligations	-	6,713
Insurance annuities	4,357	4,228
	$ 14,239	$ 12,651
Held by trustee, under bond indenture agreements		
Cash	$ 91	$ 76
U S Treasury obligations	1,210	1,168
Money market funds	16,877	16,063
Guaranteed investment contract	2,043	2,043
	$ 20,221	$ 19,350

	2012	2011
Externally restricted by donors		
Cash	$ 166	$ 138
Corporate stocks	6	6
	$ 172	$ 144

Other Investments

Other investments at June 30 include (in thousand)

	2012	2011
Certificates of deposit	$ 3,490	$ 4,384
Cash	1,340	776
Insurance annuities	343	332
	5,173	5,492
Less short-term investments	1,261	2,335
Long-term investments	$ 3,912	$ 3,157

Total investment return is comprised of the following

	2012	2011
Interest and dividend income	$ 895	$ 983
Unrealized gains (losses) on investments, net	16	(11)
	$ 911	$ 972

Total investment return is reflected in the accompanying consolidated statements of operations and changes in net assets as follows

	2012	2011
Unrestricted net assets		
Other nonoperating income (expense)	$ 895	$ 983
Investment return, change in unrealized gains and losses on other than trading securities	16	(11)
	$ 911	$ 972

Bond Fund

The fair value of the bond fund has been estimated using the net asset value per share of the investments and at June 30, 2012, totaled approximately $8,495. The bond fund is an open-ended mutual fund with the objective to achieve, through individual portfolios, an above average rate of total return by investing primarily in fixed income securities. There are no additional commitments to the remaining fund. The fund may be redeemed weekly at a price based upon net asset value per share as of the close of business on the preceding Thursday.

Note 5: Risk Management

Employee Health Care Insurance and Workers' Compensation

CHC is self-insured for most employee health care insurance and workers' compensation claims. An estimated provision is recorded for these claims at June 30, 2012 and 2011, and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Estimated liabilities for these programs recorded as part of accrued expenses at June 30 were as follows:

	2012	2011
Employee health care insurance	$ 1,744	$ 1,740
Workers' compensation insurance	711	768
	$ 2,455	$ 2,508

Professional and General Liability Claims

CHC provides for substantially all professional and general liability risk through its wholly owned captive insurance provider, CHA. CHC purchases commercial insurance coverage for amounts in excess of the coverage provided by CHA for certain facilities.

BHSET began participating in CHA on November 15, 2002. Prior to this date, BHSET purchased coverage under a claims-made professional liability policy.

Prior to 2008, certain CHC hospitals purchased medical malpractice insurance under claims-made policies on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon these hospitals' claims experience, no such accrual is recorded. It is reasonably possible that this estimate could change materially in the near term.

CHC has retained professional insurance actuarial consultants to assist CHC with determining the amounts to be deposited with CHA as reserves and the estimated CHA liability Claims have been discounted using rates of 3 0% and 3 5% for 2012 and 2011, respectively There are many factors that are used in determining the estimates, including the amount and timing of historical payments, severity of individual cases, anticipated volume of services provided and discount rates for future cash flows Ultimate actual payments for professional liability and malpractice risks may not become known for several years after incurrence Any factors changing the underlying data used in determining these estimates could result in adjustments to the liability It is reasonably possible that the estimate of these losses could change by a material amount in the near term

Amounts recorded for professional and general liability claims at June 30, 2012 and 2011, were $14,329 and $11,779, respectively The estimated current and long-term portions of this liability have been included in professional and general liability claims in the accompanying consolidated balance sheets In addition, CHC has recorded approximately $3,913 of excess insurance coverage receivables in the accompanying consolidated balance sheets as of June 30, 2012

Note 6: Long-term Debt

Long-term debt at June 30 consists of the following

	2012	2011
Amended Deed of Trust Note (A)	$ 85,246	$ 88,680
HUD 241 Loan (B)	48,332	49,319
SMMC FHA – Insured Mortgage Revenue Bonds (C)	21,750	22,455
Capital lease obligation – related party (D)	9,168	9,647
Capital lease obligations (E)	4,012	4,068
VHA note payable (F)	1,607	2,321
Note payable – related party (see *Note 11*)	1,315	1,315
Notes payable (G)	2,081	1,818
Other notes payable	250	322
	173,761	179,945
Less net bond discount	1,451	1,529
	172,310	178,416
Less current maturities	8,646	7,644
	$ 163,664	$ 170,772

(A) On October 5, 2010, BHSET entered into the Amended Deed of Trust Note The Amended Deed of Trust Note is a $91,000 obligation that will be repaid in monthly installments of $602 through January 2029 at an interest rate of 4 35% The proceeds of this debt issue and existing debt service reserve funds were used to repay the then outstanding FHA-insured Mortgage Revenue Bonds (Series 2001 Bonds) The FHA insurance policy for the Series 2001 Bonds remains in effect The Amended Deed of Trust Note is secured by substantially all of BHSET's assets and revenues

(B) On October 18, 2007, BHSET entered a $51,320 FHA-insured Mortgage Note Payable (HUD 241 Loan) to fund various expansion projects and repairs required due to Hurricane Rita The HUD 241 Loan bears interest at 6 45% and is due in monthly installments through March 2034 The HUD 241 Loan is secured by a second mortgage on substantially all BHSET property and equipment, a security interest in substantially all BHSET revenues, current assets and investments and a mortgage reserve fund established under the terms of the loan agreement

The HUD 241 Loan and the Amended Deed of Trust Note include various covenants, which must be followed by the Hospital, including limitations on the distribution of Hospital assets, incurrence of new debt and investments in joint ventures

(C) The Revenue Bonds consist of Fayette County Health Facilities Development Corporation, SMMC's FHA-insured Mortgage Revenue Bonds, Series 2004, in the original principal amount of $26,050 dated March 1, 2004, which bear interest at rates ranging from 2% – 5% The Bonds are payable in semi-annual installments through October 1, 2031

The Bonds are secured by the revenues of SMMC, a partial guarantee by the Federal Housing Administration (FHA) under Section 242 of the National Housing Act and funds held in trust

The bond proceeds were distributed by Wells Fargo Bank, N A , in its capacity as mortgagee under the FHA loan documents pursuant to a note insured by the FHA Payments by SMMC under the note will be used to pay the debt service on the 2004 bonds and certain other items

(D) Capital lease obligation to a related party (see *Note 11*), bearing interest at 6 25% with monthly principal payments through 2024, collateralized by real estate

(E) Capital lease obligations, bearing interest at 6 5% – 10 5%, with monthly principal payments through 2016, collateralized by real estate and equipment

(F) Note payable to VHA, Inc , bearing interest at LIBOR plus 1 0% (1 24% at June 30, 2012), with principal and interest due through September 2014

(G) Various notes payable bearing interest at rates generally ranging from 3 25% – 8 0%, with principal payments due through 2018, secured by equipment

On August 15, 2001, BHSET entered into a Deed of Trust Note with a bank and issued $116,650 in FHA-insured Series 2001 Bonds to fund the construction of a new facility, refund existing debt and pay the costs of issuance of the bonds In 2011, BHSET advance refunded the 2001 Bonds with proceeds of the Amended Deed of Trust Note, as described in (A) This transaction resulted in a loss on early retirement of debt of $5,872, primarily related to the write-off of unamortized issuance costs

Property and equipment under capital leases at June 30, 2012 and 2011, were as follows

	2012	2011
Buildings and equipment	$ 18,451	$ 18,268
Less accumulated depreciation	6,679	5,360
	$ 11,772	$ 12,908

Aggregate annual maturities and sinking fund requirements of long-term debt and payments on capital lease obligations at June 30, 2012, are as follows

	Debt (Excluding Capital Lease Obligations)	Capital Lease Obligations
2013	$ 6,902	$ 2,666
2014	6,502	2,539
2015	7,965	2,114
2016	6,281	1,899
2017	6,585	1,113
Thereafter	126,346	7,833
	$ 160,581	18,164
Less amount representing interest		4,984
Present value of future minimum lease payments		$ 13,180

Note 7: Charity Care

In support of its mission, CHC and its hospital facilities voluntarily provide free care to patients who lack financial resources and are deemed to be medically indigent Because CHC does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue In addition, CHC and its hospital facilities provide services to other medically indigent patients under certain government-reimbursed public aid programs Such programs pay providers amounts which are less than established charges for the services provided to the recipients and many times the payments are less than the cost of rendering the services provided

The costs of charity care provided under CHC and its hospital facilities' charity care policies were approximately $5,977 and $6,001, respectively The cost of providing charity care is estimated by applying the ratio of cost to gross charges to gross uncompensated care

In addition to uncompensated charges, the CHC hospital facilities also commit significant time and resources to endeavors and critical services, which meet otherwise unfilled community needs Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable Such programs include health screening and assessments, prenatal education and care, hospice programs, community educational services and various support groups

Note 8: Functional Expenses

CHC provides health care services primarily to residents within its geographic area Expenses (from continuing operations) related to providing these services at June 30 are as follows

	2012	2011
Health care services	$ 245,817	$ 235,388
General and administrative	117,240	132,765
	$ 365,058	$ 368,153

Note 9: Leases

Operating Leases

CHC leases various equipment and facilities under operating leases expiring at various dates through 2027 Total rental expense was approximately $7,042 and $6,597 in 2012 and 2011, respectively, for all operating leases CHC also leases space to physicians and other entities in medical office buildings Total rental income was approximately $2,223 and $2,218 in 2012 and 2011, respectively, for all leased spaces Future minimum lease payments and lease receipts under operating leases at June 30, 2012, that have initial or remaining lease terms in excess of one-year are as follows

	Future Obligations	Future Lease Receipts
2013	$ 4,252	$ 2,287
2014	3,113	1,780
2015	1,530	1,267
2016	729	900
2017	712	541
Thereafter	6,860	-
Future minimum lease payments	$ 17,196	$ 6,775

Hospital Facility Leases

CHC leases several of its hospitals under agreements with local hospital districts, hospital authorities or other entities Details of these leases are as follows

- On October 31, 1999, CHC leased AGH for a term of five years The lease was extended through October 2014
- On September 1, 1998, CHC leased YCH for a term of ten years This lease was extended for an additional ten-year period

CCHT leases its facility under an agreement that requires annual payments based on beds in use The CCHT lease expires in 2014

Note 10: Retirement Plan

CHC sponsors a defined contribution retirement plan covering substantially all full and part-time employees The Board of Directors annually determines the amount, if any, of CHC's contributions to the plan Retirement expense for the defined contribution plan was approximately $2,203 and $2,501 for 2012 and 2011, respectively

Note 11: Related Party Transactions

CHC is a sister company to Healthcare Coalition of Texas (HCOT) (formerly VHA Texas and VHA Southwest) HCOT and CHC are related by virtue of partial common board members from primarily the same participating health care organizations

CHC has reimbursed HCOT for expenses, direct costs and certain indirect and allocated costs paid or incurred by HCOT related to CHC These expenses were approximately $80 and $107 for 2012 and 2011, respectively

MHHS provided management services to BHSET Management fees, expense reimbursements and other amounts paid pursuant to these agreements were $259 for the year ended June 30, 2011

A board member of CHC is also the chief executive officer of TMFHS, a partial owner of CCHT Distributions to TMFHS or its related entities from CCHT were approximately $3,415 and $1,818 in 2012 and 2011, respectively CCHT also made payments for its facility lease to TMFHS for $987 and $982 for June 30, 2012 and 2011, respectively

BHSET leases a medical office building from BHST-POB I Ltd (the Partnership), a limited liability company that owns and leases a medical office building The lease between the Partnership and BHSET is accounted for as a capital lease by BHSET (see *Note 6*) Total lease payments made to the Partnership were approximately $1,068 for both the years ended June 30, 2012 and 2011 The balance due under the capital lease was approximately $9,168 and $9,647 at June 30, 2012 and 2011, respectively

SMMC and St Mark's Medical Center Foundation (the Foundation) are related parties that are not financially interrelated organizations SMMC authorizes the Foundation to solicit contributions on its behalf In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to SMMC

On February 23, 2009, SMMC executed a line of credit with the Foundation with a maximum amount of $1,000. The note bears interest at 2.75% per annum and was payable on or before December 15, 2012, together with interest on the unpaid principal balance. Subsequent to year-end, the due date was extended to December 15, 2014. The note payable balance at June 30, 2012 and 2011, was $1,000 and is included in long-term debt on the accompanying consolidated balance sheets (see *Note 6*).

On December 15, 2009, SMMC executed a note payable to the Foundation for $315. The note bears interest at 2.75 % per annum and was payable on or before December 15, 2012, together with interest on the unpaid principal balance. Subsequent to year-end, the due date was extended to December 15, 2014. The note payable balance at June 30, 2012 and 2011, was $315 and is included in long-term debt on the accompanying consolidated balance sheets (see *Note 6*).

Note 12: Disclosures About Fair Value of Financial Instruments

FASB ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Topic 820 describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include corporate stocks and money market funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of investments with similar characteristics or discounted cash flows. Level 2 investments include U.S. Treasury obligations and a bond fund. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. There were no Level 3 investments held at June 30, 2012 and 2011.

Quoted market prices are used to determine the fair value of Level 1 investments For Level 2 investments, inputs include maturity and coupon rates and/or closing prices of similar investments from comparable industry financial data

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2012 and 2011

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2012				
Money market funds	$ 16,877	$ 16,877	$ -	$ -
U S Treasury obligations	1,210	-	1,210	-
Corporate stocks	6	6	-	-
Bond fund	8,495	-	8,495	-
2011				
Money market funds	$ 16,063	$ 16,063	$ -	$ -
U S Treasury obligations	7,881	-	7,881	-
Corporate stocks	6	6	-	-

Cash and cash equivalents, insurance annuities and a guaranteed investment contract are included in *Note 4* and are not subject to ASC Topic 820 fair value hierarchy

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy

Goodwill

The fair value is estimated using recent market transactions on similar assets and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value

Cash and Cash Equivalents and Certificates of Deposit

The carrying amount approximates fair value

Guaranteed Investment Contract

It was not practical to estimate the fair value and, as such, their cost is reflected below as equal to the fair value

Notes Payable with Related Parties

It was not practical to estimate the fair value of notes payable with related parties The terms of the amounts reflected in the accompanying consolidated balance sheets at June 30, 2012 and 2011, are more fully discussed in *Note 11*

Notes Payable and Long-term Debt

Fair value is estimated based on the borrowing rates currently available to CHC for bonds with similar terms and maturities

The following table presents estimated fair values of CHC's financial instruments at June 30, 2012 and 2011

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 50,633	$ 50,633	$ 55,698	$ 55,698
Investments and assets limited as to use	39,805	39,805	37,637	37,637
Financial liabilities				
Long-term debt	172,310	173,761	178,416	176,749

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations Those matters include the following

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1* and *2*

Malpractice and General Liability Claims

Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *5*

Litigation

In the normal course of business, CHC is, from time to time, subject to allegations that may or do result in litigation Some of these allegations are in areas not covered by CHC's self-insurance program (discussed elsewhere in these notes) or by commercial insurance (*e g* , allegations regarding employment practices or performance of contracts) CHC evaluates such allegations by conducting investigations to determine the validity of each potential claim Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters Events could occur that would cause the estimate of ultimate loss to differ materially in the near term

Employee Health Insurance and Workers' Compensation Insurance

Estimates related to the accrual for self-funded employee health insurance are discussed in *Notes 1* and *5*

Investments

CHC invests in various investment securities Investment securities are exposed to various risks, such as interest rate, market and credit risks Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets

At June 30, 2012, one financial institution held approximately 39% of CHC's investments

Asset Retirement Obligation

As discussed in *Note 14*, CHC has recorded a liability for its conditional asset retirement obligations related to asbestos

Health Care Reform

During 2010, Congress passed legislation that will significantly reform the United States health care system The legislation will require certain changes through 2014 to private and public health care insurance plans, including the Medicare and Medicaid programs While the impact of these regulatory changes cannot currently be determined, it is reasonably possible that these changes will negatively impact CHC's revenues

Letter of Credit

On August 12, 2002, BHSET entered into an irrevocable letter of credit agreement (the Agreement) with a bank. The Texas Workers' Compensation Commission (the Commission) is the beneficiary under the Agreement. The Commission may draw funds from the Agreement in the event BHSET becomes an impaired employer. Amounts available under the Agreement were approximately $1,200 at June 30, 2012 and 2011, respectively. There were no amounts outstanding under the Agreement at June 30, 2012 and 2011. The agreement expired on August 4, 2011, and was renewed for one-year.

Current Economic Conditions

The current protracted economic environment continues to present health care organizations with difficult circumstances and challenges, which, in some cases, have resulted in large and unanticipated declines in the fair values of investments and other assets, declines in contributions, constraints on liquidity and difficulty obtaining financing. The accompanying consolidated financial statements have been prepared using values and information currently available to CHC.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of CHC's patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on CHC's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the accompanying consolidated financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts receivable that could negatively impact CHC's ability to meet debt covenants or maintain sufficient liquidity.

Note 14: Asset Retirement Obligation

Accounting principles generally accepted in the United States of America require that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard), even when the timing and/or method of settlement may be conditional on a future event. CHC's conditional AROs primarily relate to asbestos contained in certain buildings owned by BHSET that are occupied. Environmental regulations exist in Texas that require CHC to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. The liability has been recorded in other long-term liabilities on the accompanying consolidated balance sheets.

A summary of changes in AROs for the years ended June 30, 2012 and 2011, is included in the table below

	2012	2011
Balance, beginning of year	$ 1,053	$ 959
Accretion expense	94	94
Obligations settled	(134)	-
Balance, end of year	$ 1,013	$ 1,053

Note 15: Impact of Hurricane Rita and Hurricane Ike

BHSET's service area is located near the Texas gulf coast In September 2005, both the Beaumont and Orange facilities suffered significant damage from Hurricane Rita All facilities required evacuation, but eventually reopened in October 2005 at reduced operating levels

Management sought reimbursement from the United States Federal Emergency Management Agency (FEMA) to mitigate the financial impact of these losses Approximately $19,000 in reimbursement was requested from FEMA

In September 2008, Hurricane Ike struck the Texas coast Management estimates that the financial impact of Hurricane Ike, considering reduced operations and the cost to mitigate damages, was in excess of $12,000 Management sought funding from FEMA up to $2,000 to offset these damages

Management also received funding from the state of Texas Office of Rural and Community Affairs (ORCA) to assist in the recovery from these storms Funds provided by ORCA were primarily for repairs and replacement of capital assets

A summary of funds received from ORCA and FEMA during 2012 and 2011 and their classification within the accompanying consolidated statements of operations and changes in net assets is shown below

	2012	2011
ORCA	$ 337	$ 1,241
FEMA	-	1,145
	$ 337	$ 2,386
Other changes in net assets	$ 337	$ 1,674
Operating income	-	712
	$ 337	$ 2,386

Note 16: Discontinued Operations

In May 2010, CHC entered into negotiations with Carson Tahoe Regional Hospital Center to sell CCHCT The agreement was completed on November 1, 2010 CHC did not receive any proceeds on the sale A gain on the disposal of $5,550 was recognized in discontinued operations in 2011 At June 30, 2011, all assets and liabilities included in discontinued operations were sold

CHC operated Huntsville Memorial Hospital (HMH) under an operating agreement, as amended, with the Walker County Hospital District (WCHD) in which CHC was the sole member of HMH During 2010, WCHD and CHC agreed to terminate the operating agreement effective July 1, 2010, and the membership interest of HMH was transferred from CHC to WCHD Under the terms of a revised operating agreement, CHC was no longer the corporate member of HMH but did have a corporate and operating relationship with HMH The corporate and operating relationship under the revised operating agreement was limited to certain protective rights Since CHC was no longer a corporate member of HMH and the terms of the revised operating agreement did not give CHC operational control of HMH, CHC deconsolidated HMH effective July 1, 2010 The revised operating agreement was terminated effective January 1, 2011 At June 30, 2010, CHC recorded a contribution expense of $31,317 in discontinued operations to WCHD which was equivalent to the net assets of HMH A loss on disposal of $281 was recognized in discontinued operations in 2011 This facility was reclassified to discontinued operations during 2011 At June 30, 2011, all assets and liabilities included in discontinued operations were sold

Note 17: Acquisition of SMMC

On January 1, 2011, CHC became the sole corporate member of SMMC, a not-for-profit hospital that provides health care services in the LaGrange, Texas area The transaction enables CHC to continue its mission to provide financial and managerial oversight and support for not-for-profit community hospitals and to assist communities with the changing dynamics of the health care industry It is anticipated that SMMC will be able to improve its operations by leveraging the benefit of being part of a hospital system and through the management expertise of CHC There was no consideration transferred for the acquisition

The acquisition resulted in an inherent contribution received of $9,515, which represents the net recognized amount of the identifiable assets acquired over the liabilities assumed This amount has been included in contribution of net assets of St Mark's Medical Center in the accompanying consolidated statements of operations and changes in net assets

Note 18: Subsequent Events

Subsequent events have been evaluated through December 13, 2012, which is the date the financial statements were available to be issued

DISCLOSURE STATEMENT RELATED TO FORMS 5471, INFORMATION RETURN OF U S PERSONS WITH RESPECT TO CERTAIN FOREIGN CORPORATIONS, FILED ON BEHALF OF THE TAXPAYER

UNDER THE CONSTRUCTIVE OWNERSHIP RULES OF IRC SECTIONS 958(A) AND (B), THE TAXPAYER IS REQUIRED TO FILE FORMS 5471, INFORMATION RETURN OF U S PERSONS WITH RESPECT TO CERTAIN FOREIGN CORPORATIONS, AS A CATEGORY 5 FILER WITH RESPECT TO CERTAIN CONTROLLED FOREIGN CORPORATIONS (CFCS) THESE FILING REQUIREMENTS ARE OR WILL BE SATISFIED THROUGH THE FILING OF FORMS 5471 FOR THESE CFCS BY OTHER U S TAXPAYERS IDENTIFIED BELOW WHO HAVE THE SAME FILING REQUIREMENT

TAXPAYER NAME **ARTESIA GENERAL HOSPITAL**

ADDRESS **702 NORTH 13TH STREET, ARTESIA, NM 88201**

IDENTIFYING NUMBER OF U S TAX RETURN WITH WHICH THE FORMS 5471 WERE OR WILL BE FILED

75-2638469

IRS SERVICE CENTER WHERE U S TAX RETURN WAS OR WILL BE FILED E-FILED